# Distressed Muni Prospector

## Profiles of Municipal Issuers Facing Unique Challenges

September 22, 2014
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**Distressed Muni Prospector** identifies and profiles United States entities with publicly traded municipal bonds exhibiting unique circumstances which may be indicative of early signs of strain or difficulty. This is designed to support the niche marketing programs of professional firms. The Muni Prospector features municipalities that meet strictly defined predetermined criteria. Information is compiled weekly and the Muni Prospector is distributed by e-mail to arrive before 9:00 a.m. every Monday. For each municipal entity identified, the Muni Prospector provides the trigger event and enough information to assess the prospect and pursue any opportunities.

**DISCLAIMER:** The conditions for inclusion in **Distressed Muni Prospector** are selected by the editors because, in their opinion, the occurrence of such an event or the existence of such a circumstance is a likely indicator of current or prospective financial or operating difficulty. There are, however, other reasons why such facts or circumstances may exist. The inclusion of a profile suggests the possibility of future financial distress or the possibility that the municipal entity may be of interest to workout professionals for some other reason. Inclusion should NOT be construed to represent analysis of the condition of the issuer or a definitive determination that the entity is in difficulty.

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**Distressed Muni Prospector Profile Categories**

In order to appear in **Distressed Muni Prospector**, a municipal entity must meet one of the conditions listed below, and the entity must be at risk of distress in the opinion of the editors. In many cases, when a profiled municipal entity meets another condition, it will appear in a subsequent issue again.

**1. Bankruptcy.** The municipal entity files a voluntary Chapter 9 or Chapter 11 bankruptcy.

**2. Default.** A significant event of default is reported with respect to an entity's obligations. Usually this will be a default in payment of principal or interest on debt.

**3. Distressed Exchange Offer.** The municipal entity announces an exchange or tender offer for outstanding debt at a significant discount from face value.

**4. Restructuring.** The municipal entity proposes a significant restructuring of its obligations.

**5. Maturing Obligation.** An obligation issued by the municipal entity is maturing within the next 365 days and is trading with an above-average yield.

**6. Debt at Deep Discount.** The municipal entity's public debt trades with a current yield or yield-to-maturity in excess of the lower of 7% or 100 basis points over peer debt with a comparable rating and maturity.

**7. Debt Yield Spike.** The municipal entity's public debt trades with a current yield or yield-to-maturity at least 1% higher than the recent reported trades prior to the current week.

**7. Low Rating.** The municipal entity's public debt is downgraded (or new rating is set) by a major rating agency to or below a level indicating a "current vulnerability to default," such as Standard & Poor's B rating.

**8. Covenant Problems.** The entity violates or indicates that it is likely to violate covenants in its debt agreements.

**9. Low Investor Demand.** The entity's auction rate securities have a bid-to-cover ratio of less than 1.00 excluding bonds purchased by inter-dealer brokers as reported by the Municipal Securities Rulemaking Board.

**10. Elevated Auction Rate.** Following the most recent auction, the entity's auction rate securities trade with a yield at or close to of the maximum allowed under the issue's indentures.

**10. Miscellaneous.** Some other event occurs or is reported which, in the opinion of the editors, indicates that the entity may be in or approaching financial distress or otherwise raises doubts about the future prospects of the timely repayment of debt obligations.

**A note about auction rate securities:** Auction rate securities have their interest rates set based on periodic auctions where investing parties agree to invest in the notes at a given rate. If insufficient demand for those notes is achieved, then the bank managing the auction takes on the remaining notes outstanding and the rate for the securities is the maximum rate allowed under the terms of the debt. This rate is often tied to a floating benchmark like LIBOR. When the managing bank has to take on the auction rate securities, the auction has a bid-to-cover ratio of less than 1. If the managing bank does not step in to buy the excess bonds, then the auction is said to have failed. While neither a failed auction nor an auction with a bid-to-cover of less than one have immediate implications for the issuer, the results are still a negative long-run event as it forces the entity to pay higher interest rates than they would otherwise have to pay, and it forces them to rely on auctions for funding in the future which reduces their financial flexibility. In addition, a legacy of failed auctions can have negative repercussions for an issuer that wants to issue fixed rate debt in the future in that the failed auctions may be indicative of general market wariness about the issuer.

**A note about pass-through issuances:** Many bonds in the municipal markets, especially for smaller entities are issued by larger municipalities on a pass-through basis. When this occurs, the larger entity, though they are the bond issuer, is generally not responsible for the debt. Instead, the bonds are issued on behalf of a smaller obligor with the interest from the bonds payable out of revenues from the project in question. Nonetheless, despite the lack of legal obligation for the issuer to cover the bond interest payments incurred by the obligor’s debts, issuers will sometimes lend money to troubled obligors. This may be done for one of several reasons including a desire to stave off financial problems at the obligor, a need to avoid having a bankruptcy associated with the issuer even indirectly, or an on-going relationship between issuer and obligor on other projects. With that in mind, it is sometimes worth consulting with a pass-through entity regarding the status of the obligor, as the pass-through entities do have a vested interest in seeing the obligor’s projects succeed.

**South Carolina Student Loan Corp (Revenue Auction Rate Securities)**

**South Carolina Student Loan Corp**
**8906 Two Notch Rd, Columbia SC 29223**
**803-798-0916**

**Category:** Low Investor Demand, Maximum Rate Paid At Debt Auction
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 83715AAD1

**Dated Date:** 10/25/2006
**Maturity Date:** 09/04/2046
**Security Type:** Auction Rate Security (28 Day Reset)
**Interest Rate:** 2.654% (Maximum Rate: 2.65%)
**Principal Amount At Issuance:** $91,000,000

**Event:** Issuer's most recent bid-to-cover ratio at auction (excluding broker-dealer purchases) was 0.144. Auctions over the last six-months have seen similar bid-to-cover ratios indicating low retail investor participation levels in auction's for the entity's debt. These bid-to-cover ratios are down from levels seen early in 2014 and late in 2013. The auction bid-to-cover ratios during that period was roughly 0.20. In the absence of either continuing support for the issue by broker dealers or significantly increased retail investor participation in future auctions, issuer's auctions would fail. The entity's long term debt is rated CC by S&P.

**Description:** The issuer of the bonds is a South Carolina nonprofit corporation providing student lending services. The entity is a debt collection subcontractor for the US Department of Education as of January 1, 2011. The entity through its subsidiaries previously acted as a servicer of student loans for the DOE starting in October 2012, but it ceased these activities and transferred its existing loan portfolio to another service in August 2013.

**Key Persons:** Fredrick T. Himmelein, Esq., Chairman

**Bond Trustee:** Wells Fargo, Bondholder Communications 800-344-5128

**Securities:** Related securities under the same issue include 83715AC3 ($91,000,000 in initial principle amount at issuance).

**Notes:** Professional firms working with this entity in the past have included RBC Capital Markets (underwriters), McNair Law Firm (note counsel), and Wilmington Trust Co (auction agent).

**New York State Energy Research and Development – Niagara Mohawk Power**

**New York State Energy Research and Development Authority (NYSERDA)**
**17 Columbia Circle, Albany NY 12203-6399**
**518-862-1091**

**Niagara Mohawk Power Corp**
**300 Erie Blvd W, Syracuse NY 13202**
**315-474-1511**

**Category:** Low Investor Demand, Maximum Rate Paid At Debt Auction
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 649845FU3

**Dated Date:** 12/26/1985
**Maturity Date:** 12/01/2025
**Security Type:** Auction Rate Security (7 Day Reset)
**Interest Rate:** 0.384% (Maximum Rate: 0.38%)
**Principal Amount At Issuance:** $37,500,000

**Event:** Issuer's most recent bid-to-cover ratio at auction (excluding broker-dealer purchases) was 0.157. Auctions over the last six-months have seen similar bid-to-cover ratios indicating low retail investor participation levels in auction's for the entity's debt. In the absence of either continuing support for the issue by broker dealers or significantly increased retail investor participation in future auctions, issuer's auctions would fail. The entity's long term debt is rated A by S&P.

**Description:** The issuer of the bonds is a New York state agency acting on behalf of the Niagara Mohawk Power Corporation. Niagara Mohawk is an upstate utility company with about 1.6M electric customers and 600K natural gas customers. Niagara is a regional subsidiary of UK-based National Grid. The Niagara Mohawk subsidiary reported a ~$200M operating profit in 2013, but it failed to file its annual financial information in a timely fashion in 2014 and 2013 as agreed under the bond's continuing disclosure agreements. The maximum rate cited above is subject to change as it is pegged to broader indices.

**Key Persons:** Richard Kauffman, NYSERDA Chair; John B. Rhodes; NYSERDA CEO

**Bond Trustee:** The Bank of New York Mellon, Bondholder Communications 800-254-2826

**Securities:** N/A

**Notes:** N/A

**New York State Energy Research and Development – New York Electric & Gas Corp**

**New York State Energy Research and Development Authority (NYSERDA)**
**17 Columbia Circle, Albany NY 12203-6399**
**518-862-1091**

**New York Electric and Gas**
**18 Link Drive, Binghamton, NY 13904**
**607-762-7200**

**Category:** Low Investor Demand, Maximum Rate Paid At Debt Auction
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 649845CF5

**Dated Date:** 08/26/2004
**Maturity Date:** 04/01/2034
**Security Type:** Auction Rate Security (7 Day Reset)
**Interest Rate:** 0.424% (Maximum Rate: 0.42%)
**Principal Amount At Issuance:** $100,000,000

**Event:** Issuer's most recent bid-to-cover ratio at auction (excluding broker-dealer purchases) was 0.391. Auctions over the last six-months have seen similar bid-to-cover ratios indicating low retail investor participation levels in auction's for the entity's debt. In the absence of either continuing support for the issue by broker dealers or significantly increased retail investor participation in future auctions, issuer's auctions would fail. The entity's long term debt is rated A by S&P.

**Description:** The issuer of the bonds is a New York state agency acting on behalf of the New York Electric and Gas Company based in Binghamton NY. NYSEG is a subsidiary of Iberdrola USA (Robert Kump, CEO). The maximum rate cited above is subject to change as it is pegged to broader indices.

**Key Persons:** Joseph Syta, Controller and Treasurer of NYSEG

**Bond Trustee:** The Bank of New York Mellon, Bondholder Communications 800-254-2826

**Securities:** N/A

**Notes:** Professional firms working with the entity in the past have included PricewaterhouseCoopers LLP (auditors), Hawkins Delafield & Wood LLP (bond counsel), LeBoeuf, Lamb, Greene, & MacRae LLP (obligor's counsel), Kutak Rock LLP (insurer's counsel), Nixon Peabody LLP (underwriter's counsel), Merrill Lynch (co-underwriters), and JPMorgan (co-underwriters).

**Indiana Secondary Market for Education Loans**

**Indiana Secondary Market for Education Loans, Inc.**
**251 N. Illinois St, Ste 400, Indianapolis, IN 46204**
**317-715-9000**

**Category:** Low Investor Demand, Maximum Rate Paid At Debt Auction
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 455900AS9

**Dated Date:** 12/09/2003
**Maturity Date:** 12/01/2038
**Security Type:** Auction Rate Security (7 Day Reset)
**Interest Rate:** 1.564% (Maximum Rate: 1.56%)
**Principal Amount At Issuance:** $34,200,000

**Event:** Issuer's most recent bid-to-cover ratio at auction (excluding broker-dealer purchases) was 0.667. Auctions over the last six-months have seen similar bid-to-cover ratios indicating low retail investor participation levels in auction's for the entity's debt. In the absence of either continuing support for the issue by broker dealers or significantly increased retail investor participation in future auctions, issuer's auctions would fail. The entity's long term debt is rated AA+ by S&P.

**Description:** The issuer of the bonds is an Indiana student loan company. The entity was an active issuer of debt from 1998 through 2007 issuing more than $1.5B in taxable and tax-exempt obligations. Since that time though, the issuer has not issued any additional debt for reasons that are unclear. All of the entity's variable rate bonds were rated AA+ by S&P as of August 12, 2014.

**Key Persons:** Joseph Wood, President of Indiana Secondary Market for Education Loans; Jennifer Eckert, Trustee Representative

**Bond Trustee:** Zion's First National Bank, Corporate Trust Dept: 720-947-7465

**Securities:** N/A

**Notes:** Professional firms working with the entity in the past have included Orrick, Herrington, & Sutcliffe LLP (bond counsel), Barnes & Thornburg (issuer's counsel), Kreig DeVault LLP (underwriter's counsel), UBS Financial Services Inc (underwriter), Kildare Capital Inc (auction agent), and Katz, Sapper, & Miller LLP (auditors).

**Public Building Authority of Sevier County TN**

**City of Sevierville**
**120 Gary Wade Blvd, Sevierville, TN 37862**
**865-453-5504**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 818203AQ4

**Dated Date:** 07/12/2000
**Maturity Date:** 06/01/2026
**Security Type:** Variable Rate Demand Obligation (7 Day Reset)
**Interest Rate:** 3.55% (Maximum Rate: 15%)
**Aggregate Par Amount** $18,500,000

**Event:** The variable rate debt of the Public Building Authority of Sevier County TN is trading at an above average yield for variable rate debt with 12 years to maturity. The issuer carries an A-rating from S&P and has initiated five partial bond calls over the last five years in April of each year. This suggests the issuer may be interested in altering the structure of their outstanding obligations.

**Description:** The issuer of the bonds is a county authority based in Sevierville TN. The entity used the proceeds of the debt offering to make loans to cities, towns, and other municipal entities in the state of TN for the purpose of financing the construction or improvement of public works projects. The debt is backed only by the revenues from these loans rather than by the taxing power of the county.

**Key Persons:** Vic Weals, Secretary Treasurer; John McClure, Vice Chair; Lynn McClurg, Director of Finance

**Bond Trustee:** Regions Bank, Corporate Trust Operations: 866-512-3479

**Related Securities:** N/A – Event of concern is specific to this particular issue rather than endemic across all obligations of the entity.

**Notes:** Professional firms associated with the issue in the past have included Cumberland Securities (underwriter), Morgan Keegan & Co (Remarketing Agent), Bass, Berry, & Sims PLC (bond counsel), Sharp & Ripley PLLC (issuer's counsel), Robertson, Ingram, & Overbey (underwriter's counsel), and Brown Jake & McDaniel, PC (auditors).

**Buckeye Ohio Tobacco Settlement Financing Authority**

**Buckeye Tobacco Settlement Financing Authority**
**30 East Broad St, 34th Floor, Columbus OH 43215**
**(Ohio Office of Budget and Mgmt) 614-466-6674**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 118217AQ1

**Dated Date:** 10/29/2007
**Maturity Date:** 06/01/2030
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.875% (Last Yield: 8.066%)
**Aggregate Project Par Amount** $5,531,594,541

**Event:** Buckeye Tobacco Settlement Financing Authority bonds continue to trade with yields around 8%. The massive $5.5 billion bond issue trades actively at yields well above its initial rates, and well above 15 year maturity bonds from most other issuers. Fitch is the latest rating agency to downgrade the bonds following S&P and Moody's lead.

**Description:** The Ohio Buckeye tobacco bonds are backed by the tobacco settlement receipts for the state of Ohio as received under the Tobacco Master Settlement Agreement. The state of OH has given the Buckeye Tobacco Financing Authority all rights to tobacco settlement receipts going forward in perpetuity to back the bonds. However, cigarette consumption has fallen in the US, and market share for the four major tobacco firms backing the MSA has fallen as well. The Buckeye Tobacco Settlement Financing Authority has made several draws on senior liquidity reserve accounts including a planned draw to pay a portion of the $147 million in interest due on December 1, 2014. This does not constitute an event of default, but this and several recent ratings downgrades on the issue (Fitch rating of B- on the issue as of 8/8/2014, on negative watch) may not be inspiring confidence in the markets.

**Key Persons:** Kurt Kauffman, OH State Debt Manager (Kurt.Kauffman@obm.ohio.gov) ,
Timothy S. Keen, Secretary of the BTSFA and Director of Budget and Management
**Bond Trustee:** US Bank, Bondholder Services, 800-934-6802
**Related Securities:** Related CUSIPs include 118217AP3, 118217AN8, 118217AR9, 118217AS7, 118217AT5, and 118217AU2.

**Notes:** Professional firms working with issuer in various capacities in the past include Squire, Sanders, & Dempsey LLP (co-bond counsel), Hawkins, Delafield, & Wood LLP (co-bond counsel), Orrick, Herrington, & Sutcliffe LLP (co-underwriter's counsel), Wilkerson & Associates (co-underwriter's counsel), Public Finance Management Inc. (financial advisor), and Global Insight (econometric advisor).

**New Richmond WI Community Development Authority (PHM/Richmond Senior Project)**

**PHS Management LLC**
**2845 N. Hamline Av, Roseville MN 55113**
**651-631-6100**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 64843RAM9

**Dated Date:** 10/14/1998
**Maturity Date:** 10/01/2032
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 6.0% (Last Yield: 6.24%)
**Aggregate Project Par Amount** $7,100,000

**Event:** The PHM/Richmond Senior Housing project debt is trading about 150 basis points above peer obligations with a similar maturity. The bonds are unrated.

**Description:** The bonds in question were issued by the New Richmond Community development authority on behalf of a small senior housing nonprofit corporation, PHM/New Richmond Senior Housing. The project is generating about $300K a year in revenues, with an excess of revenue over expense of $16,410 for the fiscal year ending 2013. The entity has successfully paid off several small bond maturities over the past decade, but has a major $1.35M maturity coming in 2020 which may need to be refinanced. PHM/Richmond Senior Housing is a MN nonprofit that used the bond funding to construct two senior housing projects in New Richmond WI. The project is run by PHS Management LLC.

**Key Persons:** Mark T. Meyer, Treasurer and CFO
**Bond Trustee:** N/A
**Related Securities:** Related CUSIPs include 64843RAA5, 64843RAB3, 64843RAC1, 64843RAD9, 64843RAE7, 64843RAF4, 64843RAG2, 64843RA0, 64843RAJ6, 64843RAK3, 64843RAL1, 64843RAN7, and 64843RAP2.

**Notes:** Professional firms working with issuer in various capacities in the past include Clifton Larson Allen LLP (auditors), Faegre & Benson LLP (bond counsel), Miller & Schroeder Financial Inc. (underwriting services), McGladrey & Pullen LLP (financial forecasts), and Maxfield (market analysis).

**Tarrant County TX Cultural Education Facilities Finance Corp (Mirador Project)**

**SQLC Senior Living**
**12720 Hillcrest Rd, Ste 106, Dallas TX 75230**
**469-916-8958**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 87638RDN4

**Dated Date:** 03/10/2010
**Maturity Date:** 11/15/2019
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 7.75% (Last Yield: 8.85%)
**Aggregate Project Par Amount** $79,845,000

**Event:** The Mirador project bonds are trading at yields close to 9% as the entity's bonds continue to trade at low prices compared with peers having 10 or less years to maturity. The entity drew on its liquidity support fund last June to the tune of $473,139 to help fund the June 2014 bond interest payments.

**Description:** The Tarrant County Cultural Education Facilities Finance Corp acted as the issuer on these bonds on behalf of SQLC Senior Living Center d/b/a Mirador, a Texas nonprofit corporation. Mirador, as the obligor on the bonds, used the bond proceeds to construct a senior living community in Corpus Christi, TX. Since that time, Mirador has missed occupancy covenants and exceeded cumulative cash operating loss limits as noted by the entity's auditor Lane Gorman Trubitt PLLC.

**Key Persons:** Charles B. Brewer, President and CEO
**Bond Trustee:** Bank of New York Mellon, Corporate Trust: 800-254-2826
**Related Securities:** Related CUSIPs include 87638RDK0, 87638RDL8, and 87638RDM6

**Notes:** Professional firms working with issuer in various capacities in the past include McCall, Parkhurst, & Horton LLP (bond counsel), Brown Pruitt Peterson & Wambsganss P.C. (issuer's counsel), Thompson & Knight LLP (obligor's counsel), Vinson Elkins LLP (underwriter's counsel), and Dixon Hughers PLLC (financial advisor).

**Commonwealth of Puerto Rico GO Bonds of 2014, Series A**

**Government Development Bank For Puerto Rico**
**PO Box 42001, San Juan, PR 00940-2001**
**787-722-2525**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 74514LE86

**Dated Date:** 03/17/2014
**Maturity Date:** 07/01/2035
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 8.0% (Last Yield: 9.012%)
**Aggregate Project Par Amount** $3,500,000,000

**Event:** Puerto Rico's 2014 series general obligation bonds are trading at yields around 9% despite being triple tax exempt and backed by the full faith and credit of the island's government. Rating agencies have rushed to downgrade the government's general obligation debt as well as many of the debts of other island issuers in the wake of the legislative changes this summer that make it easier for issuers on the island to declare bankruptcy.

**Description:** The 2014 Series General Obligation bonds for the government of Puerto Rick were used to repay past obligations of the Commonwealth of Puerto Rico and refund various outstanding variable rate demand bonds. The 2014 series are backed by the full faith and taxing power of the Commonwealth, but they are not backed by any specific revenue source. The island's population shrank between 2000 and 2010, and the Commonwealth estimates that the population is smaller still today at 3.615,086 vs. 3,808,610 in 2000.

**Key Persons:** Carlos Rivas Quinones, Director of PR Office of Management and Budget, Jorge A. Clivilles Diaz, Executive VP of Government Development Bank of PR and Fiscal Agent
**Bond Trustee:** N/A
**Related Securities:** N/A

**Notes:** Professional firms working with this issue thus far have included Ramirez & Co, Inc. (underwriting partner), Mesirow Financial, Inc (underwriting partner), Oriental Financial Services (underwriting partner), FirstBank PR Securities (underwriting partner), Santander Securities (underwriting partner), Popular Securities (underwriting partner), Greenberg Traurig LLP (bond counsel), Pietrantoni Mendez & Alavarez (disclosure counsel), Sidley Austin LLP (underwriter's counsel), and O'Neill & Borges LLC (underwriter's counsel).

**Puerto Rico Aqueduct and Sewer Authority Revenue Bonds**

**PRASA**
**PO Box 7066, San Juan PR 00916-7066**
**787-620-2277**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 745160RH6

**Dated Date:** 02/29/2012
**Maturity Date:** 07/01/2025
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 4.25% (Last Yield: 8.776%)
**Aggregate Project Par Amount** $1,800,450,000

**Event:** The Puerto Rico sewer authority's bond due in 2025 are trading at yields just shy of 9%, well ahead of other tax-exempt muni bonds with similar maturities. The PR sewer authority debt in question carries a BB- rating from S&P (negative watch) and a B+ rating from Fitch (negative watch) with both rating agencies downgrading the entity last July.

**Description:** The Puerto Rico Aqueduct and Sewer Authority issued the 2012 bonds backed the revenues of the entity. The entity is the major supplier of both water and sewer for most of the island's roughly 3.6M inhabitants. According to the issuer, the entity supplies about 98% of the population with water and roughly 59% of the population with sewer services. The authority has the power to raise service rates without requiring any regulatory body's approval.

**Key Persons:** Efrain Acosta, Director of Administration and Finance, PRASA (efrain.acosta@acueductospr.com); Jesus M. Garcia Rivera, VP of Revenue Obligation, Gov't Development Bank of PR (Jesus.M.Garcia@bgf.gobierno.pr)
**Bond Trustee:** Banco Popular de Puerto Rico, International Banking Center: 787-723-7210
**Related Securities:** N/A

**Notes:** Professional firms working with this issue thus far have included Ramirez & Co, Inc. (underwriting partner), VAB Financial (underwriting partner), Oriental Financial Services (underwriting partner), FirstBank PR Securities (underwriting partner), Santander Securities (underwriting partner), Popular Securities (underwriting partner), Nixon Peabody LLP (bond counsel), Pietrantoni Mendez & Alavarez (underwriter's counsel), and Cancio Covas & Santiago LLP (issuer's counsel).

**County of Shelby, OH Multifamily Housing Mortgage Bonds (Alcore Sidney LLC)**

**Lane Park of Sidney**
**1150 W Russell Rd, Sidney OH 45365**
**937-498-1818**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 821662AN3

**Dated Date:** 02/27/2013
**Maturity Date:** 03/01/2023
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 8.5% (Last Yield: 8.833%)
**Aggregate Project Par Amount** $11,100,000

**Event:** The Alcore Sidney LLC bonds from Shelby County OH maturing in 2023 are trading with yields near 9%, well above the yield on comparable maturity bonds from other issuers. There are no outstanding issues with the bonds itself or indications of default at this stage that would clearly explain the high yields on the debt.

**Description:** The proceeds from the 2103 Series bonds from Shelby County OH were used by the obligor, Alcore Sidney LLC, to build a 64 unit senior living facility. The bonds are backed only by the revenues from that facility and are not general obligations of the town itself. Shelby County acts as a pass-through entity on the transaction. The Alcore Sidney LLC is doing business as Lane Park of Sidney, a senior living community in Sidney OH. The entity has similar projects in Huber Heights, OH and Oregon, OH.

**Key Persons:** Benjamin Byers, CEO of Alcore Sidney LLC

**Bond Trustee:** Bank of Oklahoma, Bond Trustee Services: 800-234-6181

**Related Securities:** Related CUSIPs include 821662AA1, 821662AB9, 821662AC7, 821662AD5, 821662AE3, 821662AF0, 821662AG8, 821662AH6, 821662AJ2, 821662AK9, 821662AL7, and 821662AM5

**Notes:** Professional firms working with this issue thus far have included Peck, Shaffer, & Williams LLP (bond counsel), Roetzel & Andress (obligor's counsel), John T. Lynch Jr Esq. (underwriter's counsel), Lawson Financial Corp (underwriter), and Bricker & Eckler LLP (issuer's counsel), Riggs Abney Neal Turpin Orbison & Lewis (trustee's counsel), and Vogt Santer Insights (financial advisor).

## Pima County AZ Industrial Development Authority (Phoenix Advantage Charter School)

**Phoenix Advantage Charter School**
**3738 N. 16th St, Phoenix AZ 85016**
**602-263-8777**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 72177MDL8

**Dated Date:** 08/26/2003
**Maturity Date:** 07/01/2033
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.5% (Last Yield: 8.115%)
**Aggregate Project Par Amount** $10,970,000

**Event:** The Pima County IDA bonds for the Phoenix Advantage Charter school project are trading at yields around 8%, up from between 5 to 6% when they were first issued, but down from roughly 9% at this time last year. The issue is unrated, and the issuer has its next significant maturity coming up in 2023, though the bonds are callable at any time which gives the entity additional refunding options given the current rate environment.

**Description:** The Phoenix Charter Schools Pima AZ IDA bonds are revenue bonds backed by the earnings from the school at 3738 N 16th St in Phoenix AZ. The bond proceeds were used to acquire and furnish the building which the school is housed in. The bonds are callable at a 100% redemption price, but the entity has not issued any indication that it intends to call the bonds thus far. At last report of financials dated to June of 2013, revenues exceeded expenses for the school by only $3,000 on a roughly $5M annual budget.

**Key Persons:** Isaac Perez, Chief Administrative Officer (IPerez@phoenixadvantage.org)

**Bond Trustee:** National Bank of Arizona, Public Financial Services: 800-655-7622

**Related Securities:** Related CUSIPs include 72177MCV7, 72177MCW5, 72177MCX3, 72177MCY1, 72177MCZ8, 72177MDA2, 72177MDB0, 72177MDD6, 72177MDE4, 72177MDF1, and 72177MDK0.

**Notes:** Professional firms working with this issue thus far have included Kutak Rock LLP (bond counsel), Russo, Cox, & Russo PC (issuer's counsel), Gelm & Associates (obligor's counsel), and Westhoff, Cone, & Holmstedt (underwriters).

**Desert Hot Springs CA Redevelopment Agency**

**Desert Hot Springs CA City Hall**
**65-950 Pierson Blvd, Desert Hot Springs, CA 92240**
**760-329-6411**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 250419DW5

**Dated Date:** 04/30/2008
**Maturity Date:** 09/01/2038
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.6% (Last Yield: 7.176%)
**Aggregate Project Par Amount** $15,870,000

**Event:** The Desert Hot Springs CA Redevelopment Agency bonds are trading at a yield of roughly 7.2% while carrying CCC+ rating from S&P (as of March 2013). The city's auditor's Pun & McGeady LLP offered a qualified opinion in their latest auditor's report in March 2014 noting that their opinion was based on the assumption that the city would continue as a going-concern. The city has suffered significant reductions its fund balances and is experiencing a cash shortfall according to the auditors. The auditors also noted that successor agencies associated with the city have violated their debt covenants with regard to the reserve fund requirements on certain 2008 series bonds.

**Description:** The bonds in question are tax increment financing debt payable solely from pledged tax revenues for the issue. The redevelopment agency for Desert Hot Springs CA does not have any power to levy taxes and is reliant on the incremental tax revenues authorized under the act that authorized the redevelopment agency to offer the bonds. Desert Hot Springs is in Riverside County, CA roughly 110 miles southeast of Los Angeles.

**Key Persons:** Martin Magana, City Manager

**Bond Trustee:** US Bank, Bondholder Services: 800-934-6802

**Related Securities:** Related CUSIPs include 250419DT2, 250419DU9, and 250419DV7.

**Notes:** Professional firms working with this issue in the past have included Richards, Watson, & Gershon (bond counsel), Orrick, Herrington, & Sutcliffe LLP (disclosure counsel), Urban Futures Inc (fiscal consultant), Kinsell, Newcomb, & De Dios Inc (underwriters), and Stinson Securities LLC (underwriters).

**Gainesville and Hall County GA Development Authority (Limestone Assisted Living)**

**Summers Landing At Limestone**
**2030 Windward Lane, Gainesville GA 30501**
**770-535-8181**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 362754EX7

**Dated Date:** 08/31/2010
**Maturity Date:** 09/01/2040
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 7.875% (Last Yield: 8.201%)
**Aggregate Project Par Amount** $3,110,000

**Event:** The Limestone Assisted Living Facility bonds issued by Gainesville GA are trading at a yield of around 8.2%, up roughly 30 basis points since last trading in June. The markets may be concerned about the backing party on the small unrated issue as the project behind the bonds has consistently showed operating losses in recent public financial statements.

**Description:** The Limestone project bond proceeds were used to construct and improve a 42-unit assisted living facility in Gainesville GA. The bonds are payable only from revenues from the project and are not general obligations of the city or county. The obligor, Limestone Assisted Living LLC is a GA limited liability company. The facility in question backing the bonds operates under the name Summers Landing At Limestone.

**Key Persons:** Mary Campbell, trustee representative, 918-518-6111, (mcampbell@bokf.com)

**Bond Trustee:** Bank of Oklahoma, Bond Trustee Services: 800-234-6181

**Related Securities:** N/A

**Notes:** Professional firms working with this issue in the past have included Sell & Melton (bond counsel), Stewart, Melvin, & Frost LLP (issuer's counsel), Holt, Ney, Zatcoff, & Wasserman LLP (obligor's counsel), John T. Lynch Jr. Esq (underwriter's counsel), and Lawson Financial Corp (underwriter).

**City of Nevada MO Hospital Refunding Revenue Bonds (Nevada Regional Medical Center)**

**Nevada Regional Medical Center**
**800 S. Ash St, Nevada MO 64772**
**417-667-3355**

**City of Nevada**
**110 S. Ash St, Nevada MO 64772**
**417-448-2700**

**Category:** Covenant Problems
**Possible Opportunity:** Refinancing Advising, Restructuring Advising
**Event Security CUSIP:** 641345CP6

**Dated Date:** 03/15/2007
**Maturity Date:** 10/01/2026
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 4.3% (Last Yield: 7.115%)
**Aggregate Project Par Amount** $21,730,000

**Event:** The Nevada Regional Medical Center bonds are trading at a yield over 7% in recent trades. The entity filed notice in late August that it failed to meet one of its indenture requirements pertaining to holding at least 70 days of cash on hand on each June 30th. As of the past June 30th, the entity says in its public filing that it had 50 days of cash on hand.

**Description:** The city of Nevada, MO is a home-rule city which owns the Nevada Regional Medical Center. The City overseas the hospital via a nine-member board of directors appointed by the city council. The hospital is run by QHR formerly known as Quorum Health Resources LLC. The bonds in question were issued to refinance the original 2001 series bonds for the hospital. While the hospital and city are closely connected, the official statement on the bond specifies that the issue is payable only out of hospital revenues and it is not a general obligation of the city itself. The bond issue is backed by bond insurance from ACA Financial.

**Key Persons:** Kevin Leeper, Hospital CEO (kleeper@nrmchealth.com), Greg Shaw, Hospital CFO (gshaw@nrmchealth.com)
**Bond Trustee:** UMB Bank, Corporate and Municipal Bond Trustee Services: Tremaine Duarte (Tremaine.duarte@umb.com)
**Related Securities:** Related CUSIPs under the same issue include 641345BZ5, 641345CA9, 641345CB7, 641345CC5, 641345CD3, 641345CE1, 641345CF8, 641345CG6, 641345CH4, 641345CJ0, 641345CK7, 641345CL5, 641345CM3, 641345CN1, 641345CQ4, and 641345CR2

**Notes:** Professional firms working with this issue in the past have included Gilmore & Bell (bond counsel), Russell, Brown, and Breckenridge (obligor's counsel), and Edward Jones (underwriters).

**New Jersey Economic Development Authority (Seashore Gardens Project)**

**Seashore Gardens Living Center**
**22 W Jimmie Leeds Rd, Galloway NJ 08205**
**609-404-4848**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising
**Event Security CUSIP:** 645918FD0

**Dated Date:** 11/29/2006
**Maturity Date:** 11/01/2036
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.375% (Last Yield: 7.303%)
**Aggregate Project Par Amount** $31,360,000

**Event:** The Seashore Garden bonds of the NJ Economic Development Authority are trading at yields near 7.5%, well above the levels on other municipal bonds with similar time to maturity. The entity reported a covenant violation last August, and reported that it had failed to engage a management consultant in a timely fashion as required under its indentures. In the entity's most recent public financial filings, it reported a net loss for the six-months ending June 30, 2014 of roughly $24,000 on total revenues of around $7M for the period.

**Description:** The Seashore Gardens project bonds were issued by the NJ Economic Development Authority acting as a pass-through entity. The 2006 bond series were issued to refund the old 2001 bonds. The obligor on the bonds is the Hebrew Old Age Center of Atlantic City d/b/a Seashore Gardens Living Center. The corporation used the 2001 bonds to construct the current Seashore Gardens senior center in Galloway Township, Atlantic county NJ which replaced a prior center that had been operated by the corporation for roughly 50 years.

**Key Persons:** Mark Stein, Treasurer; Martin H. Klein, President

**Bond Trustee:** People's United Bank, Trust Services: 800-772-8778

**Related Securities:** Securities under the same issue include 645918FB4 and 645918FA6

**Notes:** Professional firms working with this issue in the past have included Cozen O'Connor (bond counsel), Pepper Hamilton LLP (obligor's counsel), Nixon Peabody LLP (underwriter's counsel), Herbert J. Sims & Co., Inc. (underwriter), and Mercadien P.C. (financial advisor)

**Phoenix AZ Industrial Development Authority (Career Success Schools Project)**

**Career Success Schools**
**3816 N. 27th Av, Phoenix AZ 85017**
**602-285-5525**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Refinancing Advising
**Event Security CUSIP:** 71885FAE7

**Dated Date:** 12/23/2009
**Maturity Date:** 01/01/2045
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 7.125% (Last Yield: 7.95%)
**Aggregate Project Par Amount** $11,225,000

**Event:** Phoenix IDA Career Success bonds are trading at yields around 7.95% after a management transition earlier this year following the passing of the charter's schools Board President. The school is current on its debt obligations and has had no covenant breaches in the current year according to public filings. Despite this, the bonds trade at elevated compared with peers. The bonds sport a BB rating (stable outlook) from S&P as of August of last year. The entity has issued several calls on a portion of its debt outstanding.

**Description:** The IDA of Phoenix AZ issued the bonds in question as a pass-through entity. The obligor on the bonds is a 501(c)(3) organization operating six charter schools across the Phoenix area. The obligor used the proceeds of the bonds to finance improvements to its various school properties. The bonds are backed solely by the revenues of the obligor's charter schools.

**Key Persons:** Jean Duffy, Board President

**Bond Trustee:** US Bank, Corporate Trust Services: 800-934-6802

**Related Securities:** Securities under the same issue include 71885FAD9, 71885FAC1, and 71885FAB3.

**Notes:** Professional firms working with this issue in the past have included Greenberg Traurig LLP (bond counsel), Benesch, Friedlander, Coplan, and Aronoff LLP (underwriter's counsel), Warren & Banker PLC (obligor's counsel), Lewis and Roca LLP (issuer's counsel), Ziegler Capital Markets (underwriter), and Charvoz & Fortino PLLC (financial advisors).

**City of Harvey, IL General Obligation Refunding and Improvement Bonds**

**Harvey City Hall**
**15320 Broadway Av, Harvey IL 60426**
**708-210-5300**

**Category:** Miscellaneous
**Possible Opportunity:** Legal Advising, Bankruptcy Advising
**Event Security CUSIP:** 417704FX6

**Dated Date:** 0.7/15/2007
**Maturity Date:** 12/01/2032
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.625% (Last Yield: 8.33%)
**Aggregate Project Par Amount** $31,725,000

**Event:** The City of Harvey's general obligation bonds are trading at yields above 8% as a series of events suggesting financial distress have unfolded there over the last year. In April, the City's former comptroller Joseph Letke said that the entity was in a "crisis" and suggested that the company was running out of money quickly. Adding to the news on the City, the SEC opened an investigation into Letke and the City for improper use of bond proceeds. The SEC's complaint alleges that Harvey and Letke violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Act of 1934, and Rule 10b-5.

**Description:** The 2007 Series bonds from the City of Harvey IL are general obligations backed by the full faith and credit of the entity. The city may pay the bonds through ad valorem taxes levied on all taxable property within the city without limit on rates. The bonds were issued for the purpose of retiring past debt.

**Key Persons:** Eric J Kellogg, Mayor; Gloria Morningstar, Treasurer

**Bond Trustee:** US Bank, Corporate Trust Services: 800-934-6802

**Related Securities:** Securities under the same issue include 417704FX6

**Notes:** Professional firms working with this issue in the past have included SBK-Brooks Investment Corp (underwriter), Grant Thorton LLP (auditor), Pugh, Jones, Johnson, & Quandt P.C. (bond counsel), and Schiff Hardin LLP (underwriter's counsel).

**Sangamon County IL School District No 186 (Hays Edwards Sale Lease Back Project)**

**Sangamon County Regional Office of Education**
**2201 S. Dirksen Pkwy, Springfield IL 62703**
**217-753-6620**

**Category:** Covenant Problems
**Possible Opportunity:** Legal Advising, Bankruptcy Advising
**Event Security CUSIP:** 800767AW5

**Dated Date:** 05/15/2002
**Maturity Date:** 08/15/2023
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 6.125% (Last Yield: 7.76%)
**Aggregate Project Par Amount** $11,130,000

**Event:** The Sangamon County School District's bonds for the Hays Edwards project are trading at depressed prices following the August announcement of an instruction to draw on the debt service reserve account to pay principle and interest on the bonds. The instruction came from the bond's insurer ACA. Last May, the School District and the subleasing party for the property had an Event of Default on the bonds, with that default continuing to present. The bonds traded in the 6 to 6.5% range in the months leading up to the Event of Default.

**Description:** The bonds in question were issued on behalf of the school board as part of a lease back transaction. The former Hays Edwards School at 400 West Lawrence, Springfield IL was remodeled by the school district with the property conveyed to Public Asset Services Corp, and then leased back from PASC for sublease to the State of IL's Department of Human Services. The bonds are a limited obligation payable only from the district's revenues from the property.

**Key Persons:** Jeff Vose, Superintendent of Schools (jvose@roe51.k12.il.us); Shawn Kaiser, Finance Manager (skaiser@roe51.k12.il.us)

**Bond Trustee:** Amalgamated Bank of Chicago, 312-822-8545

**Related Securities:** Securities under the same issue include 800767AL9, 800767AM7, 800767AN5, 800767AP0, 800767AQ8, 800767AR6, 800767AS4, 800767AT2, 800767AU9, and 800767AV7.

**Notes:** Professional firms working with this issue in the past have included Meisrow Financial (underwriter), Foley & Lardner (bond counsel), Brown, Hay, and Stephens (issuer's counsel), Chapman and Cutler (underwriter's counsel), Geltner & Associates (obligor's counsel).

**City of Mapleton, MN (Mapleton Community Home Project)**

**Mapleton Community Home**
**301 Troendle St SW, Mapleton, MN 56065**
**507-524-3315**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Financial Advising
**Event Security CUSIP:** 565468AE5

**Dated Date:** 05/19/2011
**Maturity Date:** 05/01/2046
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 7.25% (Last Yield: 7.584%)
**Aggregate Project Par Amount** $3,945,000

**Event:** The City of Mapleton's unrated bonds backed by the Mapleton Community Home project are trading at elevated yields compared with their own history and comparable peers. While no covenant violations have been disclosed, investors may be concerned over the operating losses reported for the YTD through June 30th in the entity's latest financial filings.

**Description:** The Mapleton Community Home bonds are unrated and are backed solely by the revenues from the Mapleton Community Home rather than by the taxing power of the City. The bonds were used to refund outstanding debt and remodel the entity's existing facility. The ~$4M issue replaced the Series 1999 $1.7M revenue bonds from the same issuer.

**Key Persons:** RoxAnne Gosson, Administrator

**Bond Trustee:** US Bank, Corporate Trust Services: 800-934-6802

**Related Securities:** Securities under the same issue include 565468AA3, 565468AB1, 565468AC9, and 565468AD7.

**Notes:** Professional firms working with this issue in the past have included Dougherty & Co LLC (underwriters), Briggs & Morgan (bond counsel), Voigt, Kelgon, & Rode (obligor counsel), Kennedy & Graven (underwriter's counsel), and Health Dimensions Group (financial advisor).

**Ulster County NY Industrial Development Agency (Kingston Regional Senior Living)**

**Health Alliance of the Hudson Valley**
**Woodland Pond At New Paltz**
**100 Woodland Pond Circle, New Paltz NY 12561**
**877-505-9800**

**Category:** Debt at Deep Discount
**Possible Opportunity:** Municipal Market Advising, Restructuring Advising
**Event Security CUSIP:** 903769CE5

**Dated Date:** 10/31/2007
**Maturity Date:** 09/15/2037
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 6.0% (Last Yield: 7%)
**Aggregate Project Par Amount** $117,490,000

**Event:** Ulster County NY's IDA bonds backed by the Kingston Regional Senior Living Corp are trading at above average yields following a call announcement dated Sept 9, 2014. The bonds being called are adjustable rate securities for the entity. The remaining debt is fixed rate. The entity has suffered significant losses on several of its projects since 2008. Public filings indicate that the entity lost roughly $18M on its Woodland Pond Retirement community between 2008 and 2010. That community is the chief source of backing for the debt issue in question.

**Description:** The Ulster County IDA bonds for the Kingston Regional Senior Living project are an obligation of the entity today known as Health Alliance Senior Living Corp or Health Alliance of the Hudson Valley. While the entity operates several facilities, these obligations are backed by revenues from the Woodland Pond at New Paltz facility which consists of a large 354,000 sq ft building and 12 smaller 3,500 square foot structures each with two separate residence units. The entity suffered large losses on the project during the 2008-2010 period and hired an outside consultant, Wirthwein Corp to advise it. The company failed to file its most recent annual financial information according to the former trustee (Wells Fargo) in an announcement dated May 30, 2014.

**Key Persons:** David Scarpino, CEO; Steven Haas, CFO
**Bond Trustee:** UMB Bank, Corporate and Municipal Bond Trustee Services, Virginia Anne Housum (Virginia.Housum@umb.com); 612-337-7003
**Related Securities:** Securities under the same issue include 903769CB1, 903769CC9, 903769CD7, and 903769CF2.

**Notes:** Professional firms working with this issue in the past have included Ziegler Capital Markets (underwriters), Hodgaon Russ LLP (bond counsel), Bond Schoeneck & King PLLC (obligor's counsel), Nixon Peabody LLP (underwriter's counsel), Wirthwein Corp (financial advisors), and Parente Randolph LLC (financial advisors).

**California Infrastructure & Economic Development Bank (COPIA Project)**

**California Infrastructure & Economic Development Bank (IBank)**
**1325 J Street, 18th Floor, Sacramento CA 95814**
**916-322-1399**

**Category:** Miscellaneous
**Possible Opportunity:** Legal Advising
**Event Security CUSIP:** 13033WB28

**Dated Date:** 05/24/2007
**Maturity Date:** 12/01/2021
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 0.0% (Last Yield 7.354%, Zero-coupon bond)
**Aggregate Project Par Amount** $77,612,773.55

**Event:** The California Infrastructure and Economic Development Bank bonds (American Center for Wine, Food, and the Arts Project) are trading at a rate well above average despite having only seven years to maturity. The underlying entity backing the bonds filed for Chapter 11 bankruptcy on December 1, 2008, but the bonds themselves continue to pay interest thanks to the associated insurance from ACA.

**Description:** The California Infrastructure Bank bonds in question are an obligation of COPIA: The American Center for Wine, Food, & the Arts, which is a California nonprofit public benefit corporation. The bonds are not direct obligations of the state and are backed only by revenues from COPIA. The bonds were used to refund the obligor's previous Series 1999 bonds and to financial improvements to COPIA's facilities. The bonds are zero coupon obligations and are insured by ACA. The bond obligor defaulted on the debt in 2008, and the bankruptcy court confirmed the Joint Plan of Liquidation proposed by the issuer and ACA in 2010. Under that plan, the bond insurance remains in force. The California Infrastructure and Economic Development Bank and Orrick, Herrington, & Sutcliffe were both defendants in lawsuits filed by bond holders after the default.

**Key Persons:** Jay Smith, Trust Representative (jhsmith@wilmingtontrust.com); Teveia Barnes, IBank Executive Director (916-324-6992)
**Bond Trustee:** Wilmington Trust, National Association: 410-545-2193
**Related Securities:** Securities under the same issue include 13033WA45, 13033WA52, 13033WA60, 13033WA78, 13033WA86, 13033WA94, 13033WB36, 13033WB44, 13033WB51, 13033WB69, 13033WB85, 13033WB93, and 13033WC27.

**Notes:** Professional firms working with this issue in the past have included JPMorgan (underwriter), Orrick, Herrington, & Sutcliffe LLP (bond counsel), Brooke Bassett (issuer's counsel), Silk Adler, & Colvin (obligor's counsel), Sidley Austin LLP (underwriter's counsel), and Pisenti & Brinker LLP (auditors).

**Howard County MD Retirement Community (Vantage House Facility)**

**Vantage House**
**5400 Vantage Point Rd, Columbia MD 21044**
**410-964-5454**

**Category:** Yield Spike
**Possible Opportunity:** Financial Advising
**Event Security CUSIP:** 442593AS8

**Dated Date:** 04/12/2007
**Maturity Date:** 04/01/2027
**Security Type:** Fixed Rate Obligations
**Interest Rate:** 5.25% (Last Yield 7.273%)
**Aggregate Project Par Amount** $38,590,000

**Event:** The Howard County MD retirement community refunding bonds for the Vantage House facility have seen the yields on their debt climb substantially from as little as 5.72% in July to 7.273% in recent trading. No material public filings have been made in recent weeks which would explain the spike, however the entity did report a $1.7M operating loss for the YTD period earlier this year.

**Description:** The 2007 Series Vantage House bonds are an obligation of the Vantage House continuing care facility located in Columbia MD. The corporation is a tax-exempt entity and issued the debt through Howard County MD as a pass-through entity. The bond proceeds were used to refund the entity's 2002 Series bonds and to make improvements to the facilities themselves. The bonds are payable solely from the revenues of the obligor. The bonds are unrated and do not carry bond insurance.

**Key Persons:** Rocco Ricci, Treasurer of Vantage House; Virginia Thomas, President of Vantage House

**Bond Trustee:** Bank of New York Mellon, Corporate Trust: 800-254-2826

**Related Securities:** Securities under the same issue include 442593AG4, 442593AH2, 442593AJ8, 442593AK5, 442593AL3, 442593AM1, 442593AN9, 442593AP4, 442593AQ2, 442593AR0, and 442593AT6.

**Notes:** Professional firms working with this issue in the past have included Ziegler Capital Markets Group (underwriters), Miles & Stockbridge PC (bond counsel), Whiteford, Taylor, & Preston LLP (obligor's counsel), Ballard Spahr Andrews & Ingersoll LLP (underwriter's counsel), and Larson, Allen, Weishair, & Co, LLP (auditors).