

June 1, 2011



Hidalgo County, Texas
2802 South Business Hwy. 281
Edinburg, Texas 78539

ENGAGEMENT LETTER FOR ARBITRAGE COMPLIANCE SERVICES

The purpose of this letter is to propose the engagement of Arbitrage Compliance Specialist, Inc. ("ACS") to prepare arbitrage compliance computations as required by the United States Treasury, Internal Revenue Service ("IRS") for all tax-exempt debt issues of Hidalgo County ("County").

FEE SCHEDULE

Arbitrage Rebate Fee Schedule – Per Issue

Table with 2 columns: Report Duration and Fee. Rows include One Year Report (\$1,350), Two Year Report (\$1,875), Three Year Report (\$2,400), Four Year Report (\$2,925), and Five Year Report (\$3,450).

Miscellaneous Fee Schedule – Per Issue

Recovery of Overpayment.....\$3,000

Pre-calculation and post-calculation services:

On-site ACS team to transition the contract (Included)
Training of the County’s staff on strategies to help lower arbitrage rebate liabilities (Included)

Arbitrage rebate calculation services:

Table listing various calculation services such as Yield reduction calculations, Spending exception calculations, Transferred proceeds analysis, Universal Cap analysis, Debt service testing, Commingled funds, Preparation of Form 8038-T, Comprehensive discussions of the findings of each arbitrage calculation, and Attend the County’s Board meetings, all marked as Included.

Legal services:

IRS audit support (Included)
Pre-issuance election advice (Included)

HEADQUARTERS: 5975 S. Quebec St. #205 • Centennial, Colorado 80111

800-672-9993 800-756-6505 303-756-5100 303-756-0901 www.rebatebyacs.com

LOCATIONS NATIONWIDE: AZ • CA • CO • FL • ID • NV • OK • OR • PA • TN • TX • UT • WA

In conjunction with this engagement, we will provide the applicable report(s) opining to the arbitrage compliance liability for the tax-exempt debt and related services.

We appreciate the opportunity to provide assistance to help you comply with your IRS arbitrage compliance requirements. As always, if we may be of further assistance or if you have any questions, please do not hesitate to call us at (800)672-9993 x7526.

Very truly yours,

Arbitrage Compliance Specialists, Inc.



Doug Pahnke, Director, Vice President

Please acknowledge acceptance of this engagement by signing and faxing this letter in its entirety to Arbitrage Compliance Specialists, Inc. at (800) 756-6505 or scanning and e-mailing to [arbitrage@rebatebyacs.com](mailto:arbitrage@rebatebyacs.com).

\_\_\_\_\_  
Accepted by - Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Accepted by – Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Organization

## **Exhibit A**

**Arbitrage Compliance Specialists Response to RFQ NO: 2011-070-03-16-VYG-Arbitrage Calculation Services**



REQUEST FOR QUALIFICATIONS FOR  
ARBITRAGE CALCULATION SERVICES  
HIDALGO COUNTY AND  
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1  
2011-070-03-16-VYG

DUE: MARCH 16, 2011, 9:30 A.M.

PREPARED BY:  
ARBITRAGE COMPLIANCE SPECIALISTS, INC.  
2500 CITY WEST BOULEVARD #300  
HOUSTON, TEXAS 77042-3014

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March 10, 2011

Ms. Martha L. Salazar, CPPB, Purchasing Agent  
Hidalgo County Purchasing Department  
New Administration Building  
2802 South Highway Business 281  
Edinburg, Texas 78539

Dear Ms. Salazar and Members of the Selection Committee:

Arbitrage Compliance Specialists, Inc. ("ACS") is pleased to present this proposal to provide Arbitrage Calculation Services to Hidalgo County and Hidalgo County Drainage District No. 1 (the "County"). All calculations will be completed in accordance with Section 148(f) of the Internal Revenue Code, as amended, and Treasury Regulations (the "Tax Code") and with the scope of services listed in the Request for Qualifications for Arbitrage Calculation Services, RFQ No: 2011-070-03-16-VYG (the "RFQ").

The County will be receiving RFQ responses from firms such as BLX, First Southwest, and the Bank of New York. Each firm's response will state that their firm is the most experienced arbitrage firm in the country – and ACS is no different. When evaluating our response please keep in mind that arbitrage calculations require extensive knowledge of governmental accounting, accounting allocation rules, as well as legal interpretations of the Tax Code. Simply put, an arbitrage calculation is a type of tax calculation and therefore, the most qualified professional to complete the tax calculation is a CPA. When reviewing the RFQ responses, please pay special attention to the individuals who will be performing the arbitrage calculations. You will find that many of the individuals within the organizations are not CPAs – yet these firms will state that they are the most qualified to compute a tax calculation.

What sets our firm apart from our competitors is that the County's calculations will be completed by a tax attorney and CPA who has over 24 years of experience in computing arbitrage liabilities. This means that the calculations are completed by a professional who is trained in accounting as well as tax law; the perfect combination for arbitrage calculations. Since our firm specializes solely in arbitrage calculations, our fees are often **30-40% less** than our competitors' fees. In addition, our firm provides services prior to issuance and after the bonds are final that are not offered by our competitors. A few highlights of our arbitrage compliance program are listed below:

- ACS provides an on-site team to collect all of the necessary documentation to transition the calculations to our firm at no cost to the County.
- Bond planning legal assistance
- IRS audit assistance
- On-site arbitrage and bond accounting rules training
- ACS will create an arbitrage rebate policy manual for the County's use (highly recommended by the IRS).

If you have any questions or would like to discuss the details of our proposal, you may contact me at (800) 672-9993 extension 7526.

Best regards,

Arbitrage Compliance Specialists, Inc.

A handwritten signature in black ink, appearing to read "Doug Pahnke", is written over a horizontal line.

Doug Pahnke, Director, Vice President



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## 1. UNDERSTANDING OF THE PROJECT

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It is our understanding that the County is seeking a qualified arbitrage calculation service provider to perform arbitrage rebate, yield restriction/yield reduction, and spending exception calculations for the County's tax-exempt debt issues in compliance with the Tax Code. Calculations are to be performed on each fifth year filing date and on the final maturity date of each debt issue. Calculations will include construction/capitalized interest funds, cost of issuance funds, reserve funds, overfunded debt service funds, escrow funds and transferred proceeds.

ACS is to provide on-site services to include an initial organizational meeting, record retention training, and Tax Code training. ACS is to provide IRS audit/inquiry support by our team of CPAs and on-staff tax attorney.

The contract will be supported by our Houston, Texas office that will provide the following services:

- On-site ACS team to transition the contract
- IRS audit support
- Comprehensive discussions of the findings of each arbitrage calculation
- Pre-issuance election advice
- Training of the County's staff on strategies to help lower arbitrage rebate liabilities
- Attend the County's Board meetings

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## 2. FIRM'S QUALIFICATIONS

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### *Firm's history and number of years performing arbitrage calculations*

**Providing arbitrage rebate calculations since 1986:** Our strong, debt-free financial positioning, coupled with a very low employee turnover ratio is indicative of a financially stable firm that will be able to service the County for decades to come. ACS has 14 employees that are dedicated to arbitrage rebate including a tax attorney, CPAs, financial managers, Directors, and technical computer hardware/software managers.

**Advisor to the United States Congress on arbitrage rebate:** Janet P. Sacks, Managing Director, President, started her arbitrage rebate career in 1986 while working for Price Waterhouse, the third largest accounting firm in the Country at that time. Due to her extensive expertise in governmental debt, Janet was requested by the United States Congress to take part in the Beryl Anthony Public Finance Commission. This bipartisan Commission resulted in the formulation of the arbitrage rebate calculation methodology we use today. Having been one of the first arbitrage rebate providers in the Country, ACS has grown to be known as the expert among experts, regularly providing arbitrage rebate interpretation, consultation and advice to clients as well as to professionals within the industry.

ACS is a privately held corporation whose practice has been calculating arbitrage liabilities for tax-exempt debt issuers since the inception of the 1986 Tax Code. Selecting our firm to begin this engagement with the County should instill confidence that each and every tax-exempt debt issue will be supported by the most qualified arbitrage rebate calculation firm in the Country. All calculations are opined by a licensed tax attorney and completed by seasoned accountants who are trained and educated in tax law interpretation, accounting methodologies, and arbitrage rebate minimization strategies. Our firm pledges the entirety of our accounting and legal expertise to ensure that the County will pay the lowest amount of arbitrage rebate liability allowable while adhering to the rules and regulations set forth in the Tax Code.

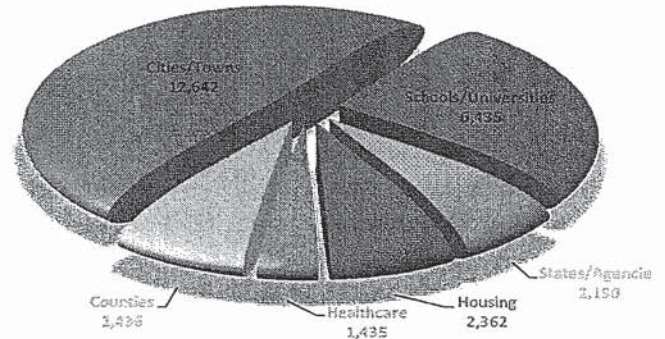
ACS provides services for over 1,500 municipalities across the United States and currently works with clients with active tax-exempt debt issues ranging from 1 to 250 bonds. We have absolute confidence that our firm possesses the available resources necessary to exceed the County's expectations. Since 1986, our practice has completed over 30,000 calculations for fixed rate and variable rate tax-exempt debt issues with varying investment structures such as swaps, letter



of credit agreements, guaranteed investment contracts, remarketing agreements, repurchase agreements, reimbursement agreements, flex repos, and forward delivery agreements.

30,000 CALCULATIONS COMPLETED SINCE 1986

**Legal expertise:** ACS is highly sought out by issuers and legal counsel throughout the Country. Our firm has distinctive legal and accounting experience with the arbitrage rebate regulations dating back to the inception of the 1986 Tax Code. ACS retains *on-staff* legal tax counsel services. As an added benefit to our clients, ACS' legal tax counsel services are included in our arbitrage rebate services at *no additional cost*.



**On-site training:** ACS is committed to providing initial and ongoing support to our clients. The services that ACS will provide to the County at *no additional cost* before and after the arbitrage rebate calculations are performed are listed below:

- ACS team to transition the contract
- IRS audit support
- Comprehensive discussions of the findings of each arbitrage calculation
- Pre-issuance election advice
- Training of the County's staff on strategies to help lower arbitrage rebate liabilities
- Training of the County's staff on the accounting rules allowable under the Tax Code
- Attend the County's board meetings

**IRS audit assistance:** ACS has developed an unmatched, comprehensive knowledge of how the existing tax regulations are interpreted as well as how new financial instruments may be treated by the IRS. As an independent firm specializing *solely* in the field of arbitrage compliance, ACS is not involved in providing bond counsel services, financial advisory services, or investment services to municipalities, and therefore, the IRS has regarded our calculations as extremely reliable and free from any internal or external influence. We have developed a thorough understanding of the IRS' enforcement philosophy and tactics and we include initial preventative audit-proofing in our work product. ACS will defend our clients *at no additional charge* in the event of an IRS audit.

**ACS' custom arbitrage rebate calculation system:** The type of calculation method used will vary between different types of funds, i.e. project funds, debt service funds, reserve funds, and cost of issuance funds. ACS utilizes its integrated tax law and accounting expertise throughout the whole arbitrage rebate compliance process to select the accounting method that will compute the lowest permissible liability as allowed by law. The Tax Code allows numerous allocation methods in calculating arbitrage rebate. A few of the methods are listed below:

**Project Funds:**

- First in first out
- Last in first out
- Ratable allocations
- Specific tracing

**Debt Service Residual Extraction:**

- 100%
- Average excess
- Year end excess
- Excess over maximum annual debt service

**Commingled Funds:**

- Values of the debt issues
- Remaining maximum annual debt service
- Original principal

A majority of arbitrage firms use Microsoft Excel or an off-the-shelf arbitrage calculation software product to perform the arbitrage calculations. ACS has evaluated these systems and found that they are prone to errors and are severely restricted in the ability to compute arbitrage liabilities under various accounting methods. **ACS' custom arbitrage rebate software and experienced professionals will calculate the lowest allowable arbitrage rebate liability in the industry.** The Tax Code allows the use of dozens of different accounting and allocation methods, and ACS' custom-built software allows our accountants the ability to run and rerun the calculation under each of these methods. This unique and efficient system continually saves our clients millions of dollars each year in potential arbitrage payments.



**Bond deadline tracking system:** Key information from each debt issue is entered into our database system to track IRS filing deadlines and election requirements to ensure timely reporting. Information included in this system will be provided as an Arbitrage Rebate Summary as detailed below and illustrated on Page 17 of this response.

<b>Bond facts</b>	<b>Completed and future reports</b>	<b>Notes/Recommendations</b>
<ul style="list-style-type: none"><li>• Internal control number</li><li>• Debt issue name</li><li>• Issuance date</li><li>• Final maturity</li><li>• Subject to rebate</li><li>• Subject to yield restriction</li></ul>	<ul style="list-style-type: none"><li>• Description of report</li><li>• Type of report</li><li>• Report end date</li><li>• Liability</li></ul>	<ul style="list-style-type: none"><li>• Accounting modifications</li><li>• Liability reserves: 90% or 100%</li><li>• Spending exception elections</li><li>• Spending goals</li><li>• Yield restriction limits</li></ul>

### **Legal experience and expertise**

**Ira B. Sacks, CPA, Tax Attorney, Director:** ACS is highly sought out by issuers and legal counsel throughout the Country because our firm has unique legal and accounting experience with the 1986 Tax Code. Ira is both a CPA and tax attorney and is regarded by the bond community as an “attorney for attorneys.” Ira’s extensive education and background includes Bachelor Degrees in Accounting, Finance, and Computer Science and Masters Degrees in Law, Taxation, and Business. ACS retains *on-staff* legal tax counsel services. As an added benefit to our clients, ACS’ legal tax counsel services are included in our arbitrage rebate services at *no additional cost*.

**Member of the National Association of Bond Lawyers (NABL):** Rebate compliance is a serious business and the Tax Code is a volatile and complex set of rules and regulations subject to frequent changes and constant re-interpretation. With the Tax Code evolving on a daily basis, it is imperative that an arbitrage rebate firm keep abreast of proposed regulations as well as current interpretations of the Tax Code. As a member of NABL, ACS is informed on a daily basis of all proposed and ultimately finalized changes to the Tax Code as well as the current IRS enforcement focus.

**Independent tax counsel services:** Arbitrage calculations require that that elections made within the bond issuance documents are analyzed to ensure that the Tax Code is properly applied. As a truly independent firm, not providing bond counsel or financial advisory services, our legal opinions and arbitrage calculations are regarded by the SEC and the IRS to be extremely reliable and free from influence. In audits conducted on our arbitrage calculations, the IRS has found our calculations to be 100% accurate. Throughout our firm’s history, we have not had any adverse findings by the IRS. Audits and inquiries have been quickly closed, saving our clients extensive costs that are often associated with an audit.

**Unmatched understanding of the Tax Code:** ACS’ experience in the arbitrage rebate industry, combined with our ability to offer on-the-spot legal advice, makes our firm stand out from our competitors. ACS has developed an unmatched, comprehensive knowledge of tax regulations, existing tax regulation interpretation, and the skills for determining how new financial instruments will be handled by the IRS to keep our clients in compliance with the Tax Code.

### **Legal opinion**

**Opinion issued by in-house tax attorney:** Ira B. Sacks, CPA, Tax Attorney, Director personally certifies the legal opinion that the calculations were completed in accordance with the Tax Code and may be relied upon by the County in determining any liability payments to the United States Treasury.

**Legal opinion:** A majority of arbitrage rebate firms rely upon outside legal counsel services or subsidiary law firms with offices hundreds of miles away from the arbitrage rebate calculation office. To provide a creditable opinion, Tax Counsel is not only required to understand the financing of the bond transaction but is also required to understand how the funds were allocated and accounted in the arbitrage calculation. Arbitrage rebate calculations involve documents and data that



often reach into the thousands of pages. Such data creates interdependencies between bonds as in cases of common reserve and debt services funds. This can lead to additional documentation that may be overlooked if the legal opinion and rebate calculation are originating from separate locations. To ensure accuracy in our reports, ACS' legal opinion and arbitrage rebate calculations are performed in the same centralized office.

*ACS provides a legal and CPA opinion with every arbitrage report; assuring that the work performed is consistent with the current federal tax and other applicable laws.*

**Office locations**

*~ Providing Arbitrage Services Since 1986 ~*

**Office locations:** ACS has office locations throughout the nation in such states as: California, Colorado, Florida, New Jersey, Pennsylvania, Tennessee, Texas, and Washington. We understand that arbitrage rebate compliance is not part of the daily routine for the County's employees, and therefore, the County's contract will be supported by our Houston, Texas office. ACS is committed to providing initial and ongoing training of the County's staff to aid in the understanding of the Tax Code.

**Day-to-day support:**

Mr. Doug Pahnke, Director, Vice President  
 2500 City West Boulevard #300  
 Houston, Texas 77042-3014  
 P: (713) 899-1380  
 E: doug@rebatebyacs.com

**a. Description of Personnel**

Below is a list of the proposed project team for the County. All team members will report to Ira Sacks in a textbook heirarchical reporting structure. Follow-up communication will be provided via phone, fax and email. ACS believes in providing on-site periodic consultation visits with each of our clients and we feel communication is the key to enhancing our client relationships. By visiting with each client we are better suited to assess each client's current rebate compliance needs, and provide a budget structure to accomplish this compliance. We also present the most current information about the arbitrage compliance market, such as current IRS practices and reinterpretations of the Tax Code. Below is a list of the proposed project team for the County.

Ira Sacks, CPA, Tax Attorney, Director <i>24 Years of Arbitrage Experience</i>	Ira will perform the initial legal review of the debt issuance and be available to the team as a legal expert throughout the calculation process.
Carol Huller, Director <i>19 Years of Arbitrage Experience</i>	Carol will perform the arbitrage calculations utilizing her arbitrage rebate minimization experience to ensure the lowest possible rebate liability permitted by the Tax Code.
Doug Pahnke, Director <i>11 Years of Arbitrage Experience</i>	Doug will be the County's day-to-day contact for the term of the contract. He will be monitoring the County's debt issues on our master database system and will keep the County abreast of the calculation progress.
Janet P. Sacks, Director <i>24 Years of Arbitrage Experience</i>	Janet will perform the final review of the completed calculations ensuring compliance with the Tax Code.
Stacia Perrizo, Senior Manager <i>9 Years of Arbitrage Experience</i>	Stacia will be responsible for report language and invoice review throughout the contract period.



**b. Most Recent and Similar Projects for the Team Assigned to the County**

**ACS' experience and expertise:** The typical arbitrage rebate engagement for most types of debt issues has some common elements and scope of services. ACS expertly handles all types of debt issues and complexities, such as: fixed rate bonds, variable rate bonds, short-term instruments, notes, forward purchase agreements, transferred proceeds allocation calculations, student loan bond issues, commercial paper, tax anticipation notes, tax revenue anticipation notes, bond anticipation notes, single family and multi-family housing bonds, cash funded reserves, uncommingling and accounting methodology as it relates to arbitrage compliance, investment valuation as it relates to arbitrage compliance, feasibility analysis of rebate exceptions, spending exception calculations for 6-month, 18-month and 2-year, and yield restriction calculations.

ACS proudly provides services for 1,500 clients across the United States. Additionally, ACS works with 535 clients in the State of Texas alone. ACS' vast experience working with Texas issuers is unmatched in the arbitrage industry. In fact, our first client dating back to 1986 was the YMCA of Greater Houston. By providing arbitrage rebate services in Texas for over 24 years, ACS has developed working relationships with Texas-based financial advisors, bond counsel firms and investment firms. Listed below are a few narrative descriptions of work performed by our firm:

**Experience with Fixed Rate Bonds: City of Mission, Texas**

**Arbitrage compliance environment:** The City of Mission issues various types of short and long term tax-exempt debt. A large portion of their debt pool consists of fixed rate general obligation bonds issued for the purpose of infrastructure improvements as well as refundings of prior debt issues. Fixed rate debt issues are comprised of different principal maturities bearing interest at fixed rates.

**ACS' assistance:** ACS calculates the bond yields for each of the fixed rate debt issues to result in the most correct arbitrage liability. Over the course of our engagement with the City of Mission, ACS has performed annual and filing year calculations, spending exception calculations and yield restriction/yield reduction calculations resulting from our bond yield calculations. We have also reviewed investment and accounting information and methods, performed allocation of common debt service funds, and provided various related consulting services.

**Experience with Cash Reserves: City of Pearland, Texas**

**Arbitrage compliance environment:** The City of Pearland's Common Reserve Fund is administered by a cash funded parity reserve fund which secures all issues. This common reserve is invested and accounted for collectively without regard to the source of the funds therein (a "commingled reserve").

**ACS' assistance:** ACS has provided all arbitrage compliance calculations for the City of Pearland for over 10 years. ACS determines the allowable allocation methodologies under the Tax Code to allocate the reserve ratably among each parity issue. ACS has performed an analysis of the allowable methods and models performance scenarios under these methods to determine which method produces the most favorable rebate results over the long run. This analysis requires reallocation of the reserve to each issue and calculation of arbitrage rebate for each issue. ACS has worked on 60-debt issues for the City of Pearland with a par value totaling \$950 Million.

**Experience with Water Drainage and Improvement District Bonds**

**Arbitrage compliance environment:** Water drainage and improvement bonds issued by districts managed by a board of directors with the assistance of consultants.

**ACS' assistance:** ACS currently works with over 350 Municipal Utility Districts in the state of Texas. ACS manages 1,465 bonds with a par value that exceeds \$6.3 Billion. ACS manages these districts to ensure that each of these 1,465



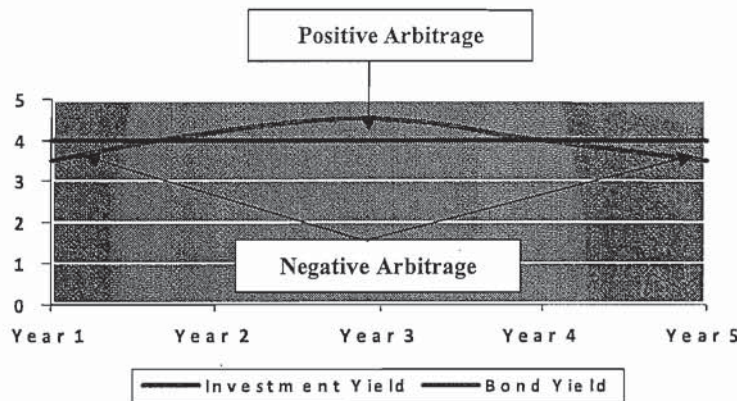
bonds are compliant with the arbitrage rebate and yield restriction requirements. The law firms that ACS has been engaged by on behalf of the districts are listed below:

Fulbright & Jaworski LLP  
 Smith, Murdaugh, Little & Bonham, L.L.P.  
 David M. Marks, P.C.  
 Jeanne H. McDonald, PC  
 Bacon & Wallace, L.L.P.  
 Paul A. Philbin & Assoc., P.C.  
 Michael A. Cole, P.C.

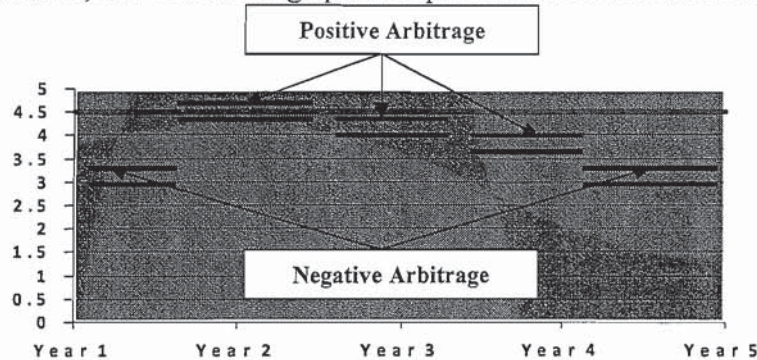
Schwartz, Page, and Harding  
 Coats, Rose, Yale, Ryman & Lee, P.C.  
 Winstead P.C.  
 Terrie Sechrist P.C.  
 Strawn & Richardson, PC  
 Young & Brooks  
 Johnson Radcliffe Petrov & Bobbitt PLLC

**Experience with Variable Rate Bonds**

**Variable rate bond computational system:** Through our extensive knowledge of the Tax Code, ACS has developed a complex bond year slicing model used solely by our firm. ACS' bond year slicing model matches the bond yield and the investment yield in short incremental time spans that result in significantly lowering or eliminating an arbitrage rebate liability. An arbitrage rebate position for a variable rate bond using a standard computation process is graphically shown below:



In the graph above, the **black line** depicts the bond yield/interest cost of the bond. A variable rate debt issue's interest cost is in constant flux throughout the debt issue's life cycle. Only after combining all interest costs over a specified period of time does a cumulative single rate emerge. In the graph above, the bond yield was calculated to be an average 4% over this five year period. The **red line** depicts the rate of return on the investments. The difference between the red line and the black line is the computed arbitrage, or in this case, payment due to the IRS. In this real life example, the calculation resulted in a \$650,000 liability. The bond yield and the interest rate earned on investments do not move in perfect harmony, yet there is a significant amount of correlation between the two rates. ACS' proprietary bond year slicing model breaks down the five year period into smaller blocks of time to significantly reduce or eliminate the difference between the bond yield and the investment yield. The result of using ACS' Bond Year Slicing Model lowered the liability from \$650,000 to \$128,400. Below is a graphical representation of the results of the bond year slicing model.





## **Client references**

One reference of particular interest is the City of Mission. ACS was selected as the City's arbitrage calculation provider in 2009 and transitioned the contract seamlessly from the City's location, therefore saving the City time and money.

### **City of Mission, Texas**

Ms. Janie Flores, Finance Director  
1201 East 8<sup>th</sup> Street  
Mission, Texas 78572  
P: (956) 580-8683  
E: jflores@mission.lib.tx.us

#### **Description of work:**

- Bond management – 37 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

#### **Contract details:**

- Contract period November 2009 – current

### **City of San Antonio, Texas (Water System)**

Mr. Sergio Molina, Manager Finance  
P.O. Box 2449  
San Antonio, Texas 72298-2449  
P: (210) 233-3814  
E: semolina@saws.org

#### **Description of work:**

- Bond management – 28 debt issues
- Recordkeeping management
- On-site data and record retrieval
- On-site training
- Arbitrage rebate reports

#### **Contract details:**

- Contract period September 2009 – current

### **City of Sugar Land, Texas**

Mr. William Pena, CPA, Project Accountant  
2700 Town Center Boulevard  
Sugar Land, Texas 77479  
P: (281) 275-2779  
E: smp@sugarlandtx.com

#### **Description of work:**

- Bond management – 166 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

#### **Contract details:**

- Contract period 1998 – current

### **City of Pearland, Texas**

Ms. Claire Mantei, Director of Finance  
3519 Liberty Drive, 2<sup>nd</sup> Floor  
Pearland, Texas 77581-5416  
P: (281) 652-1671  
E: cbogard@ci.pearland.tx.us

#### **Description of work:**

- Bond management – 82 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

#### **Contract details:**

- Contract period 1998 – current

### **City of Conroe, Texas**

Mr. Steve Williams, Director of Finance  
300 West Davis, Suite 230  
Conroe, Texas 77305  
P: (936) 522-3050  
E: swilliams@cityofconroe.org

#### **Description of Work:**

- Bond management – 37 debt issues
- 5-year arbitrage rebate calculations
- Yield restriction reports
- Filing reports to the IRS
- Spending exception calculations

#### **Contract details:**

- Contract period July 2005 – current

### **The Woodlands Joint Powers Agency, Texas**

Ms. Sandy Treon, Accounting Manager  
P.O. Box 7580  
The Woodlands, Texas 77387  
P: (281) 367-1271 x230  
E: sandy@wjpa.org

#### **Description of Work:**

- Bond management – 60 debt issues
- Forensic accounting
- Recordkeeping management
- On-site data and record retrieval
- On-site training
- Arbitrage rebate reports

#### **Contract details:**

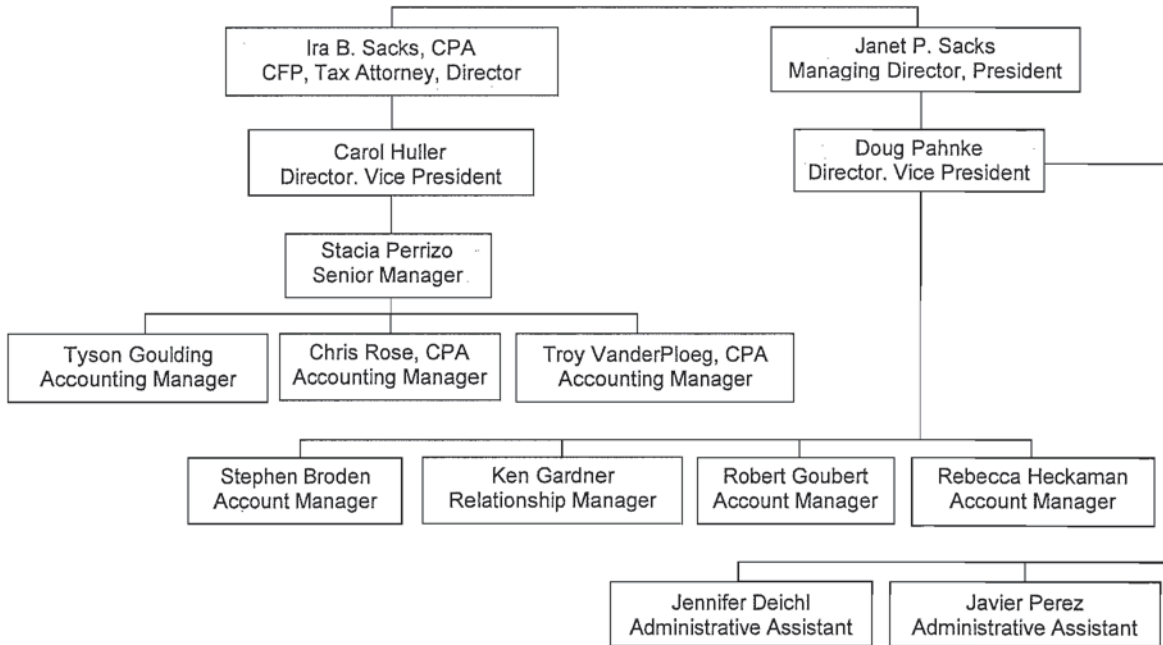
- Contract period August 2005 – current



### 3. PERSONNEL AND STAFFING

#### a. Organizational Chart

Key employees assigned to the County are highlighted in yellow.



#### b. Summary of Work Performed by Each Staff Member

ACS has selected 4 key team members from our 14 person staff to provide arbitrage consulting and compliance services to the County as listed below:

##### *Day-to-day contact*

ACS staff member: Mr. Doug Pahnke, Director, Vice President  
 Experience: 11 years

Mr. Pahnke was selected as the day-to-day contact for the County. He is available to attend the County's management meetings and provide on-site training seminars. These seminars will include one-on-one meetings with the County's accounting staff to discuss project progress and selecting the most beneficial accounting method in the early stages of the bond issuance with a goal of lowering the County's arbitrage rebate liabilities.

##### *Pre-calculation analysis and calculation completion*

ACS staff member: Mr. Ira Sacks, CPA, Tax Attorney, Director  
 Experience: 24 years

Pre-calculation analysis: Mr. Sacks will identify the relevant regulations and elections for each debt issue that will be used to compute the lowest arbitrage rebate liability as allowed by the Tax Code.

Calculation completion: Mr. Sacks will reconcile investment detail to each debt issue's source/use statement to ensure all gross proceeds have been accounted. We always include all funds that are subject to rebate in our



calculations including: cost of issuance funds, project funds, escrow funds, transferred proceeds, capitalized interest funds, reserve funds and debt service funds. The calculation will detail the rebatable arbitrage earned.

**Report language and invoice review**

ACS staff member: Ms. Stacia Perrizo, Senior Manager  
Experience: 9 years

Ms. Perrizo will review the report language to ensure compliance with the Tax Code and will review the final invoicing to ensure compliance with the County’s contract.

**Technical review**

ACS staff member: Ms. Janet P. Sacks, Managing Director, President  
Experience: 24 years

Each ACS report is subjected to a rigorous review process to ensure the accuracy of our work. ACS’ report and related documentation is examined for a final technical review to ensure the most favorable treatment of the Tax Code has been applied.

**c. Contingency Plan for Alternative Staffing**

ACS believes in promoting within our firm and all higher-level employees have served in the capacity of all of the positions below their current position. If an employee is on vacation, sick, or has an emergency, ACS reassigns their duties to the employee’s supervisor. In the case of a Director reassignment, the backup would be to another Director. Listed below is ACS’ alternative staffing plan for the County:

Employee Assigned	Tasks	Alternative Replacement
Doug Pahnke	Day-to-day support	Robert Goubert
Stacia Perrizo	Report and invoice proofing	Doug Pahnke
Ira B. Sacks	Legal interpretation	Janet P. Sacks
Ira B. Sacks	Arbitrage accountant	Carol Huller

**d. Staff Resumes**

Collectively, our firm’s directors have educational backgrounds that include Masters’ Degrees in Accounting, Business, Law, and Taxation as well as having the distinction of holding Certified Public Accountant Licenses. We have built our practice around a solid, unmatched foundation of accounting expertise, tax law interpretation, and arbitrage rebate minimization strategy. Resumes of the proposed project team are listed below:



24 Years  
Arbitrage Experience

**IRA B. SACKS, CPA, CFP, TAX ATTORNEY, DIRECTOR**

Holds Masters Degrees in Jurisprudence, Taxation, and Business, Bachelor of Science Degrees in Accounting, Finance and Computer Science | Credited with the development and implementation of an industry-first, arbitrage rebate calculation software system | Renowned analytical acumen in selecting and applying a specific set of the Tax Code to minimize a client’s rebate liability | Regularly provides arbitrage rebate interpretation, consultation and advice to IRS and SEC officials and NABL | Current member of NABL and subcommittee member of the General Tax Matters Committee



11 Years  
Arbitrage Experience

**DOUG PAHNKE , DIRECTOR, VICE PRESIDENT**

Holds Bachelor of Science Degrees in Marketing and Finance, Masters Degree in Computer Science | Nationally recognized expert of the Tax Code | Coordinates the firm's IRS Audit Defense Team of accountants, legal counsel and arbitrage rebate employees to ensure favorable outcome for clients | Highly regarded instructor on topic of arbitrage compliance to government organizations, auditing firms and accounting firms throughout the nation | Adept at applying years of government accounting acumen to resolve problems and recreate incomplete, aged accounting records | CPA Candidate



19 Years  
Arbitrage Experience

**CAROL HULLER, DIRECTOR, VICE PRESIDENT**

Holds Bachelor of Science Degree | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, bond year slicing optimization, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Highly regarded as an expert among experts, regularly providing arbitrage rebate interpretation, consultation and advice to clients and to professionals within the arbitrage rebate industry | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties



20 Years Experience  
in Public Finance  
and Government

**KEN GARDNER, RELATIONSHIP MANAGER**

Holds Bachelor of Science Degree from Seton Hall University in Business Administration/ Economics | Certificate in Government from Rutgers University | Certificate in Supervisory Management from the National Certified Public Managers Program | Brings over 10 years of experience in public finance, bond compliance and issuance representing clients from the State, County, Authority, Municipal, School District, and Hospital levels as well as over 10 years experience in government as an elected official and government employee | Served as Council President and Fire Commissioner in Woodbridge, New Jersey | Served as a manager of School Facilities Finance for the New Jersey Department of Education



24 Years  
Arbitrage Experience

**JANET P. SACKS, MANAGING DIRECTOR, PRESIDENT**

Holds Masters Degrees in both Accounting and Finance | Industry Pioneer and original member of the Beryl Anthony Commission of Public Finance, the Congressional Committee responsible for the overhaul of 1986 Tax Code | Highly regarded in the field of arbitrage compliance and speaker for national agencies including the Internal Revenue Service, the Securities Exchange Commission, NABL, numerous government organizations as well as state and local Government Finance Officer's Associations | Reviews all calculations to ensure they are in compliance with the Tax Code



9 Years  
Arbitrage Experience

#### **STACIA PERRIZO, SENIOR MANAGER**

Holds Bachelor of Arts Degree | Brings an excellent foundation from her years of financial audit experience as Internal Financial Auditor for the Marriott Corporation | Member of the IRS Audit Defense team since 2002 | Primary focus is on the production and review of arbitrage rebate analysis, training new accountants, and analyzing financial trends to reduce or eliminate potential arbitrage rebate | Expertise in complex analytical work, including arbitrage rebate minimization strategies, common reserve allocations, and yield period optimizations



9 Years  
Arbitrage Experience

#### **ROBERT GOUBERT, ACCOUNT MANAGER**

Brings a solid foundation in budgeting, forecasting, and profit/loss analyses as Profit Manager with the Marriott Corporation | Skilled at applying years of experience and government accounting knowledge to resolve problems and recreate incomplete, forensic accounting records | Highly regarded instructor on a national level covering arbitrage minimization, accounting requirements, investment tracking systems, and IRS audit-proofing procedures for GFOA, school business officials, and auditing firms | Responsible for training new account managers and overseeing team's report production as well as managing client relations



2 Years  
Arbitrage Experience

#### **TROY VANDERPLOEG, CPA, ACCOUNTING MANAGER**

Holds Bachelor of Science Degree in Finance and Master of Science Degree in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties | Troy enters the initial information into our arbitrage software for a senior level staff member to complete the calculations



2 Years  
Arbitrage Experience

#### **STEPHEN BRODEN, ACCOUNT MANAGER**

Holds Bachelor of Science Degree in Financial Management | Brings six years of experience in finance, accounting, and investments as a Bank Manager for Wachovia Bank | Works very closely with client's staff concerning investment practices, debt structures and accounting requirements to ensure compliance with the Tax Code, with a focus on minimizing costly rebate liabilities | Excels in developing and maintaining business relationships with clients | Excels in developing a full understanding of the client's debt programs



4 Years  
Arbitrage Experience

**TYSON GOULDING, ACCOUNTING MANAGER**

Holds Bachelor of Science Degree in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client’s risk of IRS fines and penalties | Tyson enters the initial information into our arbitrage software for a senior level staff member to complete the calculations | CPA Candidate



2 Years  
Arbitrage Experience

**CHRIS ROSE, CPA, ACCOUNTING MANAGER**

Holds both Bachelor of Science and Master of Science Degrees in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client’s risk of IRS fines and penalties | Chris enters the initial information into our arbitrage software for a senior level staff member to complete the calculations

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**4. REQUIRED CERTIFICATIONS AND SUBMITTAL**

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Ira B. Sacks	Attorney License	11490
Ira B. Sacks	Certified Public Accountant License	6950
Ira B. Sacks	Preparer Tax Identification Number*	P0124703
Troy Vanderploeg	Certified Public Accountant License	28963
Christopher Rose	Certified Public Accountant License	29050

**\*New registration requirements for arbitrage rebate providers:** Prior to December 31, 2010, the arbitrage rebate industry did not have governmental oversight. Regardless of an individual’s education or qualifications, the individual was allowed to perform arbitrage calculations. Because of this lack of qualification in the arbitrage industry, the United States Treasury required firms to be registered with the IRS as of January 1, 2011. A registered arbitrage provider is required to have either a CPA’s license, attorney’s license, or must satisfy minimal testing requirements in order to legally calculate and submit arbitrage rebate and/or yield restriction payments to the IRS. Ira B. Sacks received his qualification through his CPA and Tax Attorney Licenses. *In reviewing the responses from other vendors, the County should take note of the qualifications of the individual(s) that have received their tax professional Preparer Tax Identification Number (“PTIN”) and determine how many years of actual arbitrage rebate experience the individuals have.*

*Many arbitrage rebate firms were in a rush to employ an individual by December 31, 2010 that would qualify for a PTIN. Such firms may have hired an attorney or a CPA with little to no experience in calculating arbitrage rebate in order to satisfy the new registration requirement.*

**Professional liability insurance is included in Tab 1 of this response.**



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## 5. SCOPE OF SERVICES

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ACS performs pre-calculation work on all rebate computations, assuring that the relevant regulatory and technical expertise necessary to identify the lowest, legally permissible arbitrage rebate liability is applied.

**No cost contract transition team:** As part of the arbitrage rebate service contract, ACS' contract transition team will copy the necessary bond documents and completed arbitrage reports at the County's location. ACS provides this no cost service because we understand that switching from one vendor to another can create additional work for the County's staff. The County's involvement will be limited to directing ACS personnel to the location of the bond transcript books. Transitioning an arbitrage contract for 13 bonds can take upwards of 16 labor hours and by allowing our firm to transition the contract, the County will forgo the labor cost and inconvenience of copying the documents required to transition to our firm. ACS' transition team will require approximately 100 square feet of working space and the use of a copier for approximately one day to complete this transition. Our team is very conscientious and will not disrupt County personnel during the course of copying the necessary documents. Our calculations will incorporate the findings compiled by the County's previous provider in order to create a comprehensive arbitrage rebate report. Transition costs and other hardships typically placed on the County will be eliminated.

### *Arbitrage compliance programs*

**On-site training:** We understand that arbitrage compliance is not part of the daily routine of the County's employees; therefore, the County's contract will be supported by our Houston, Texas office. The on-site services that ACS will provide to the County are:

- No cost contract transition team will be provided
- Comprehensive discussions of the findings of each arbitrage calculation
- Training of the County's staff on strategies to help lower arbitrage liabilities
- Training of the County's staff on the accounting rules allowable under the Tax Code
- Attend board meetings

**Yield restriction requirements:** ACS monitors each debt issue to ensure that it satisfies both the construction fund yield restriction requirements as well as the refunding escrow yield restriction requirements.

**Full or partial payment advice:** The arbitrage rebate regulations require that at least 90% of the liability is paid when due. However, if less than 100% of the liability is paid, the remaining unpaid liability may continue to increase due to the future value factor used to compute arbitrage rebate. ACS will evaluate if making a payment less than 100% of the liability due is in the best interest of the County. ACS will review certain factors such as: unspent fund balances, current earnings rates, and the future value factor.

### *Computational requirements*

**Legal analysis of bond documents:** Our in-house tax attorney will analyze each bond structure to determine which bonds are subject to rebate, yield restriction, and applicable exceptions. ACS will issue a legal opinion to the County stating our findings. We will then determine IRS filing deadlines, extensions, and election requirements and enter this information into our database tracking system to ensure timely reporting.

**Bond yield:** ACS will compute the bond yield on each debt issuance to ensure accuracy. The Tax Code only allows one method to calculate the bond yield on fixed rate bonds; however, the Tax Code allows numerous methods to calculate the yield on variable rate bonds. As discussed on Page 6 of this response, ACS has developed a variable rate bond yield slicing model utilized to significantly reduce or eliminate arbitrage rebate payments for variable rate bonds. Our bond year slicing model has saved our clients millions in potential arbitrage rebate and yield restriction payments.



**Gross proceeds:** The ACS accountant will reconcile the investment detail to each debt issue's source/use statement to ensure all gross proceeds have been accounted. We always include all funds that are subject to rebate in our calculations including: cost of issuance funds, project funds, escrow funds, transferred proceeds, capitalized interest funds, reserve funds and debt service funds.

**Investment records:** As a national provider of arbitrage rebate services, ACS currently works with investment firms throughout the Country. ACS will contact the respective investment firm directly and have the investment statements sent to our firm for storage. Our statement storage program alleviates the need for our clients to track down old statements, copy them and mail them to our firm. Upon receipt of the monthly statements, ACS will review the data for completeness. If ACS discovers any inconsistencies, we will contact the County to discuss the entries while the transactions are still current and easily reconciled in the County's records. As correcting entries become aged, reversing those entries becomes more difficult and therefore requires more of the County's personnel time than is necessary.

**Yield on the investments:** Investment yield is calculated for each investment to assist in evaluating if each investment was attributing to a positive arbitrage rebate liability or negative arbitrage rebate liability. Rate of return information will identify which investments are underperforming and may be exchanged for higher yielding investments to maximize the overall rate of return on the investment portfolio. Rate of return is also calculated for all investments in aggregate.

**Unmatched understanding of the Tax Code:** ACS' experience in the arbitrage rebate industry, combined with our ability to offer on-the-spot legal advice, makes our firm stand out from our competitors. ACS has developed an unmatched, comprehensive knowledge of tax regulations, existing tax regulation interpretation, and the skills for determining how new financial instruments will be handled by the IRS to keep our clients in compliance with the Tax Code. The Tax Code is riddled with legal uncertainties and ambiguities. These ambiguities are not made easier since arbitrage rebate regulations have undergone four major changes, as indicated in bold type in *Figure 1* below, and numerous minor regulatory changes since 1986.

- Figure 1:**
- 1986 Arbitrage Rebate Requirements, Section 148, issued 8/31/86**
  - 1989 Temporary Regulations, issued 5/15/89**
    - Amended on 4/25/91
  - 1989 Spending Exception Regulations
  - 1992 Final and Proposed Regulations, issued 5/18/92**
    - Amended on 9/30/92
    - Amended on 10/5/92
  - 1993 Final Regulations, issued 7/1/93**
  - 1998 Amendment to Small Issuer Exception, issued 1/1/98
  - 2002 Amendment to Small Issuer Exception, issued 1/1/02
  - 2007 Amendment to Safe Harbor Rules, issued 1/1/07
  - 2009 Amendment to Computational Credits, issued 1/1/09

Arbitrage rebate calculations are dependent upon the year of issuance and the set of regulations that were effective at the time of issuance. Therefore, a thorough knowledge of each and every regulatory change since that time is mandatory to accurately compute the lowest permissible liability as allowed by law. Ira Sacks' daily involvement in the arbitrage calculation process ensures that the arbitrage exemptions and elections are correctly applied to compute the lowest permissible arbitrage rebate liability.

**Perform computations every five years and upon maturity:** Data is entered into our rebate calculation software and the rebate, yield restriction/yield reduction or spending exception/penalty calculations are performed. Throughout the data entry phase, the ACS accountant confers with our tax attorney concerning any unusual circumstances surrounding the data. Compliance with the Tax Code is essential to the calculations and services ACS performs for our clients. Each calculation will be performed on our proprietary arbitrage rebate software.



**Methodology in completing calculations:** As an integral and important part of ACS' arbitrage rebate services, we utilize our vast and extensive experience by first identifying various allowable alternative methods, which may lower the rebate liability on each bond issue and then research, evaluate and apply the most advantageous option. As an example, there are numerous accounting and allocation rules such as: pro-rata, first-in, first-out, last-in, first-out, or specific tracing of funds, all contained within the Tax Code. These methods provide a degree of flexibility in allowable treatments of investment/expenditure of bond proceeds that serve as our input into the rebate calculation process. ACS will use its years of experience and large knowledgebase to apply these rules and select the best method or combination of methods to minimize the County's aggregate rebate liability.

Each report and related supporting documentation will be subject to examination by ACS' tax attorney for final technical review to ensure the most favorable treatment of the Tax Code. ACS' reports include an executive summary, investment information as well as recommendations as outlined below:

**Executive summary:**

- CPA certified and legal professional opinion that the calculations were completed in accordance with the Tax Code and may be relied upon by the County in determining the liability payments to the United States Treasury.
- Investment yield – the overall cumulative yield for all investments.
- Arbitrage rebate liability
  - 100% arbitrage rebate liability
  - 90% arbitrage rebate liability – the Tax Code only requires that at least 90% of the liability be paid upon reaching a filing date.
  - Bond yield – to ensure accuracy in our reports, ACS will recalculate the bond yield using the source documents received since the entire arbitrage rebate calculation is based on the bond yield.

**Investment information:**

- Investment yield is calculated for each investment to assist in evaluating if each investment was attributing to a positive arbitrage rebate liability or negative arbitrage rebate liability.
- Rate of return information will identify which investments are underperforming and may be exchanged for higher yielding investments to maximize the overall rate of return on the investment portfolio.
- Rate of return is also calculated for all investments in aggregate.

**Recommendations:**

- Future filing due dates
- Accounting method modifications – ACS will provide recommendations on alternative accounting methods that may be employed to reduce the arbitrage rebate liability.
- Liability reserves – amount of funds to be reserved for upcoming arbitrage filings
  - ACS will analyze the current fund balances, investment yields, yield trends, and future value factors and provide recommendations on whether to submit 100% of the arbitrage liability or 90% of the liability.
- Spending exception elections
- Yield restriction limits

**IRS reporting requirements**

**Complete Form 8038-T and reports:** ACS will prepare and distribute a signature ready IRS Form 8038-T for payment of arbitrage rebate or yield restriction to include detailed filing instructions. The forms and returns will be attached to the supporting calculations and will include transferred proceeds allocations.

**Provide a written report:** Each report will include supporting documentation and will include a legal professional opinion that the calculation methodology used is consistent with current tax laws and regulations and may be relied upon by the County in determining the liability payments to the United States Treasury.



**Determine correction/penalty amount:** If a correction amount is due, ACS will determine that amount due to include any penalty amount. In the history of our firm, ACS has not missed a deadline that resulted in a correction or penalty amount due.

**Recovery requests/IRS refunds:** ACS has completed hundreds of refund requests for clients. Requesting a refund from the IRS requires an extensive amount of documentation to be gathered and formatted to expedite processing the refund. Since the IRS completes a mini-audit on both the past completed arbitrage rebate reports as well as the bond structuring, the information submitted to the IRS needs to be evaluated by ACS carefully before presenting the information to the IRS. For example, bond structuring investments have recently been scrutinized by both the IRS and the SEC concerning swap agreements and cancellations, forward purchase agreements, escrow funds supported by open market securities, and guaranteed investment agreements. These investment and hedge transactions were often not sold for market rates and created arbitrage positions that placed the municipalities' debt at risk of losing their tax-exempt statuses. Before submitting a refund to the IRS, ACS will identify the risk level of submitting bond information to the IRS and discuss our findings with the County. ACS' goal is to not only calculate the lowest arbitrage rebate but to also keep the County out of harm's way in regard to the IRS and SEC inquires.

**Record retention:** ACS will retain all records received by the County for the life of the bond plus three years.

**IRS audits:** ACS has been assisting our clients with audits for over 24 years. We not only deliver initial preventative "audit-proofing" in our work product for clients, but also provide all necessary IRS follow-up procedures as outlined below:

**Step One:** Determine if the audit was random or targeted

- On-staff tax attorney reviews audit details
- If the audit was targeted, ACS would research the NABL database to determine if other audits were issued under similar circumstances.
- Evaluate the finding from similar audits

**Step Two:** Determine the risk to the County

- ACS will evaluate:
  - Investments, swaps, repurchase agreements, guaranteed investment contracts, or other financial instruments that have been known to evoke IRS attention.
  - The structure of the debt issue.
  - The accuracy of past arbitrage providers' calculations (if applicable).

**Step Three:** ACS will formulate the answers to the IRS audit and act as legal representative to shield the County from direct exposure to the IRS inquiry to ensure that all responses are properly formulated to reduce the County's exposure to penalties.

**Step Four:** If ACS determines the bond under audit may have exposure, ACS' legal and accounting team will confer with the County's Bond Counsel, Financial Advisors and other related parties to strategize on how to lower the amount of the exposure to the minimum level. If allowable, ACS will re-compute the arbitrage rebate or yield restriction liability and perform other calculations deemed necessary to assist the County in reducing or eliminating any financial penalties that the IRS may impose.

***Who better to defend the County in an IRS audit than a firm that has both 24 years of accounting and legal acumen in the arbitrage rebate industry?***



Arbitrage Compliance Specialists, Inc.  
 Phone: (800) 672-9993  
 Fax: (800) 756-6505  
 www.rebatebyacs.com

ARBITRAGE REBATE SUMMARY

City of XYZ

Friday, July 16, 2010

Bond tracking system: Key information from each debt issue is entered into our database system to track IRS filing deadlines and election requirements to ensure timely reporting. Information included in this system will be provided as an Arbitrage Rebate Summary as detailed below:

BOND FACTS									COMPLETED			FUTURE		
Cbl #	PAR	Bond Issue	Date Issued	Final Maturity	Subject to Rebate	Subject to Project Yield Restriction	Trns. Paid ID p.	Minor Portion	Report Description	Type	End Date	Liability	Type	End Date
1.00	\$5,507,328.65	Unlimited Tax Refunding Bonds, Series 1989	11/21/89	03/01/00	Yes	No			Arbitrage Rebate Calculation	Final	03/01/00	(\$102,005.83)		
2.00	\$1,675,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 1993	05/19/93		No	No								
3.00	\$1,465,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 1994	10/20/94		No	No								
4.00	\$2,760,000.00	Unlimited Tax Refunding Bonds, Series 1996	09/11/98	03/01/08	Yes	No			Arbitrage Rebate Calculation	Final	03/01/08	(\$58,145.83)		
5.00	\$3,060,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2000	08/30/03		No	No								
6.00	\$5,515,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2001	08/22/01	03/01/26	Yes	No			Arbitrage Rebate Calculation	05th Year	08/22/06	(\$134,661.13)	10th Year	08/22/11
6.10	\$3,180,000.00	Bond Anticipation Note, Series 2001	12/11/01	09/19/02	Yes	No			Arbitrage Rebate Calculation	Final	09/19/02	(\$4,944.68)		
7.00	\$6,340,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2002	09/19/02	03/01/27	Yes	Yes	09.1/00	\$100,000.00	Arbitrage Rebate Calculation	05th Year	09/19/07	(\$173,762.84)	10th Year	09/19/12
									Project Yield Restriction Calculation	05th Year	09/19/07	(\$14,445.53)		
7.10	\$10,110,000.00	Bond Anticipation Note, Series 2002	09/23/02	09/10/03	No	No								
8.00	\$2,655,000.00	Unlimited Tax Refunding Bonds, Series 2002	11/20/02	03/01/17	Yes	No			Arbitrage Rebate Calculation	05th Year	11/20/07	(\$50,614.31)	10th Year	11/20/12
9.00	\$19,440,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2003	09/10/03	03/01/28	Yes	No			Arbitrage Rebate Calculation	05th Year	09/10/08	(\$389,714.21)	10th Year	09/10/13
9.10	\$9,965,000.00	Bond Anticipation Note, Series 2003	10/30/03	10/01/04	No	Yes	10.3/00	\$100,000.00						
10.00	\$21,250,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2004	11/04/04	03/01/29	Yes	Yes	11.0/07	\$100,000.00	Arbitrage Rebate Calculation	05th Year	11/04/09	(\$139,446.48)	10th Year	11/04/2013
10.50	\$12,835,000.00	Bond Anticipation Note, Series 2004A	12/01/04	11/30/05	No	Yes	12.0/07	\$100,000.00						
10.75	\$10,368,716.63	Refunding Bond Anticipation Note, Series 2004	10/01/04	11/30/04	No	No								
11.00	\$33,780,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2005	08/04/05	03/01/30	Yes	Yes	08.0/06	\$100,000.00	Arbitrage Rebate Calculation				05th Year	08/04/10
12.00	\$16,850,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2006	06/22/06	03/01/30	Yes	Yes	08.2/03	\$100,000.00	Arbitrage Rebate Calculation				05th Year	06/22/11





### *Additional services provided to the County*

**Providing an efficient, cost-effective means of calculating rebate:** In addition to providing arbitrage calculation fees of approximately 30-40% lower than the industry average, ACS will provide services to cover the entire life cycle of each debt issue starting with the preliminary planning stage of a debt issue and ending with investment records storage for three years after the bonds have matured. The additional services ACS will provide are listed below:

- **No cost transition team:** ACS will provide a transition team to copy the bond documents and prior calculations at the County's location. The County's involvement will be limited to directing ACS personnel to the location of the bond transcript books. This process will be performed at *no cost to the County*.
- **Automatic distribution of bond documents through the closing process:** As debt is issued in the future, ACS will work directly with the County's bond counsel to receive documents directly, eliminating the need for the County's personnel to copy the documents.
- **Monthly data transmissions:** Upon receipt from the investment firm, ACS will review the data for completeness. If ACS discovers any inconsistencies, we will contact the County to discuss the entries while the transactions are still current and easily reconciled in the County's records. As correcting entries become aged, reversing those entries becomes more difficult to implement and therefore requires more of the County's personnel time than is necessary.
- **On-site training classes:** ACS is committed to providing initial and ongoing training of the County's staff to aid in the understanding of arbitrage rebate. Our support and training includes comprehensive discussions of each arbitrage calculation, training on strategies to help lower arbitrage rebate, and training concerning the rules of arbitrage rebate accounting.
- **Pre-issuance advice:** ACS has performed over 30,000 arbitrage rebate and yield restriction calculations for tax-exempt debt issues over the past 24 years. Over this time, we have seen complications that can arise based on elections made by municipalities during the pre-issuance stage of the debt. Such complications have the potential to create high arbitrage rebate liabilities. We find that in many cases, the arbitrage rebate payments may have been reduced or eliminated if these issuers had consulted with ACS during the pre-issuance stage of the debt issue. ACS' practice is committed to providing pre-issuance election advice to our clients to assist in lowering or eliminating arbitrage rebate payments made to the IRS.
- **Create an arbitrage rebate policy manual:** In 2008, the IRS announced that a review of tax-exempt debt issuers' arbitrage compliance policies would be added to their audit processes. In response, ACS' tax attorney and team of accountants developed a comprehensive policy manual that includes a summarized explanation of the arbitrage rebate requirements as well as a model of best practices to ensure compliance with the Tax Code. The policy manual is provided to all of our clients and is tailored to meet the specific accounting structure and process flow of each client.