

Tax Increment Finance Structures and Case Studies

November 2, 2007

Fran Busby
Managing Director

These materials have been prepared by Banc of America Securities LLC (“BAS”) for the BAS client or potential client to whom such materials are directly addressed and delivered (the “Company”) in connection with an actual or potential mandate or engagement and may not be used or relied upon for any purpose other than as specifically contemplated by a written agreement with BAS. These materials are based on information provided by or on behalf of the Company and/or other potential transaction participants, from public sources or otherwise reviewed by BAS. BAS assumes no responsibility for independent investigation or verification of such information and has relied on such information being complete and accurate in all material respects. To the extent such information includes estimates and forecasts of future financial performance prepared by or reviewed with the managements of the Company and/or other potential transaction participants or obtained from public sources, BAS has assumed that such estimates and forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such managements (or, with respect to estimates and forecasts obtained from public sources, represent reasonable estimates). No representation or warranty, express or implied, is made as to the accuracy or completeness of such information and nothing contained herein is, or shall be relied upon as, a representation, whether as to the past, the present or the future. These materials were designed for use by specific persons familiar with the business and affairs of the Company and are being furnished and should be considered only in connection with other information, oral or written, being provided by BAS in connection herewith. These materials are not intended to provide the sole basis for evaluating, and should not be considered a recommendation with respect to, any transaction or other matter. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by BAS (or any affiliate) to provide or arrange any financing for any transaction or to purchase any security in connection therewith. BAS assumes no obligation to update or otherwise revise these materials. These materials have not been prepared with a view toward public disclosure under state or federal securities laws or otherwise, are intended for the benefit and use the Company, and may not be reproduced, disseminated, quoted or referred to, in whole or in part, without the prior written consent of BAS. These materials may not reflect information known to other professionals in other business areas of BAS and its affiliates.

BAS has adopted policies and guidelines designed to preserve the independence of its research analysts. BAS’ policies prohibit employees from offering research coverage, a favorable research rating or a specific price target or offering to change a research rating or price target as consideration for or an inducement to obtain business or other compensation.

BAS and its affiliates comprise a full service securities firm and commercial bank engaged in securities trading and brokerage activities as well as providing investment banking, asset and investment management, financing and financial advisory services and other commercial and investment banking services and products to a wide range of corporations and individuals, domestically and offshore, from which conflicting interests or duties may arise. In the ordinary course of these activities, BAS or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own account or the accounts of customers, in debt or equity securities or loans of the Company, potential counterparties, or any other company that may be involved in a transaction. Products and services that may be referenced in the accompanying materials may be provided through affiliates of BAS. BAS is a subsidiary of Bank of America Corporation, the parent company of Bank of America, N.A. and other banks. BAS is a broker-dealer registered with the Securities and Exchange Commission and is a member of the New York Stock Exchange, Inc., the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation.

BAS is required to obtain, verify and record certain information that identifies the Company, which information includes the name and address of the Company and other information that will allow BAS to identify the Company in accordance with the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) and such other laws, rules and regulations.

BAS and its affiliates do not provide tax advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by BAS or its affiliates to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed herein is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor. Notwithstanding anything that may appear herein or in other materials to the contrary, the Company shall be permitted to disclose the tax treatment and tax structure of a transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or, except to the extent relating to such tax structure or tax treatment, any nonpublic commercial or financial information) on and after the earliest to occur of the date of (i) public announcement of discussions relating to such transaction, (ii) public announcement of such transaction or (iii) execution of a definitive agreement (with or without conditions) to enter into such transaction; provided, however, that if such transaction is not consummated for any reason, the provisions of this sentence shall cease to apply.

Table of Contents

- I. Introduction to Tax Increment Financing
- II. Discussion of TIF and Case Studies

Introduction to Tax Increment Financing



Tax Increment Financing Issuance Overview

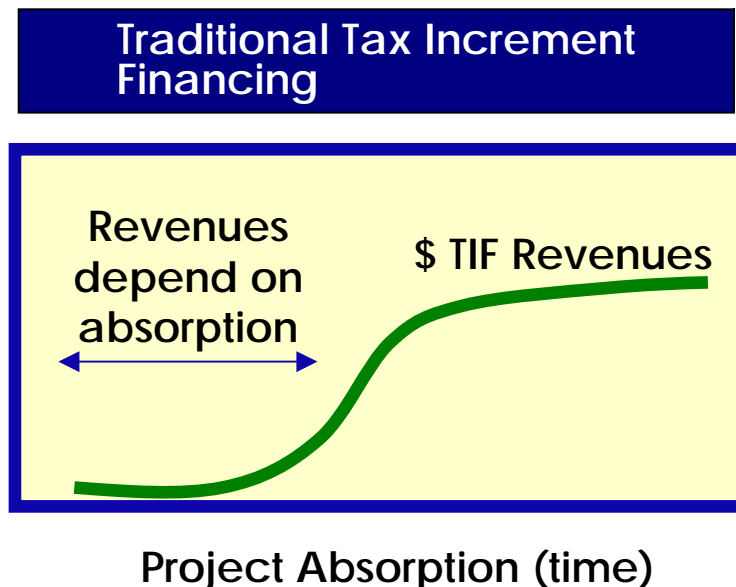
- ◆ TIFs are a very common financing tool for many cities throughout the Country. Total issuance from 2005 to present was in excess of \$5.1 billion in par amount.
- ◆ 28 states within the US issued TIFs within that time period. California, Missouri, Minnesota, Illinois and Colorado are among the states with the highest issuance.

State	Number of Deals	Par Amount	State	Number of Deals	Par Amount
Alabama	2	18,260,000	Mississippi	3	13,200,000
Arkansas	2	10,765,000	Missouri	25	321,936,000
California	133	3,314,229,000	Montana	2	2,000,000
Colorado	4	179,040,000	North Dakota	2	2,430,000
Florida	6	116,855,000	Nebraska	2	2,030,000
Georgia	5	317,560,000	Ohio	10	50,080,000
Idaho	1	5,705,000	Oklahoma	3	10,225,000
Illinois	16	218,885,000	Oregon	2	17,935,000
Indiana	23	112,265,000	Rhode Island	3	17,675,000
Iowa	6	24,800,000	South Dakota	1	28,675,000
Kansas	4	14,532,000	Tennessee	1	460,000
Louisiana	1	5,000,000	Texas	7	14,945,000
Michigan	9	57,695,000	Utah	4	133,825,000
Minnesota	47	145,500,000	West Virginia	1	9,300,000

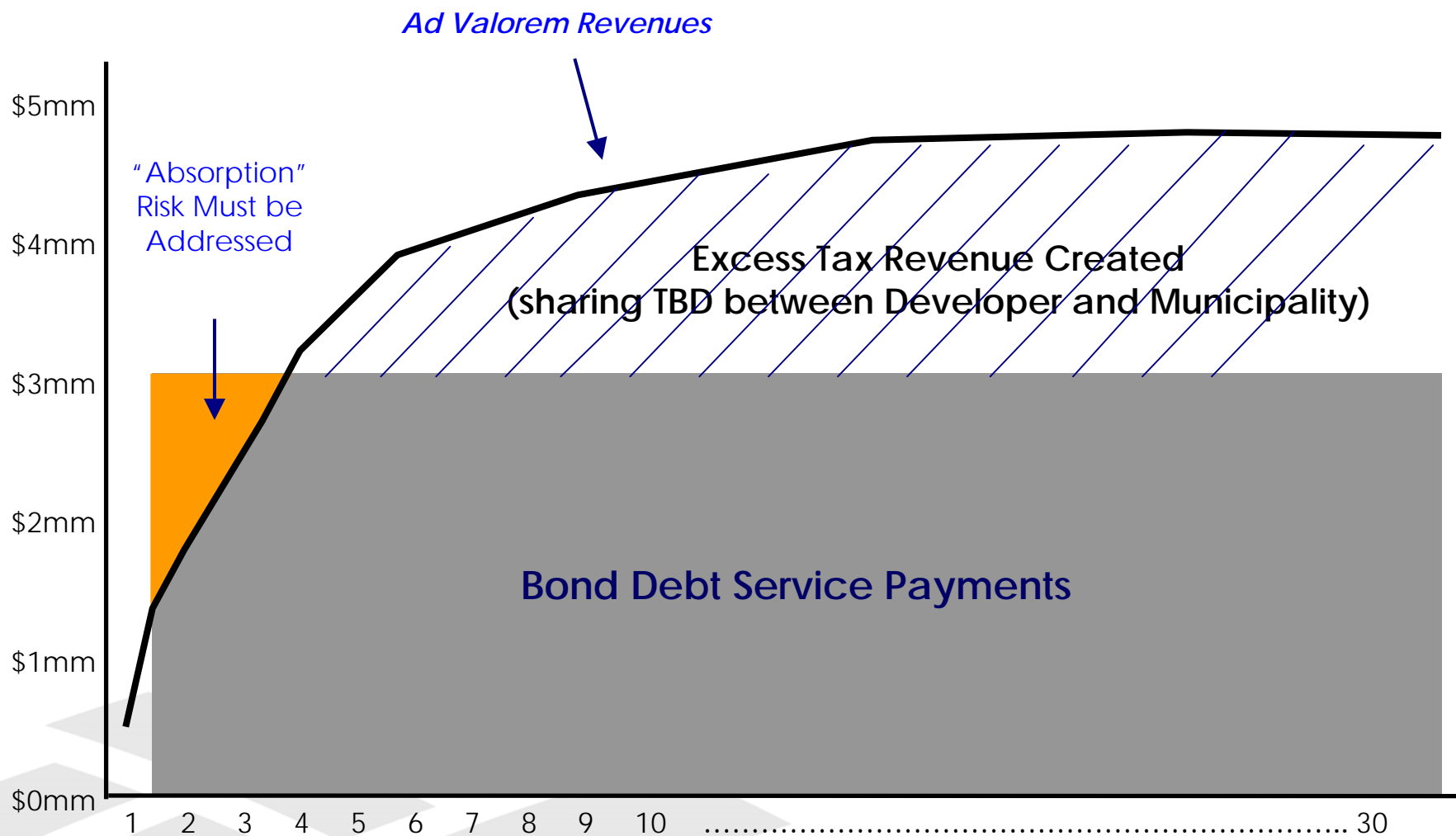
- ◆ Cities such as San Francisco, Atlanta, Miami, St. Paul, Kansas City, St. Louis and Providence are frequent issuers of TIFs.

Tax Increment Financing Structure

- ◆ TIF Revenue is generated from absorption
 - Investors willing to take some calculated development risk
 - Development / Absorption / Stabilization risk has to be mitigated to optimize financing
- ◆ Methods of Mitigating Development Risk
 - *“Double-Barreled” with Back-up Special Tax/ Minimum Tax*
 - Debt Service Coverage
 - Escrow proceeds or wait to finance until absorption occurs
- ◆ Maryland has become a frequent issuer of TIF Bonds over the last 10 years.



Tax Increment Financing Illustration



Tax Increment Financing Non-Rated Issues

Why do local governments opt to issue non-rated TIF Bonds?

- ◆ Many issuers opt to offer TIF financings on a non-rated basis. Keep in mind that it is virtually impossible to secure a rating on a TIF project upfront without recourse to the local governments credit. Non-rated TIF financings provide a means of *risk management* for balancing competing public policy concerns. Sophisticated municipal issuers perceive non-rated TIF bonds as an appropriate way to manage risk in certain circumstances.
 - This approach provides upfront financial incentives to the desired project.
 - Allows for strong capitalization via TIF bonds at the initial stage of development, when the project requires assistance.
 - “Fire-wall of Risk”: since the bonds are non-recourse, a local government’s general credit and tax payers are not placed at risk for payment of debt service.
 - Rather, institutional bond purchasers shoulder this risk, and are compensated for doing so in the form of yield.
 - Some local governments re-finance (i.e. take out) the non-rated TIF bonds with their rated GO bonds, once the project has stabilized and have advanced beyond the early years’ real estate development risk.
 - At this point, the higher coupon, non-rated TIF bonds are replaced with lower interest rate, investment grade bonds. At this point, the local government perceives the project risk level has reached an acceptable level and is appropriate to “fold into” its general obligation base.

Tax Increment Financing Non-Rated Issues

How long does it take to issue non-rated TIF Bonds?

- ◆ It is difficult to estimate the “political” side of the process, which often requires significant information sharing between local government and developer. Local governments are making a significant financial commitment and usually require education and dialogue prior.
- ◆ All investors/lenders (i.e. bonds, private lenders, equity investors) will want to make sure that the overall plan of finance “hangs together”. Quite often, the bonds and loans close simultaneously. This “parallel track” can also affect the schedule.
- ◆ Setting aside these two variables, the bond sale/underwriting process is approximately 3-5 months.
- ◆ While offered publicly, the sales process is closer to a private placement, involving considerable analyst review including site visits.

Discussion of TIF and Case Studies

Project will re-develop federal lands into a vibrant mixed-use center with a waterfront park.

- ◆ Former General Services Administration (GSA) lands will be re-developed into an urban mixed-use center comprised of:
 - 5 million sf office
 - 2717 Residential Units
 - 3916 Structured Parking Spaces
 - Waterfront Park
- ◆ Up to \$90 million in TIF Bonds to fund up to \$48 million in public infrastructure.
- ◆ Developer is taking back tax-exempt bond via private placement. Developer will place bond in trust and issue trust certificates secured by PILOT bond revenues. This structure allows the developer to raise capital with PILOT privately. Initially the structure will require limited recourse to the developer for credit enhancements; however this recourse will “burn off” as PILOT revenues season.
- ◆ The master developer is a subsidiary of Forest City Enterprises, which is traded on the New York Stock Exchange (FCEA/FCEB).



Project will redevelop a former Air Force base into a urban village town center.

- ◆ Development of 103 of former Myrtle Air Force Base into urban village with retail, residential, commercial, restaurant and recreational facilities known as “Market Commons”.
- ◆ Ad valorem’ property taxes (primarily City of Myrtle Beach, Horry County and School Board) to facilitate development of a strategic parcel of land for a enhancement of tax base and to create jobs. The improvements include structured parking, roads, streetscaping, public parks, sidewalks, lighting and other public improvements.
- ◆ \$30 million Series A Senior Lien Bonds (publicly offered to institutions) and \$10 million Junior Lien Series B (private placed with developer) Bonds.
 - No pledge of local government general credit.
 - Bonds backed by TIF and Assessment Lien.
 - Junior Lien Bonds create incentive to developer for fast absorption and high valuations.
- ◆ At completion, Market Commons is expected to include 600,000 sf. retail; 198 apartments; 575 condominiums; 866 town homes and 5,994 parking spaces.
- ◆ The developer is a venture of McCaffery interests and Levcadia National Corporation entities (NYSE:LUK).

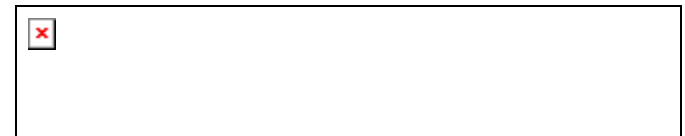


Tax Increment Financing Case Study III

Glory Park

- ◆ 35 acre parcel between the Ballpark at Arlington and the future Dallas Cowboys Stadium, situated within a larger 1800 acre TIF/TIRZ district of Arlington, Texas.
- ◆ Glory Park is conceived as destination retail/entertainment center between Dallas and Fort Worth. Phase I encompasses 1,000,000 sf retail/restaurant, 150,000 sf office, 283 residential units, and amenities in an urban village environment.
- ◆ Glory Park is being developed by Steiner + Associates, Inc. and Hicks Holdings.
- ◆ City of Arlington will issue bonds to facilitate development, spur economic activity and to create jobs. Two of the financings are variable backed with an loc (non-recourse) and that the third will be backed with a GO pledge The City will issue 3 series of bonds (estimated Summer 2007):

TIF/TIRZ Bonds will anchor a \$2 billion investment to create a new sports oriented entertainment center.



- Tax Exempt Infrastructure (\$48.8 MM); ad valorem and sales tax TIF with back-up special assessment. The bonds will be variable swapped to fix backed by a Bank of America letter of credit (non-recourse)
- Taxable Parking (\$86.2 MM) to fund 4 parking garages for Glory Park, the Dallas Cowboys and the Texas Rangers; parking revenue, merchant surcharge/rent assessments, and back-up special assessment. The bonds will be variable swapped to fix backed by a Bank of America letter of credit (non-recourse).
- Tax Exempt Regional Improvements (up to \$100 MM); ad valorem TIF.

Tax Increment Financing Case Study IV

Houston, Texas

- ◆ Commercial mixed-use project centered around the Galleria Mall in Houston.
- ◆ Privately placed short term financing through Bank of America accelerated funding of \$25 million. Previously, Houston had issued annually in small amounts.
- ◆ Ultimately, long term financing will take out short term financing, most likely on an insured investment grade basis. Benefits include:
 - Raising needed capital upfront
 - Reduced cost of issuance
 - Interest rate savings over the life of the TIF
 - Flexible drawdown features
- ◆ Houston closed this transaction 2nd Quarter 2007.



Redevelopment of 80 acre blighted urban area funded with broad menu of public and private sources

- ◆ With a projected 8-10 year implementation schedule, the redevelopment plan covers an 80-acre section of East Baltimore to with proposed up to 2 million square feet of biotech research space, 4000-6,000 new jobs; over 1,200 units of mixed-income housing (new and rehabilitated, homeownership and rental); new retail facilities; and a set of supportive services (job training, family counseling, education programs, substance abuse treatment, etc.) and community building activities.
- ◆ The neighborhood is in close proximity to the internationally renowned Johns Hopkins Medical Institute and Medical School.
- ◆ Up to \$61 million in TIF Bonds will fund approximately \$45 million used for acquisition, relocation, and demolition. Bonds are approximately 55% tax-exempt and 40% taxable.
- ◆ Both Series offered institutionally on a non-rated, non-recourse basis. Funding scheduled for January 2008.
- ◆ Phase I improvements were "seeded" by the City of Baltimore moneys, Annie E. Casey Foundation grant moneys, Johns Hopkins University grant moneys, HUD moneys, and a Bank of America New Markets Tax Credit Loan. Phase I improvements commenced in 2004.
- ◆ The project is being developed by Forest City Baltimore, which is a special purpose entity of 75% Forest City Enterprises (New York Stock Exchange: FCEA/FCEB) and 25% Presidential Partners (a local consortium of minority developers).
- ◆ The Series 2007 Bonds provide "seed money" for Phase II.

