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Date March 26, 2007

PUBLIC HEARING AND RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$4,250,000 AGGREGATE PRINCIPAL AMOUNT OF MULTIFAMILY HOUSING REVENUE AND REFUNDING BONDS OF DES MOINES, IOWA; THE EXECUTION AND DELIVERY OF A SECOND SUPPLEMENTAL TRUST INDENTURE TO SECURE SAID BONDS; THE EXECUTION AND DELIVERY OF A SECOND AMENDMENT TO LOAN AGREEMENT BETWEEN SAID CITY AND LUTHER PARK APARTMENTS INC. PROVIDING FOR THE REPAYMENT OF THE LOAN OF THE PROCEEDS OF SAID BONDS AND THE SECURING OF SAID REPAYMENT OBLIGATION; THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT RELATING TO THE SALE OF SAID BONDS; AND RELATED MATTERS.

WHEREAS, the City of Des Moines, Iowa (the "Issuer") is an incorporated municipality authorized and empowered by the provisions of Chapter 419 of the Code of Iowa (the "Act") to issue revenue bonds and to loan the proceeds to one or more parties to be used to pay the cost of acquiring, constructing, installing and equipping a "project", as that term is defined in the Act, including a facility for an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") which is exempt from Federal income tax under Section 501(a) of the Code (a "Tax Exempt Organization") and for retiring existing indebtedness of such Tax Exempt Organization and refunding any outstanding bonds issued under the Act; and

WHEREAS, the Issuer has been requested by Luther Park Apartments Inc., an Iowa non-profit corporation and a Tax Exempt Organization (the "Borrower"), to authorize and issue its revenue bonds pursuant to the provisions of the Act for the purpose of financing costs of (i) advance refunding all of the Issuer's outstanding Multifamily Housing Revenue Bonds (Luther Park Apartments Inc. Project) Series 1999A (the "Series 1999 Bonds), (ii) acquiring certain real property and making certain capital improvements to the Borrower's Multifamily Housing Facility and Senior Housing Facility (the "Series 2007 Project"), (iii) funding a reserve fund, and (iv) paying costs of issuance and related costs; and

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WHEREAS, the Issuer has determined that the amount necessary for the foregoing purposes require the issuance by the Issuer of its Multifamily Housing Revenue and Refunding Bonds (Luther Park Apartments Inc. Project) Series 2007, in an aggregate principal amount of not to exceed \$4,250,000 in one or more series (the "Bonds") pursuant to the provisions of the Act, which Bonds will be issued as additional bonds under a Trust Indenture dated as of December 1, 1999 (the "Original Indenture") and that Second Supplemental Indenture (hereinafter defined), and it is proposed that the Issuer loan said amount to the Borrower under a Second Amendment to Loan Agreement dated as of April 1, 2007 (the "Second Amendment") between the Issuer and Borrower, amending the Loan Agreement dated as of December 1, 1999 (the "Original Loan Agreement") and the First Amendment to Loan Agreement dated as of February 1, 2004 (the "First Amendment", and along with the Original Agreement and Second Amendment, the "Loan Agreement") pursuant to which loan payments will be made by the Borrower in amounts sufficient to pay the principal of and interest and premium, if any on the Bonds, as and when the same shall be due; and

WHEREAS, a notice of hearing on the proposal to issue not to exceed \$4,250,000 aggregate principal amount of Multifamily Housing Revenue and Refunding Bonds (Luther Park Apartments Inc. Project) Series 2007, of the Issuer has been published as required by law; and

WHEREAS, a public hearing has been held at the time and place as specified in said notice of hearing and any and all objections or other comments relating to such Bonds have been heard and it is deemed to be in the best interests of the Issuer that said Bonds be issued as proposed; and

WHEREAS, the Issuer proposes to sell the Bonds to Piper Jaffray & Co. (the "Underwriter").

NOW, THEREFORE, Be It Resolved by the City Council of Des Moines, Iowa, as follows:

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Section 1. In order to provide for the financing of the Series 2007 Project, the Bonds are hereby authorized and ordered to be issued pursuant to the Original Indenture, that First Supplemental Trust Indenture dated as of February 1, 2004 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture dated as of April 1, 2007 (the "Second Supplemental Indenture", and, together with the Original Indenture and the First Supplemental Indenture, the "Indenture") between the Issuer and Wells Fargo Bank, National Association (the "Trustee"), in substantially the form as has been presented to and considered by this Council and containing substantially the terms and provisions set forth therein, with such changes therein as shall be approved by the officers of the Issuer executing the Bonds, and the forms, terms and provisions of the Bonds and the Second Supplemental Indenture are hereby approved, and the Mayor and the City Clerk are hereby authorized and directed to execute, attest, seal and deliver the Second Supplemental Indenture, and the Mayor and the City Clerk are further authorized and directed to execute, attest, seal and deliver the Bonds as provided in the Indenture, including the use of facsimile signatures as therein provided; the Bonds shall be in an aggregate principal amount of not to exceed \$4,250,000 and shall bear interest at a net interest cost not to exceed 6.5% per annum (for any tax-exempt Bonds) and 8.5% per annum (for any taxable Bonds), shall be sold at such prices, shall mature on the dates and in the amounts and shall be subject to redemption on such dates and in such amounts as provided in the Indenture. The execution and delivery by the Mayor and City Clerk of the Supplemental Indenture on behalf of the Issuer shall constitute approval by the Issuer of such interest rates, aggregate principal amount, and provisions thereof.

Section 2. The Issuer shall loan the proceeds of the Bonds to the Borrower to provide for the advance refunding of the Series 1999 Bonds, and the financing of the Series 2007 Project, such loan of the proceeds of the Bonds to be pursuant to the Loan Agreement, by and between the Issuer and the Borrower, in substantially the form as has been presented to and considered by this Board and containing substantially the terms and provisions set forth therein, and the form, terms and provisions of the Second Amendment to Loan Agreement are hereby approved, and the Mayor and the City Clerk are hereby authorized and directed to execute, attest, seal and deliver the Second Amendment to Loan Agreement.

Section 3. The sale of the Bonds to the Underwriter pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement"), by and among the Issuer, the Borrower and the Underwriter, within the parameters set forth in Section 1 hereof and in substantially the form as has been presented to this Council and containing substantially the terms and

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provisions set forth therein, but with such changes therein as shall be approved by the officers executing the Bond Purchase Agreement on behalf of the Issuer, is hereby authorized and approved and the form, terms and provisions of the Bond Purchase Agreement are hereby approved, and the execution and delivery of the Bond Purchase Agreement by the Mayor are hereby authorized and approved.

Section 4. The use by the Underwriter of the Preliminary Official Statement and the final Official Statement, with such changes and additions as are necessary to reflect the final terms of the transaction (together the "Official Statement") in connection with the purchase of the Bonds is hereby authorized and approved; provided such authorization and approval shall not be deemed to include authorization and approval of information contained in the Official Statement other than information describing the Issuer, but nothing contained in this Resolution shall be construed as prohibiting or limiting the Underwriter and the Borrower from including such information as they deem appropriate. The Preliminary Official Statement as of its date is deemed final by the Issuer within the meaning of Rule 15c2-12(b)(1) of the Securities and Exchange Commission.

Section 5. The Arbitrage Certificate and the Tax Certificate and Agreement (together the "Tax Certificates") among the Borrower, the Issuer and the Trustee in substantially the forms as have been presented to this Council and containing substantially the terms and provisions set forth therein, but with such changes therein as shall be approved by the officers executing the Tax Certificates on behalf of the Issuer, are hereby authorized and approved and the form, terms and provisions of the Tax Certificates are hereby approved, and the execution and delivery of the Tax Certificates by the Mayor and City Clerk is hereby authorized and approved.

Section 6. The Escrow Deposit Agreement dated as of April 1, 2007 (the "Escrow Agreement") among the Borrower, the Issuer and the Trustee in substantially the form as has been presented to this Council and containing substantially the terms and provisions set forth therein, but with such changes therein as shall be approved by the officers executing the Escrow Agreement on behalf of the Issuer, is hereby authorized and approved and the form, terms and provisions of the Escrow Agreement are hereby approved, and the execution and delivery of the Escrow Agreement by the Mayor and City Clerk is hereby authorized and approved.

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Section 7. It is hereby found, determined and declared that the Bonds and interest and premium, if any, thereon shall never constitute the debt or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, but the Bonds and interest and premium, if any, thereon shall be payable solely and only from the revenues derived from the Loan Agreement and the debt obligations of the Borrower thereunder; and no part of the refunding of the Series 1999 Bonds nor the cost of financing the Series 2007 Project will be payable out of the general funds or other contributions of the Issuer except the proceeds of the Bonds and any subsequent issues of bonds permitted under the Loan Agreement and the Indenture.

Section 8. Based upon data provided by the Underwriter, the amount necessary in each year to pay the principal of, premium, if any, and interest on the Bonds proposed to be issued is set forth in the Second Amendment to Loan Agreement and the debt obligations of the Borrower thereunder insures that the Borrower is obligated to pay amounts sufficient to pay the principal of, premium, if any, and interest on the Bonds and the payment of such amounts by the Borrower to the Trustee pursuant to the Second Amendment to Loan Agreement is hereby authorized, approved and confirmed.

Section 9. The Mayor and the City Clerk are hereby authorized and directed to execute, attest, seal and deliver any and all documents and do any and all things deemed necessary to effect the issuance and sale of the Bonds and the execution and delivery of the Second Amendment to Loan Agreement, the Second Supplemental Indenture, the Tax Certificates, the Escrow Agreement and the Bond Purchase Agreement, and to carry out the intent and purposes of this Resolution, including the preamble hereto; and the execution by the Mayor and, if required, the City Clerk, of the Bonds, the Second Supplemental Indenture, the Second Amendment to Loan Agreement, the Tax Certificates, the Escrow Agreement and the Bond Purchase Agreement shall constitute conclusive evidence of their approval and this City Council's approval thereof and of any and all changes, modifications, additions or deletions therein from the respective forms thereof now before this meeting.

Section 10. The provisions of this Resolution are hereby declared to be separable and if any action, phrase or provisions shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

★ **Roll Call Number**

Agenda Item Number

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 Date March 26, 2007

Section 11. This Resolution shall become effective immediately upon its passage and approval.

(Council Communication No. 07-150)

Moved by: _____ to adopt.

Form approved: _____
 Deputy City Attorney

NJACKSON\523212.1\WP\18946005

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLISSIS				
TOTAL				
MOTION CARRIED	APPROVED			

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

-6-

 Mayor

 City Clerk

AHLERS & COONEY, P.C.

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attorneys at law / 100 court avenue / suite 600 / Des Moines, Iowa 50309-2231 / phone: 515-243-7611 / fax: 515-243-2149
www.ahlerslaw.com

john h. bunz
jbunz@ahlerslaw.com

direct dial:
(515) 246-0336

March 19, 2007

VIA HAND DELIVERY

Ms. Diane Rauh
City Clerk
400 Robert D. Ray Drive
Des Moines, Iowa 50309

RE: City of Des Moines, Iowa
Health Care Facility Revenue and Refunding Bonds
(Luther Park Health Center, Inc. Project)
Series 2007A and 2007B

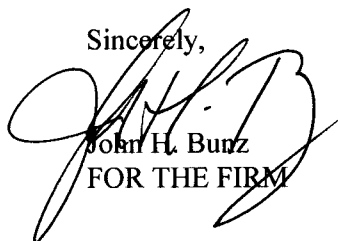
Dear Ms. Rauh:

I am enclosing a suggested Roll Call for consideration by the City Council at its March 26, 2007 meeting. Also enclosed are the documents listed below which are referenced in the Roll Call, but need not be signed at this time.

1. Second Supplemental Trust Indenture
2. Second Amendment to Loan Agreement
3. Bond Purchase Agreement
4. Preliminary Official Statement
5. Arbitrage Certificate
6. Tax Certificate and Agreement
7. Escrow Deposit Agreement

As always, we would appreciate receiving a certified copy of the enclosed Roll Call returned to us following the Council's action for our transcript of the action taken. Should you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,



John H. Bunz
FOR THE FIRM

JHB:ej
Enclosures
cc: Allen McKinley

NJACKSON\528558.1\WP\18946005

**The PFM Group**

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

Terrace Place, Suite 214
2600 Grand Avenue
Des Moines, IA 50312

515 243-2600
515 243-6994 fax

March 16, 2007

Mr. Allen McKinley, Finance Director
City of Des Moines, Iowa
400 Robert D. Ray Drive
Des Moines, Iowa 50309

RE: Proposed Multifamily Housing Revenue and Refunding Bonds (Luther Park Apartments Inc.)

Dear Mr. KcKinley,

This letter summarizes Public Financial Management's ("PFM") review of the proposed \$3,740,000 Multifamily Housing Revenue and Refunding Bonds (Luther Park Apartments Inc Project), Series 2007 (the "Series 2007 Bonds") to be issued by Luther Park Apartments Inc. (the "Borrower"). The Series 2007 Bonds are being issued to advance refund the outstanding \$2,605,000 Multifamily Housing Revenue Bonds (Luther Park Apartments Inc. Project) Series 1999A dated as of December 1, 1999 (the "Series 1999 Bonds") of which \$2,455,000 is still outstanding. The Series 1999 Bonds are callable on December 1, 2009 at a 102% redemption price. The escrow account funded by the Series 2007 Bonds will incorporate all remaining debt service payments through and including the redemption date of December 1, 2009. In addition, the Series 2007 Bonds will fund an additional \$900,000 of new money bond proceeds for additional capital improvements. The Series 2007 Bonds are being issued on parity with the Borrower's outstanding \$5,090,000 Senior Housing Revenue Bonds (Luther Park Apartments Inc.), Series 2004 (the "Series 2004 Bonds").

In order to accommodate the additional new money bond proceeds, the Series 2007 Bonds will not match the 2029 maturity date of the Series 1999 Bonds but will extend the amortization another seven years to 2036. Given the maturity date extension and the new money component, the proposed issuance will still produce a small net present value savings of approximately \$116,000 but will increase the Borrower's overall debt service payments by approximately \$3.1 million over the life of the Series 2007 Bonds. It is our understanding that Ahlers & Cooney, P.C. Des Moines, Iowa has confirmed that the average maturity of the Series 2007 Bonds, determined as provided in Section 147 of the Code, does not exceed 120% of the average reasonably expected economic life of the facilities financed with the net proceeds of the Series 1999 Bonds.

While we have not completed an exhaustive analysis of the financial capacity of the Borrower, we have reviewed certain information as follows: 1) the December 31, 2003 Combined Financial Report, 2) the December 31, 2004 and 2005 Financial Reports, 3) a draft copy of the Official Statement, 4) the Trust Indenture and Loan Agreement dated December 1, 1999 as it relates to the original financing of the Series 1999A & B Bonds, 5) the First Supplemental Trust Indenture and First Amendment to Loan Agreement dated February 1, 2004 as it relates to the financing of the Series 2004 Bonds, 6) a draft

copy of the Second Supplemental Trust Indenture, 7) a draft copy of the Second Amendment to Loan Agreement.

Security for the Series 2007 Bonds

Pursuant to the Trust Indenture dated December 1, 1999, the First Supplemental Trust Indenture dated February 1, 2004 and the Second Supplemental Trust Indenture, the security for the Series 2004 Bonds and the Series 2007 Bonds (collectively the "Parity Bonds") will be the total unrestricted revenues, gains and other support of the Borrower less operating expenses as calculated under generally accepted accounting principles, excluding interest on long term indebtedness, depreciation and amortization and extraordinary expenses ("Net Income Available for Debt Service") derived from the facilities. The facilities include the 153-unit multifamily housing facilities (the "Facilities"). In addition, the Parity Bonds will be secured by a mortgage lien on and security interest in the Facilities.

Other Bond Covenants

The Borrower has covenanted to maintain a debt service reserve fund (DSRF) equal to maximum annual debt service on the Series 2004 Bonds and the maximum annual debt service coming due (excluding the 2035 and 2036 principal and interest payments) on the Series 2007 Bonds. Upon the issuance of the Series 2007 Bonds, the DSRF requirement will be fully funded. However it should be noted that the principal and interest payment in 2036 will be approximately \$130,000 higher than the previous average annual debt service payment, net of the debt service reserve fund.

Based on the Borrower's Financial Reports, the Borrower has fully funded the DSRF equal to the maximum annual debt service on the Series 1999 and 2004 Bonds. Finally, the Borrower covenants to maintain fees and charges for the use of the Facilities to produce a debt service coverage ratio equal to at least 1.10 times for such fiscal year. Exhibit 1 attached hereto, articulates the Borrower's debt service ratio which compares the Net Income Available for Debt Service to the actual debt service payment of the Series 1999 and 2004 Bonds made in such fiscal year. Exhibit 2 attached hereto, articulates the Borrower's debt service coverage ratio which uses the maximum annual debt service of the Series 1999 and 2004 Bonds as opposed to the actual debt service payment made in the current fiscal year. For purposes of calculating the maximum annual debt service, any reserve for debt service established with a third party for any indebtedness shall be deemed escrowed for the purpose of paying the installment of principal thereof in the inverse order of their maturity. Accordingly, we have netted the DSRF against the last maturity of each outstanding debt issue to derive the maximum annual debt service.

Issuance of Additional Bonds

The Borrower may issue additional long-term indebtedness on parity with the Series 2004 Bonds as long as there are no events of default before issuance. In addition, the Borrower must provide the trustee an Officer's Certificate to the effect that for the most recent two fiscal years the debt service coverage ratio was not less than 1.15 for all outstanding long-term indebtedness (exclusive of any outstanding long-term indebtedness which is redeemed with proceeds of the indebtedness to be incurred) and the long-term indebtedness then proposed to be incurred.

Based on conversations with Ahlers & Cooney, P.C. Des Moines, Iowa, PFM has added the reported capitalized interest payments into the Net Income Available for Debt Service for purposes of this calculation and has backed out the management fees given they are subordinated to the debt service on the outstanding long-term indebtedness. Exhibit 3 attached thereto, articulates the Borrower's debt service coverage ratio which uses the maximum annual debt service payment of the Parity Bonds upon

the implementation of the advance refunding of the Series 1999 Bonds and the issuance of the Series 2007 Bonds. Upon consultation with Ahlers & Cooney, P.C. Des Moines, Iowa, the maximum annual debt service needs to incorporate only the principal and interest payments through the life of the Series 2004 Bonds. Based on this interpretation of the maximum annual debt service, the Borrower has met the additional bonds test as articulated in Section 8.7 (2) (i) of the Loan Agreement dated December 1, 1999.

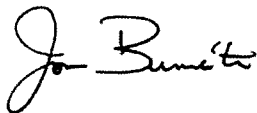
Conclusion

Based on the historical financial performance, the Borrower has generated sound debt service coverage ratios over the last few years. PFM is not aware of any pending conditions which will impair the Borrower's ability to continue to generate adequate coverage. However, it should be highlighted that this transaction to advance refund the Series 1999 Bonds and generate an additional \$900,000 of new bond proceeds will increase the Borrower's overall debt service by approximately \$3 million. The Borrower has fully funded the DSRF and will continue to do so upon the issuance of the Series 2007 Bonds. Finally, it should be noted that the 2036 principal and interest payment is approximately \$130,000 higher than the Borrower's previous annual debt service payments.

Additional comfort is provided by the user rate covenant, which requires the Borrower to set rates and charges to maintain a minimum 1.10 debt service coverage ratio. In the event that the Borrower's debt service coverage ratio drops below 1.10, the Borrower must retain an independent consultant to review its operations and make recommendations to improve its financial position and operations. Finally, the Borrower will need to produce a minimum debt service coverage ratio of 1.15 before additional long-term indebtedness can be incurred, thereby protecting the interests of the existing bond holders.

Please note that the numbers in my analysis are based on preliminary debt schedules provided by Piper Jaffray as of March 15, 2007. Call me at (515) 243-2600 ext 224 if you have any questions or comments. PFM will continue to monitor the transaction until it has been finalized.

Sincerely,
PUBLIC FINANCIAL MANAGEMENT



Jon Burmeister, CFA
Managing Director

**LUTHER PARK APARTMENTS INC.
ACTUAL DEBT SERVICE RATIO**

EXHIBIT 1

	Audited Financial Statements			Unaudited
	2003	2004	2005	2006
Revenues less expenses	(72,094)	12,550	(14,529)	(114,186)
Less Restricted Contributions	0	0	0	0
Loss/(gain) on Investments	411	(2,022)	(3,911)	0
Plus 1999 bond interest	188,033	186,126	184,325	181,925
Plus 2004 bond interest	0	0	172,116	295,393
Plus 2007 bond interest	0	0	0	0
Plus Subordinated Management Fees	0	0	0	64,761
Plus depreciation	<u>152,343</u>	<u>153,513</u>	<u>282,528</u>	<u>419,847</u>
Net Income Available for Debt Service	268,693	350,167	620,529	847,740
Plus Capitalized Interest*	<u>0</u>	<u>221,544</u>	<u>123,090</u>	<u>0</u>
Adjusted Net Income Available for Debt Service	268,693	571,711	743,619	847,740
Debt Service Payment 1999 Bonds**	223,140	221,250	224,325	221,925
Debt Service Payment 2004 Bonds**	0	221,544	295,393	380,393
Debt Service Payment 2007 Bonds**	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service Payment	223,140	442,794	519,718	602,318
Debt Service Ratio	1.20	1.29	1.43	1.41

* - Interest cost on the Series 2004 Bonds was capitalized in 2004 and a portion was capitalized in 2005.

** - Debt service represents the actual debt service paid in such year on the Series 1999 & 2004 Bonds.

**LUTHER PARK APARTMENTS INC.
MAXIMUM DEBT SERVICE COVERAGE RATIO**

EXHIBIT 2

	Audited Financial Statements			Unaudited
	2003	2004	2005	2006
Revenues less expenses	(72,094)	12,550	(14,529)	(114,186)
Less Restricted Contributions	0	0	0	0
Loss/(gain) on Investments	411	(2,022)	(3,911)	0
Plus 1999 bond interest	188,033	186,126	184,325	181,925
Plus 2004 bond interest	0	0	172,116	295,393
Plus 2007 bond interest	0	0	0	0
Plus Subordinated Management Fees	0	0	0	64,761
Plus depreciation	152,343	153,513	282,528	419,847
Net Income Available for Debt Service	268,693	350,167	620,529	847,740
Plus Capitalized Interest *	0	378,280	123,090	0
Adjusted Net Income Available for Debt Service	268,693	728,447	743,619	847,740
Max Annual Debt Service**	226,545	604,825	604,825	604,825
Debt Service Ratio	1.19	1.20	1.23	1.40

* - Interest cost on the Series 2004 Bonds was capitalized in 2004 and a portion was capitalized in 2005.

** - Debt service represents the **maximum** annual debt service over the life of the Series 1999 & 2004 Bonds.

**LUTHER PARK APARTMENTS INC.
 ADDITIONAL BONDS TEST Section 8.7 (2)(i) 1999 Loan Agreement**

EXHIBIT 3

	Audit <u>2005</u>	Unaudited <u>2006</u>
Revenues less expenses	(14,529)	(114,186)
Less Restricted Contributions	0	0
Loss/(gain) on Investments	(3,911)	0
Plus 1999 bond interest	184,325	181,925
Plus 2004 bond interest	172,116	295,393
Plus 2007 bond interest	0	0
Plus Subordinated Management Fees	0	64,761
Plus depreciation	<u>282,528</u>	<u>419,847</u>
Net Income Available for Debt Service	620,529	847,740
Plus Capitalized Interest *	<u>123,090</u>	<u>0</u>
Adjusted Net Income Available for Debt Service	743,619	847,740
Max Annual Debt Service**	616,640	616,640
Debt Service Ratio	1.21	1.37

* - A portion of the interest cost on the Series 2004 Bonds was capitalized in 2005.

** -Debt service represents the **maximum** annual debt service THROUGH the life of the Series 2004 Bonds after taking into account the issuance of the Series 2007 Bonds.