

Weekly Capital Markets Update

Wye River Group, Incorporated

April 1, 2009

KEY MARKET RATES

	This Week	Last Week	Change
Weekly VRDB	0.44*	0.54**	-0.10
LIBOR	0.50	0.52	-0.02
RBI	5.78	5.81	-0.03
30 Yr MMD ('AAA' Pure)	4.81	4.84	-0.03
30 Yr Treasury	3.66	3.69	-0.03
Prime Rate	3.25	3.25	0.00
Federal Funds	0.25	0.25	0.00

* Based on average of VRDB rates from 5 different remarketing agents for the week ending 04/07/2009. Resets Wed.

**Actual SIFMA rate.

TAX-EXEMPT FIXED RATES

	AAA	AA	A	BAA	BBB	NR
1 Yr	1.16	1.42	2.04	2.61	4.60	6.25
5 Yr	2.36	2.62	3.27	3.90	6.35	8.00
10 Yr	3.50	3.83	4.55	5.18	7.10	8.70
20 Yr	4.94	5.30	6.00	6.64	7.95	9.70
30 Yr	5.32	5.67	6.40	7.05	8.20	10.00

RECENT TRANSACTIONS & ASSOCIATED INTEREST RATES

EDUCATION	HEALTHCARE/LONG-TERM CARE
□ The Julliard School, NY (5.00%)	□ AnMed Health, SC (VRDBs)
□ Indiana University, IN (5.00%)	□ Northwestern Mem. Hospital, IL (6.00%)
□ Gonzaga University, WA (6.25%)	□ Gr. Fairbanks Hospital, AK (VRDBs)
□ Univ. of Massachusetts, MA (VRDBs)	□ Texas Medical Center, TX (5.00%)
□ American Prep. Academy, UT (8.00%) *	□ Oregon Baptist Ret. Homes, OR (VRDBs)
ECONOMIC DEVELOPMENT	AAA MUNI BOND YIELDS BY INDUSTRY**
□ Prairie State Energy Campus, OH (5.75%)	□ General Obligation (5.05-5.15%)
□ Las Vegas Redev. Agency, NV (8.00%)	□ Education (4.70-4.80%)
□ Stonecreek Dev. Project, OH (4.75%)	□ Power (5.05-5.15%)
□ Jones Cnty. Dist. Impvmt., MS (5.125%)	□ Transportation (5.00-5.10%)
□ Riverside Cmnty. Dist. 26, CA (9.25%)	□ Water (4.95-5.05%)

* Non-Rated, Long Bond Rate

** Representative Yields on 30-Year Bonds



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Impact of the American Recovery and Reinvestment Act of 2009 on Bank Qualified Bond Financings for Tax-Exempt Borrowers

The recently adopted American Recovery and Reinvestment Act of 2009 contains a host of provisions designed to stimulate the economy and help stabilize the capital markets. Among the most exciting in our business is the change made to the provisions governing “bank-qualified” tax-exempt bonds. The considerable expansion of bank-qualified bond eligibility presents a compelling new source of debt capital for not-for-profit borrowers which previously had no or limited access to such financing. It also gives commercial banks ranging from national players to local community institutions the opportunity to lend directly on a tax-exempt basis to a broader array of such borrowers.

Until the adoption of the Act, “bank eligibility” for tax-exempt bond investment was constrained by a \$10 million “issuer” limitation. The Act makes two important changes. First, the entity subject to application of the overall dollar limitation has been changed from the “issuer” to the “borrower”. Second, the maximum amount of bank eligible bond financing for a given borrower has been raised to \$30 million per year.

We are very pleased about this development for several reasons:

- It adds a new financing alternative that banks can offer tax-exempt borrowers. In recent times, banks have been limited largely to offering non-profit borrowers letters of credit (LOCs) for tax-exempt variable rate demand bonds (VRDBs) and conventional taxable loans.
- It will foster greater competition among more banks and expands the opportunities for smaller, local institutions to make tax-exempt loans.
- Bank-qualified bond financings may be a more stable and less risky alternative to VRDBs that are sold to capital markets investors. In recent times, many borrowers have been plagued by structural weaknesses in their VRDB financings and credit rating problems due to poorly worded covenants and LOC bank financial difficulties. Because bank-qualified bonds are owned directly by the bank, risks associated with bank downgrades, bond puts and swap basis risk are appreciably smaller.
- In addition, because there is less documentation required for bank-qualified bonds than VRDBs, the associated transaction costs for such bonds should be considerably lower than those for VRDBs.

As those of you who have used our services in the past know, we strive in our financing solicitations to help our clients secure the best possible terms at the lowest possible cost. We believe that our solicitation process fosters optimal participation and competition among the financial institutions in a manner which both the clients and the institutions consider to be fair and reasonable.

If you are interested in learning more about this financing alternative or have other questions relevant to your organization’s financing plans or needs, please feel free to call us.