



**FIFTH THIRD
SECURITIES**

Provisions of the Stimulus Bill Related to Government Infrastructure and Economic Development Bonds

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April 21st 2009




Presentation Summary

- 1) Temporary Expansion of Bank Qualified Bond Limits
- 2) Financing Provisions for Government Infrastructure
 - Build America Bonds (BABs)
 - Recovery Zone Economic Development Bonds (RZEDBs)
- 3) Bond Financings for Private Activities
 - Recovery Zone Facility Bonds
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- 6) New Market Tax Credits (NMTCs)
- 7) New Clean Renewable Energy Bonds (NCREBs)
- 8) Qualified Energy Conservation Bonds (QECBs)

Bond Ratings

The following table shows the comparable investment grade ratings of the three major rating agencies:

Bond Rating Services

| |  Moody's Investors Service |  STANDARD & POOR'S |  Fitch Ratings |
|--------------------|--|--|---|
| Best Quality | Aaa | AAA | AAA |
| | Aa1 | AA+ | AA+ |
| | Aa2 Aa3 | AA AA- | AA AA- |
| High Quality | A1 | A+ | A+ |
| | A2 | A | A |
| | A3 | A- | A- |
| Upper Medium Grade | Baa1 | BBB+ | BBB+ |
| | Baa2 | BBB | BBB |
| | Baa3 | BBB- | BBB- |

(Lower Interest Rates) ↑

Rating Disclosure:

The quality of any bond is based on the issuer's financial ability to make interest payments and repay the loan in full at maturity. Moody's and Standard & Poor's are independent credit rating services, evaluates the creditworthiness of bonds. They research the financial health of each bond issuer and assign ratings to the bonds being offered.

Moody's rates bonds Aaa (highest quality) to C (lowest quality) and applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa through Caa. Moody's append their ratings with a 1,2, or 3 indicators to show a bond's ranking within a category. For example, Aa1 is better than Aa2, and Aa2 is better than Aa3.

Standard & Poor's & Fitch rates bond AAA (highest quality) to BBB (medium) are considered investment grade. Bonds rated BB (speculative) to D (default) are considered non-investment grade. Standard & Poor's append their ratings with a plus or minus indicator to show a bond's ranking within a category. For example, A+ is better than A, and A is better than A-.

Expansion of “Bank Qualified Bonds” to \$30 Million for Government and all Non-Profits

- Section 265(b) of the Internal Revenue Code penalizes financial institutions for holding tax-exempt, non-Bank Qualified Obligations
- Section 265(b) disallows interest deductions taken by financial institutions
- Tax-exempt obligations issued by a "qualified small issuer" is an exception to the disallowance rule
- Prior to the Stimulus Bill, Governmental entities issuing tax exempt bonds were limited to a total of \$10 million in “bank qualified bonds” per calendar year.
- Within this \$10 million cap, governments were allowed to issue tax exempt bank qualified bonds for non-profits but these counted against their \$10 million limit.
- Most major governments reach that limit through the course of providing basic services. Thus, the authority to issue \$10 million in tax exempt bonds on behalf of 501(c)(3)'s was typically not of use to non-profits.

Bank Qualified Bonds - continued

- Under the Stimulus, each 501(c)(3) gets its own \$30 million limit. As a result, a Port Authority, a County, City, etc., are now in a position to issue \$30 million of Bank Qualified Bonds for themselves and to make additional issuances of up to \$30 million for **each and every** non-profit.
- This tool may be used to “refinance” certain existing debt and tax exempt bonds that are not “bank qualified.”
- This tool is only available for issues in 2009 and 2010, so time is of the essence.

Build America Bonds (BABs)

- New Category of Interest subsidized taxable bonds: BABs
 - Only be used for typical governmental purposes of states and local governments
- No Dollar Amount Limitation
- A local government that issues a bond that is otherwise eligible for tax exempt status may elect that the bond be issued as a taxable bond instead of a tax exempt bond
 - Which then entitles the bond holder to receive a tax credit equal to 35 percent of interest on the bond.

OR

- The issuing government may elect to take this tax credit in the form of a non-refundable payment from the Treasury as long as 100 percent of the proceeds are used for capital expenditures.
- These bonds must be issued before Jan 1, 2011.
- BABs cannot be refunded later by subsequent BABs. They can be refunded by subsequent tax-exempt bond issues, but would lose interest subsidy. Refundings would be subject to the two advance refunding rule
- BABs Issuer Credit Bonds can take out Interim Financings (Notes & BAN's) issued after 2-17-09

BABs Summary

Issuer Rebate Payment

- Payment to issuer is 35% of interest amount.
- Payment requested by issuer 45-90 days before bond payment date.
- Arbitrage yield is taxable yield less subsidy.
- Cannot use for refundings of prior issues, current or advance refundings.

Bondholder Credit

- Non-Refundable credit of 35% of taxable interest received provided to bondholder.
- Applies to taxable year of interest payment & may be carried forward
- Credit itself counts as taxable income – potentially reducing the value of the credit in reducing interest.
- Arbitrage yield is gross taxable rate.
- Can use for current and advance refundings.

Recent BABs

- **University of Minnesota - \$37,330,000 Revenue BABs**
 - Final Maturity December – 2028 – One Term Bond
 - Rating Moodys-Aa2, S&P-AA
 - Call option – Not Available
 - Priced to Yield 6.38% (35% Credit = 4.147%)
- **University of Virginia - \$250,000,000 Revenue BABs**
 - Final Maturity September – 2039 – One Term Bond
 - Rating Moodys-Aaa, S&P-AAA, FITCH-AAA
 - Call Option – Treasury + 40 BPS
 - Priced to Yield 6.221% (35% Credit= 4.04%)
- **New Jersey Turnpike - \$1,375,000,000 Revenue BABs**
 - Final Maturity January – 2040 – One Term Bond
 - Rating Moodys-A3, S&P-A+, FITCH-A
 - Priced to Yield 7.414% (4.819% Credit=4.819%)

Recent BABs

- Fifth Third Securities was a co-manager for the \$49,165,000 Milan Area, Michigan School District BAB issue that priced April 21st, 2009.
 - This was the first BAB issue that was priced with serial bonds as compared to one bullet maturity
 - Rated Moody's Aa3 – S&P AA-
 - First BAB par call in 2019
 - Final Maturity of 2034
- (please see pricing and related 35% credit equivalent on the following page)

Yield Curves as of 4/22/2009

Milan Area School District GO ULT

| | | Taxable | 35% Credit |
|----|------|---------|------------|
| 1 | 2010 | 2.53 | 1.64 |
| 2 | 2011 | 3.03 | 1.97 |
| 3 | 2012 | 3.66 | 2.38 |
| 4 | 2013 | 4.06 | 2.64 |
| 5 | 2014 | 4.31 | 2.80 |
| 6 | 2015 | 4.56 | 2.96 |
| 7 | 2016 | 4.85 | 3.15 |
| 8 | 2017 | 5.10 | 3.32 |
| 9 | 2018 | 5.60 | 3.64 |
| 10 | 2019 | 5.60 | 3.64 |
| 11 | 2020 | 6.10 | 3.97 |
| 12 | 2021 | 6.10 | 3.97 |
| 13 | 2022 | 6.45 | 4.19 |
| 14 | 2023 | 6.45 | 4.19 |
| 15 | 2024 | 6.45 | 4.19 |
| 16 | 2025 | 6.94 | 4.51 |
| 17 | 2026 | 6.94 | 4.51 |
| 18 | 2027 | 6.94 | 4.51 |
| 19 | 2028 | 6.94 | 4.51 |
| 20 | 2029 | 6.94 | 4.51 |
| 21 | 2030 | 7.10 | 4.62 |
| 22 | 2031 | 7.10 | 4.62 |
| 23 | 2032 | 7.10 | 4.62 |
| 24 | 2033 | 7.10 | 4.62 |
| 25 | 2034 | 7.10 | 4.62 |

Source: Fifth Third Trading



Recovery Zone Economic Development Bonds (RZEDBs)

- New Category of Interest subsidized taxable bonds: RZEDBs
 - Promoting development or other economic activity in a zone
- Stimulus Bill commits \$10 billion as a special category of Build America Bonds for “distressed” areas that provide a 45 percent tax credit to the issuer instead of a 35 percent tax credit if the proceeds are used for qualified purposes.
- Every government can elect to issue Build America Bonds, but Recovery Zone Economic Development Bonds are limited to \$10 billion nationally and will be allocated among the states and then to local governments based on job loss, poverty, etc.
- States will receive their allocation and will then sub-allocate to counties and large municipalities based on same criteria.
 - When calculating county employment decline, the employment decline in any large municipality located in that county is ignored.

Recovery Zone Economic Development Bonds (RZEDBs)

1. 100 percent of the proceeds must be used for qualified economic development purposes, which are:
 - capital expenses paid for or incurred with respect to property located in the zone;
 - expenditures for public infrastructure and construction of public facilities located in such zone; and
 - expenditures for job training and educational purposes.
2. Recovery Zone Economic Development Bonds can be used more liberally than Build America Bonds. For example, the proceeds can be used with respect to private property if the property is located in a recovery zone area.
3. Davis Bacon applies to these bonds.

The local government can assign an area as a qualified recovery zone if the proposed area contains:

1. Significant poverty, unemployment, home foreclosures or general distress; or
2. Current designation as an empowerment zone or renewal community; or
3. An area of distress because of a military base closing in 1990.
 - Once local authorities obtain their issuing authority for a specified amount, local governments can issue these bonds as tax exempt private activity bonds if 95 percent of net proceeds are used to finance depreciable property.
 - The private activity that is helped by the proceeds must conduct its business primarily in the “recovery zone” area.

Recovery Zone Facility Bonds for Private Activity (RZFBs)

- New Category of Interest subsidized taxable bonds: RZFBs
- Stimulus Bill creates \$15 billion of a new category of tax exempt private activity bonds for use in Recovery Zones.
- States will receive their share of this \$15 billion based on job loss, poverty, etc., and then the States must sub-allocate to counties and large municipalities based on these same criteria.
- Can be issued only by a County or large municipality after receiving the suballocation from the state. (act not specific)

Additional requirements regarding the use of the proceeds:

Must be for property:

1. acquired after zone designated;
2. not previously financed; and
3. must be used in active conduct of business that is in zone.

Restriction:

- These proceeds cannot be used for residential rental property or for traditionally banned uses of government money, like gambling, adult entertainment, and carry out liquor stores.

Davis Bacon does not apply to these bonds but Ohio Prevailing Wage law probably will.

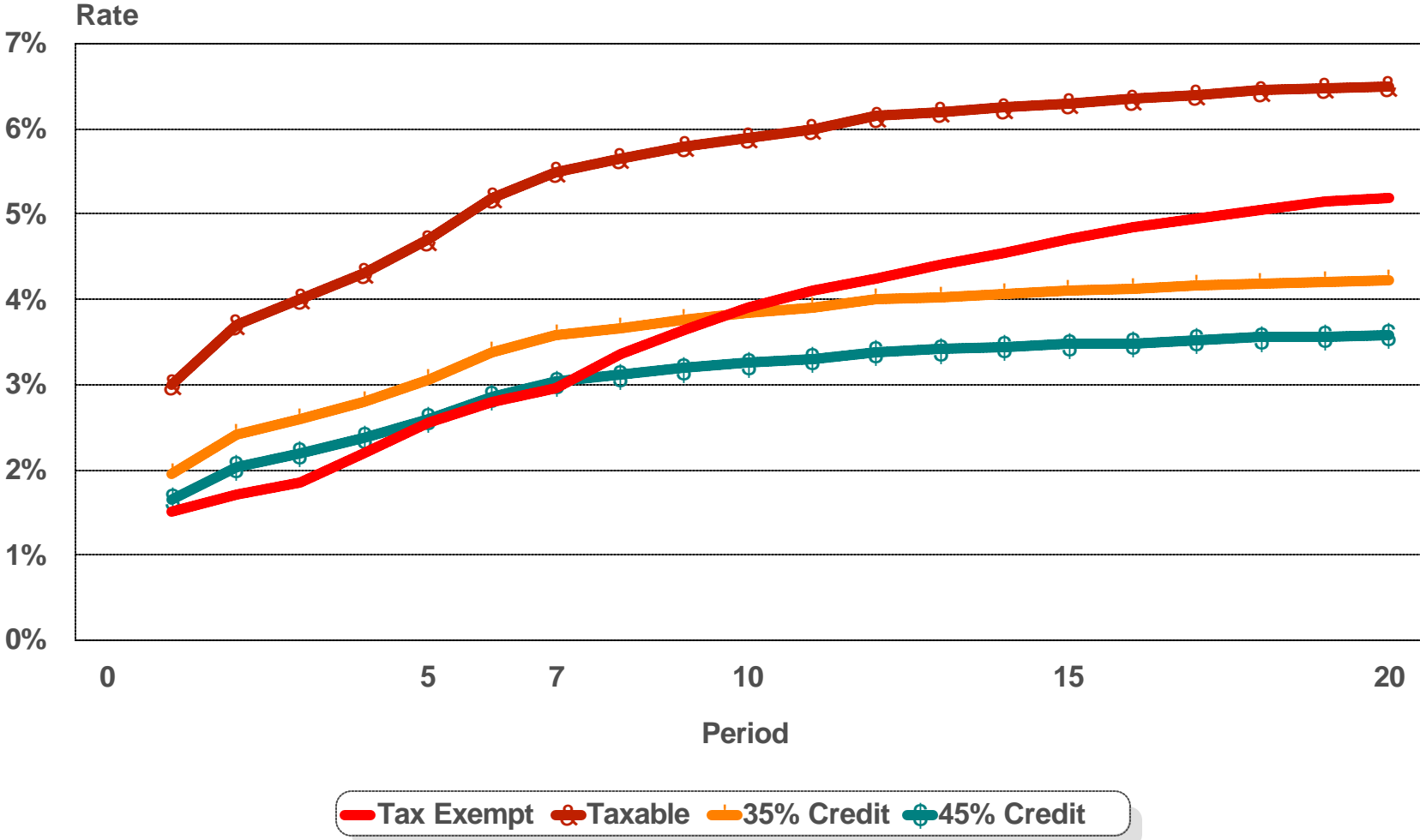
Recovery Zone Facility Bonds for Private Activity

- Impact:
 - Potential to provide tax-exempt financing to businesses that do not fit within the parameters of "manufacturing"
 - Potentially encourages businesses to purchase existing property (or refinance existing property) property without having to comply with existing rehabilitation requirements, pending further guidance from the IRS
 - Potentially encourages the sale of unused property in a recovery zone to new users
 - Potential to purchase existing equipment from outside the recovery zone and transfer it into the zone whether such moveable property is new or existing

Rate Comparison

Aa1-AA+ Municipal Bonds

(Fixed Rates as of 4-7-09)



Yield Curves as of 4/7/2009

General Obligations - Moody's Aa1 - S&P (AA+)

| | | Tax- Exempt | Taxable | 35% Credit | 45% Credit | 35% Spread | 45% Spread |
|----|------|----------------|---------|---------------|---------------|---------------|---------------|
| 1 | 2010 | 1.50 | 3.00 | 1.95 | 1.65 | -0.45 | -0.15 |
| 2 | 2011 | 1.70 | 3.70 | 2.41 | 2.04 | -0.71 | -0.34 |
| 3 | 2012 | 1.85 | 4.00 | 2.60 | 2.20 | -0.75 | -0.35 |
| 4 | 2013 | 2.20 | 4.30 | 2.80 | 2.37 | -0.60 | -0.17 |
| 5 | 2014 | 2.55 | 4.70 | 3.06 | 2.59 | -0.51 | -0.04 |
| 6 | 2015 | 2.80 | 5.20 | 3.38 | 2.86 | -0.58 | -0.06 |
| 7 | 2016 | 2.95 | 5.50 | 3.58 | 3.03 | -0.63 | -0.08 |
| 8 | 2017 | 3.35 | 5.65 | 3.67 | 3.11 | -0.32 | 0.24 |
| 9 | 2018 | 3.65 | 5.80 | 3.77 | 3.19 | -0.12 | 0.46 |
| 10 | 2019 | 3.90 | 5.90 | 3.84 | 3.25 | 0.06 | 0.65 |
| 11 | 2020 | 4.10 | 6.00 | 3.90 | 3.30 | 0.20 | 0.80 |
| 12 | 2021 | 4.25 | 6.15 | 4.00 | 3.38 | 0.25 | 0.87 |
| 13 | 2022 | 4.40 | 6.20 | 4.03 | 3.41 | 0.37 | 0.99 |
| 14 | 2023 | 4.55 | 6.25 | 4.06 | 3.44 | 0.49 | 1.11 |
| 15 | 2024 | 4.70 | 6.30 | 4.10 | 3.47 | 0.61 | 1.24 |
| 16 | 2025 | 4.85 | 6.35 | 4.13 | 3.49 | 0.72 | 1.36 |
| 17 | 2026 | 4.95 | 6.40 | 4.16 | 3.52 | 0.79 | 1.43 |
| 18 | 2027 | 5.05 | 6.45 | 4.19 | 3.55 | 0.86 | 1.50 |
| 19 | 2028 | 5.15 | 6.48 | 4.21 | 3.56 | 0.94 | 1.59 |
| 20 | 2029 | 5.20 | 6.50 | 4.23 | 3.58 | 0.98 | 1.63 |

Source: Fifth Third Trading



Yield Curves as of 4/7/2009

Interest Due on \$10,000,000 Level Debt Service

| | | Tax-Exempt | Taxable | 35% Rebate | 35% Credit | 45% Credit | 35% Spread | 45% Spread |
|--------------------------|------|--------------|--------------|-------------|-------------|--------------|------------|-------------|
| 1 | 2010 | \$ 393,268 | \$ 572,085 | \$ 200,230 | \$ 371,844 | \$ 314,672 | \$ 21,424 | \$ 78,596 |
| 2 | 2011 | 387,718 | 560,985 | 196,345 | 364,629 | 308,567 | 23,089 | 79,151 |
| 3 | 2012 | 381,343 | 547,110 | 191,488 | 355,592 | 300,917 | 25,751 | 80,426 |
| 4 | 2013 | 374,220 | 531,710 | 186,098 | 345,582 | 292,447 | 28,639 | 81,774 |
| 5 | 2014 | 365,640 | 514,940 | 180,229 | 334,662 | 283,204 | 30,979 | 82,437 |
| 6 | 2015 | 355,440 | 496,140 | 173,649 | 322,422 | 272,844 | 33,019 | 82,597 |
| 7 | 2016 | 343,960 | 474,820 | 166,187 | 308,564 | 261,118 | 35,397 | 82,843 |
| 8 | 2017 | 331,570 | 451,720 | 158,102 | 293,528 | 248,392 | 38,043 | 83,179 |
| 9 | 2018 | 317,165 | 427,425 | 149,599 | 277,747 | 235,019 | 39,419 | 82,147 |
| 10 | 2019 | 300,923 | 401,615 | 140,565 | 260,970 | 220,823 | 39,953 | 80,100 |
| 11 | 2020 | 282,788 | 373,947 | 130,881 | 243,114 | 205,711 | 39,674 | 77,077 |
| 12 | 2021 | 263,108 | 345,147 | 120,801 | 224,394 | 189,871 | 38,714 | 73,237 |
| 13 | 2022 | 241,858 | 314,397 | 110,039 | 204,394 | 172,971 | 37,464 | 68,887 |
| 14 | 2023 | 217,938 | 282,157 | 98,755 | 183,438 | 155,239 | 34,500 | 62,699 |
| 15 | 2024 | 193,140 | 248,095 | 86,833 | 161,311 | 136,491 | 31,829 | 56,650 |
| 16 | 2025 | 166,350 | 212,185 | 74,265 | 137,941 | 116,712 | 28,409 | 49,639 |
| 17 | 2026 | 137,250 | 174,085 | 60,930 | 113,161 | 95,772 | 24,089 | 41,479 |
| 18 | 2027 | 106,313 | 134,085 | 46,930 | 87,161 | 73,772 | 19,152 | 32,541 |
| 19 | 2028 | 73,235 | 91,837 | 32,143 | 59,717 | 50,519 | 13,519 | 22,716 |
| 20 | 2029 | 37,700 | 47,125 | 16,494 | 30,668 | 25,955 | 7,033 | 11,745 |
| Totals | | \$ 5,270,923 | \$ 7,201,603 | \$2,520,561 | \$4,680,835 | \$ 3,961,008 | \$ 590,088 | \$1,309,915 |
| (NIC) Net Interest Costs | | 4.49% | 6.14% | | 3.99% | 3.38% | | |

Source: Fifth Third Trading



SWAP Rates

Yield Curves as of 4/7/2009

SWAP Rates - Moody's Aa1 - S&P (AA+)

| | | SIFMA | LIBOR | 35% Credit | 45% Credit | 35% Spread | 45% Spread |
|----|------|-------|-------|---------------|---------------|---------------|---------------|
| 1 | 2010 | 0.85 | 1.15 | 0.75 | 0.63 | 0.10 | 0.22 |
| 2 | 2011 | 1.09 | 1.42 | 0.92 | 0.78 | 0.17 | 0.31 |
| 3 | 2012 | 1.40 | 1.77 | 1.15 | 0.97 | 0.25 | 0.43 |
| 4 | 2013 | 1.70 | 2.08 | 1.35 | 1.14 | 0.35 | 0.56 |
| 5 | 2014 | 1.95 | 2.33 | 1.51 | 1.28 | 0.44 | 0.67 |
| 7 | 2015 | 2.28 | 2.69 | 1.75 | 1.48 | 0.53 | 0.80 |
| 10 | 2016 | 2.58 | 2.99 | 1.94 | 1.64 | 0.64 | 0.94 |
| 15 | 2017 | 2.90 | 3.29 | 2.14 | 1.81 | 0.76 | 1.09 |
| 20 | 2018 | 3.01 | 3.35 | 2.18 | 1.84 | 0.83 | 1.17 |
| 30 | 2019 | 3.12 | 3.36 | 2.18 | 1.85 | 0.94 | 1.27 |

Source: Fifth Third Trading

Industrial Development Bonds (IDBs)

- Stimulus act **TEMPORARILY** expands the definition of “manufacturing facilities” in the small-issue IDB provisions to include any facility that is used in the manufacturing, creation, or production of tangible property or intangible property (any patent, copyright, formula, process, design, know-how, format or similar item).
- Companies cannot spend more than \$20mm for capital expenditures for the 6 year period
 - 3 Years before and 3 years after the issuance of the bonds
- Subject to volume cap allocation from the State of Ohio
- Private company cannot have more than \$10 million of IDBs outstanding in a particular jurisdiction

New Markets Tax Credits (NMTC)

- Designed to compensate investors for perceived risk of investing in Low Income Communities.
- The Federal Government allocated \$5 billion in NMTC's for 2008. Previous years have ranged from \$1 billion to \$3.5 billion.
- A "Community Development Entity" (CDE) must win an allocation of credits from the Treasury Department, and then decide to invest those credits in eligible projects.
- A CDE can be corporations, partnerships, LLCs, non profits, for profits, and even governments if they are classified as corporations.

New Clean Renewable Energy Bonds (NCREBs)

- Additional \$1.6 Billion authorized – No Deadline
- Bondholder credit
 - NCREBS provide a tax credit equivalent to 70% of the credit rate announced by the Treasury which is set daily.
- Who can apply?
 - Public Power Providers, Cooperative Electric Companies, Clean Renewable Energy Bond Lenders, and Not-for-profit electric utilities.
 - A government body need not own and operate a public power system, unless required by state law to be eligible (for example, a school district installing a wind turbine to provide power to the school building)
- What Projects Qualify:
 - Wind facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal facilities, solar energy facilities, small irrigation power facilities, qualified hydropower facilities, landfill gas facilities, marine and hydrokinetic renewable energy facilities, and trash combustion facilities.

Qualified Energy Conservation Bonds (QECCBs)

- Additional \$3.2 Billion authorized – No Deadline
- Bondholder credit
 - NCREBS provide a tax credit equivalent to 70% of the credit rate announced by the Treasury which is set daily.
- What projects Qualify?
 - Capital expenditures incurred for the purpose of:
 - Reducing Energy Consumption in Publicly-owned buildings by at least 20%
 - Implementing green community programs
 - Rural development involving the production of electricity from renewable energy sources
 - Wind facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal facilities, solar energy facilities, small irrigation power facilities, qualified hydropower facilities, landfill gas facilities, marine and hydrokinetic renewable energy facilities, and trash combustion facilities

Qualified Energy Conservation Bonds (QECCBs) -continued

- What projects Qualify?
 - Expenditures with respect to research facilities and research grants to support research in:
 - Technologies to reduce energy use in buildings
 - Mass commuting facilities and related facilities that reduce the consumption of energy including expenditures to reduce pollution from vehicles used for mass commuting
 - Green Building technology
 - Technologies to reduce peak use of electricity
 - Many more relating to the reduced uses of fossil fuel consumption
- How will the QECCB issuance authority be allocated and awarded?
 - Allocated among states based upon population in proportion to the national population
 - Allocated within states based upon population of the large local governments to the states population

Fifth Third Securities Public Finance Professional

Andrew J. Brossart, CPA, Vice President – Public Finance Group

Mr. Brossart joined Fifth Third Securities in 2005. Mr. Brossart has seven years of banking experience. Prior to working in municipal finance, he spent for four years as the Director of Finance and Administration for the state's first Transportation Improvement District (TID) in Butler County. Mr. Brossart oversaw the implementation of innovative financing techniques for large road improvement projects. While at the TID, Mr. Brossart worked in cooperation with a team of underwriters on the issuance of \$158 million in highway construction bonds.

Prior to joining the TID, Mr. Brossart served as Deputy Auditor for the Butler County Auditor's office. At Fifth Third Securities, Mr. Brossart applies his experience with innovative financing to his work with cities, counties, townships and special multi-government districts. Mr. Brossart is a graduate of Xavier University with a major in Accounting and is a licensed Certified Public Accountant in the State of Ohio. Mr. Brossart is registered with FINRA as a General Securities Representative and Uniform Securities Agent (Series 7 and 63).

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