

February 18, 2010

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SURVEY RESULTS

BABs or RZEDBs:

All direct payments to issuer
Dated on or after 11/1/2009
In EMMA system as of 01/04/2010
Searched by “BAB” or “Build” or “Recovery”
Principal amount over \$5 million
With form of opinion (so 6 or 7 were left out)

164 total issues

from 38 states, with bond or tax
opinions from 68 different firms; one
firm appeared 12 times, no other firm
more than 7 times.

QSCBs:

Dated on or after 11/1/2009
In EMMA system as of 01/04/2010
Searched by “Credit” or “QSCB”
Principal amount over \$5 million
With form of opinion (all listed had a form)

42 total issues

from 26 states, with bond or tax
opinions from 30 different firms; one
firm appeared 4 times, 6 other firms
appeared 2 or 3 times.

230 Disclaimer or Not?

Considered Separately:

	<u>BABs</u>	<u>Percentage</u>	<u>QSCBs</u>	<u>Percentage</u>
Disclaimer In OS	108 of 164	65.9 %	42 of 42	100.0 %
Disclaimer In Opinion	56 of 164	34.1 %	35 of 42	83.3 %

Considered in Pairs:

<u>In OS</u>	<u>In Opinion</u>	<u>BABs</u>	<u>Percentage</u>	<u>QSCBs</u>	<u>Percentage</u>
Yes	Yes	50	30.5 %	35	83.7 %
Yes	No	58	35.4	7	16.3
No	Yes	6	3.6	0	0
No	No	50	30.5	0	0
		<u>164</u>	<u>100.0 %</u>	<u>42</u>	<u>100.0 %</u>

230 Disclaimer: Long form or Short form?

	Official Statement				Opinion			
	BABs	Percentage	QSCBs	Percentage	BABs	Percentage	QSCBs	Percentage
Long ¹	104	96.3 %	42	100 %	40	71.4 %	27	77.1 %
Short	4	3.7	0	0	16	28.6	8	22.9
	108	100.0 %	42	100 %	56	100.0 %	35	100.0 %

1. “Long” form is a disclaimer for a **marketed opinion** and includes language to also disclaim 230 application for a **reliance opinion**. “Short” form only disclaims 230 application for a **reliance opinion**.

BAB/RZEDB Opinions

Points Made	Out of 164	Percentage
Interest is includable or not excludable	115	70.1 %
Silent on interest taxability	36	22.0
States no opinion on interest taxability	13	7.9
	164	100.0 %
States that Bonds are BABs	10	6.1 %

**Correlation of 230 Disclaimers in Opinions to
BAB/RZEDB Opinion Points**

	Interest Included		Silent on Interest		No Opinion on Interest		Bonds are BABs	
	No.	Percentage	No.	Percentage	No.	Percentage	No.	Percentage
Long Form	35	30.4%	5	13.9%	0	0.0%	2	20.0%
Short Form	12	10.4	4	11.1	0	0	0	0
No Disclaimer	68	59.2	27	75.0	13	100.0	8	80.0
	115	100.0%	36	100.0%	13	100.0%	10	100.0%

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QSCB Opinions

<u>Points Made</u>	<u>Out of 42</u>	<u>Percentage</u>
States that Bonds are a QSCB issue	42	100.0 %
Holders get a credit	41	97.6
Credit amount is taxable	41	97.6
Interest is includable or not excludable	29	69.0 %
Silent on interest taxability	8	19.1
States no opinion on interest taxability	5	11.9
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	42	100.0 %
Silent on ability to strip credits; may indirectly indicate stripping might occur	39	92.9 %
States no opinion on strips or stripping	3	7.1
	<hr/>	<hr/>
	42	100.0 %

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BAB/RZEDB Disclosure

<u>Subject</u>	<u>Out of 164</u>	<u>Percentage</u>
Interest is includable/taxable or not excludable ²	161	98.2 %
Bonds are BABs or RZEDBs	98	59.8
Disposition, sale, transfer – recognition, gain/loss, etc.	87	53.0
Treatment of discount (market and/or original issue)	77	47.0
Backup withholding rules	76	46.3
Treatment of premium (not just “talk to advisor”)	53	32.3
Foreign investors (more than just withholding rules)	50	30.5
No credit to holders	43	26.2
Information reporting – 1099s, etc.	42	25.6
Defeasance may be reissuance leading to recognition	38	23.2
Conditions to Issuer’s receipt of direct credit payments	27	16.5
ERISA matters (sometimes a separate section)	25	15.2
Bonds are a debt instrument	20	12.2
Disclosure assumes U.S. holders only	14	8.5
Treatment by tax-exempt investors	10	6.1
Differences in accrual v. cash treatment by holders	8	4.9
European Union savings taxation	5	3.0
U.S. estate taxation	2	1.2
Bonds are not private activity bonds	1	0.6
	<u>Out of 56</u>	<u>Percentage</u>
Disclosure that bond opinion has 230 disclaimer	3	5.4 %
	<u>Out of 36</u>	<u>Percentage</u>
Disclosure that opinion is silent on interest taxability	6	16.7 %
	<u>Out of 13</u>	<u>Percentage</u>
Disclosure that opinion states no opinion on interest taxability	8	61.5 %

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2. Each of the 3 issues where the Official Statement does not make this disclosure has “Federally Taxable” in the name of the bonds.

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QSCB Disclosure

Subject	Out of 42	Percentage
Bonds are QSCBs	42	100.0 %
Holder get a credit	42	100.0
Credit is taxable	42	100.0
Backup withholding rules	40	95.2
Information reporting – 1099s, etc.	38	90.5
Limitation on credit amount	33	78.6
Carryover of unused credit	33	78.6
Treatment of discount (market and/or original issue)	33	78.6
Credit is stripable	29	69.0
Interest is includable/taxable or not excludable	29	69.0
Credit may be used for estimated taxes	29	69.0
Disposition, sale, transfer – recognition, gain/loss, etc.	28	66.7
Bonds are a debt instrument	18	42.9
Recognition treatment/calculation on sale of a strip by Bondholder	17	40.5
Treatment of discount as interest on a strip	17	40.5
Differences in accrual v. cash treatment before stripping	16	38.1
Risk of immediate stripping by underwriters – “recharacterization”	16	38.1
Differences in treatment for short term strips	14	33.3
Separate discussion of problems “reporting” strip income to holders	14	33.3
Warning on risk of adverse effect of future regulations on strips	11	26.2
Disposition, sale, transfer – recognition, gain/loss, etc. for strips	11	26.2
Warning on risk of adverse effect of future legislation on strips	9	21.4
Recombination discussion	6	14.3
States no disclosure is given on treatment after stripping	4	9.5
Treatment of premium (not just “talk to advisor”)	3	7.1
Defeasance may be reissuance leading to recognition	2	4.8
ERISA treatment	2	4.8
Possibility of constant yield election	1	2.4
	<u>Out of 35</u>	<u>Percentage</u>
Disclosure that bond opinion has 230 disclaimer	2	5.7 %
	<u>Out of 13</u>	<u>Percentage</u>
Disclosure that opinion is silent or states no opinion on interest taxability	0	0.0 %

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