
Mun-Ease News

Prescient Software jrd, Inc.

www.mun-ease.com

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New 11.95 CD, New Class Schedule, Preview of Upcoming Release 12.0 (2005)

11.95 Version Overview

We are shipping 11.95 CD ROM to our current customers with this newsletter. The 11.95 release contains new reports, new versions of 8038 tax forms, and other miscellaneous improvements. We'll describe these enhancements later in our newsletter. The 11.95 CD ROM is sent to all of our 11.0 customers free of charge.

We'll also list the new features for our upcoming 12.0 (2005) release. We plan to ship this release to our customers during the June-July time-frame. This release will be shipped along with a new set of manuals free-of-charge.

New 8038T Tax Form

In late January, the IRS released a new version of the 8038T tax form that issuers must submit when they pay an arbitrage rebate or a penalty in lieu of rebate. While the new form eliminates many reporting requirements, there are a few instances where additional information is required.

Mun-Ease generates completed 8048T tax forms as well as the other 8038 forms (8038, 8038G, 8038GC, and 8038R). The 11.95 release generates the 8038T form in the new format. In addition to including the revised 8038T form, we've significantly improved the print quality of the other tax forms.

New SLGS Subscription Rules to be Finalized in First Half of 2005

On September 30, 2004, The Bureau of Public Debt (BPD) filed a Notice of Proposed Rulemaking for the SLGS program in the Federal Register (Docket # BPD-02-04). Listed below are some of the key changes that the Bureau has proposed to the SLGS (*State and Local Government Securities*) program:

- Requires that the source of funds used to purchase SLGS be from the gross proceeds of a bond issue.
- Sets the current day SLGS rates based on rates as of 10:00 AM (ET) on the same day of the subscription. Prior policy set the rates as of 5:00 PM of the preceding day.
- Requires SLGS subscriptions and requests for early redemption to be made between 10:00 AM and 6:00 PM Eastern time.
- Requires that the subscriber certify that the issuer has authorized the issuance of state or local bonds.
- Eliminates the existing rule that allows the subscriber to change the issue date of SLGS by up to 7 days unless the subscriber receives an explicit Treasury waiver.
- Limits changes to the size of SLGS subscriptions to 10% of the original amount subscribed. Prior rules allowed the subscriber to change the amount of principal to the greater of 10% of original principal or \$10 million.
- Requires the mandatory use of the SLGSafe subscription program.
- Prohibits the purchase of SLGS from proceeds derived from the sale or redemption of open market securities if the yield on the SLGS to be purchased exceeds the yield on securities to be sold or redeemed.

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Mun-Ease Release 11.95, class schedule for the first half of 2005, information about the upcoming 2005 Release.

- Prohibits cancellation of SLGS subscriptions except when “the cancellation is required for reasons unrelated to the use of the SLGS program to create a cost-free option.”

We recently talked to the Bureau about the status of the proposed regulations. The Bureau expects that the regulations will be finalized in the first half of 2005. You can view the proposed regulations at:

<http://www.publicdebt.treas.gov/spe/spe.htm>

Additionally, several issuers, financial advisors, and attorneys have made recommendations to the Bureau regarding the proposed regulations. You can view their comments at:

<http://www.publicdebt.treas.gov/spe/specomments.htm>

Mun-Ease Class Schedule Through June, 2005

We plan to hold two Mun-Ease classes during the first half of 2005. Our first class will be held in Chicago on March 28-30. The second class will be held in Las Vegas from June 13-15. If you plan to attend one of these classes, please make your reservation early since we have a limited number of spaces available.

Mun-Ease classes are comprehensive in nature; covering all aspects of debt management in the public sector. The classes are conducted by having the student solve real-life problems using Mun-Ease on a computer provided by CompUSA. Our classes are 2^{1/2} days in length and cost \$995. We limit each class to 12 students to ensure a productive learning experience.

The Classes page of the Mun-Ease site contains additional information including: (a) class syllabus, (b) directions to the class locations and hotels, (c) a downloadable class registration form in Word and PDF format, and (d) additional hotel information.

Class Locations & Dates

Chicago (Schaumburg), IL March 28-30, 2005.

(Schaumburg CompUSA located at 1045 E. Golf Rd., Schaumburg, IL 60173. Hotel Accommodation - Wingate Hotel, 50 E. Remington Rd., Schaumburg, IL, \$79.00 plus 14% tax).

Las Vegas, NV June 13-15, 2005. (Las Vegas CompUSA located at 3535 W. Sahara Ave., Las Vegas, NV 8902-5869. Hotel Accommodation - Palace Station Hotel, 2411 W. Sahara Ave. Las Vegas, NV 89102. \$79.99 (hotel tower rate) or \$49.99 (courtyard hotel rate) plus tax.

You can register for a class by faxing or mailing the attached registration form to Prescient Software at 949-248-5789. You can e-mail us at classes@mun-ease.com. The registration form can be downloaded from:

<http://www.mun-ease.com/class.html>

Tips: Displaying Alphanumeric fields in Mun-Ease

Mun-Ease contains several alpha-numeric fields that hold free-form descriptive information. These fields include the *issuer name*, *bond issue name*, the *bond issue type*, and the *user name*. These fields are often displayed in the headers and footers of reports.

The default font for information displayed in report headers is an 11-point Garamond Italic font. Garamond is a very readable and stylish font. However, capitalized letters in this font often take up twice the amount of space than uncapitalized letters. To avoid the possibility of information being truncated on the printed page, we recommend that you do not type the entire description in capital letters. Your reports will look better and be much more readable. To demonstrate the benefits of NOT typing descriptive information in caps, compare the following two titles:

City of Metropolis Water Agency

CITY OF METROPOLIS WATER AGENCY

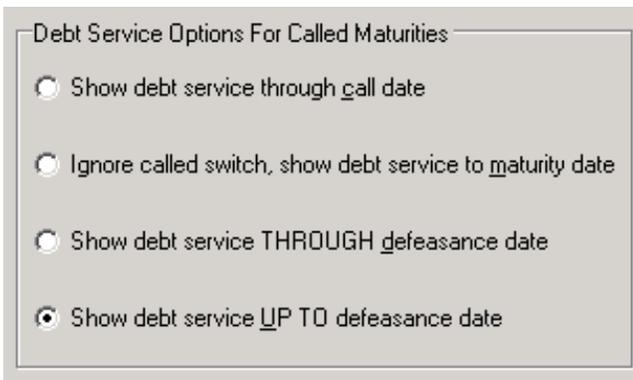
Miscellaneous News Items

Credit Cards

Prescient Software now accepts American Express credit cards. Previously, we only accepted Visa, Mastercard, and Discover.

SLGS Rates

In early 2003, we worked closely with the Bureau of Public Debt to define a comma-delimited format for SLGS rates so that the SLGS table could be directly imported into Mun-Ease. The Bureau created separate text files in a comma-delimited format for the daily SLGS rates and published these files on its FTP server. Some users encountered problems accessing the FTP server because of firewall restrictions at their own sites. In response, the Bureau has changed their procedures so that the current-day rates are also published on their web page.



Enhanced Features for Debt Service Report Options (v. 11.95)

Issuers often have conflicting reporting requirements for reporting of debt service. Accountants often want to view a debt service schedule that reflects the legal liability of the issuer. Thus debt service is generated up to (but not through) the defeasance date. In a refunding analysis, financial analysts need to generate debt service schedules for the refunded bonds through the call date and to the original maturity dates.

The Mun-Ease database contains several date fields that are used to generate debt service schedules. These date fields include the (a) *maturity date*, (b) *term maturity date* (for sinkers), (c) *call date*, (d) *defeasance date*, and (e) *call date for arbitrage purposes*.

When we first released 11.0 version in June of 2003, we included a new feature that allowed users to choose how individual or combined debt service reports would be formatted. Users determined the format by choosing one of four options in the *call options* pop-up window (see above figure). The four options are:

1. Display debt service through the call date,
2. Ignore all calls; display debt service through the maturity date,
3. Display debt service through the defeasance date,
4. Display debt service up to (but not including) the defeasance date, (Use this option when you want a debt service schedule for accounting purposes.)

New Features in the 11.95 Release

In addition to the above reports, the 11.95 release now provides the above formatting option for all reports in the Stand-Alone Reporting and Allocations modules.

Note also that Mun-Ease provides three debt service schedules that display separate columns for issuer-

obligated debt service and escrowed debt service. These reports are reports: 2b, 3b, and 3c.

New Features in the 11.95 Release

We have included a new version of the 8038T tax form that reflects changes to the form made by the Treasury in January, 2005.

We increased the blocksize of the report database tables so that users can generate large reports. Previously the blocksize was set to 2,000k which limited the table size to 134 megabytes. We changed the blocksize to 32k which limits the table size to 2.048 gigabytes.

We changed the position of the report numbers in the Arbitrage, Sizing, and Refunding master reports. The page numbers are now displayed in the middle of the page footer. We also changed the position of the page numbers in a few individual reports that can be inserted into a report package (see Tips section of the 11.90 newsletter). The page numbers for these reports are also displayed in the middle of the page footer.

In a sizing calculation, the description field for each draw schedule defaults to a value of "gross project costs." We allow you override this description. In certain situations, the description field did not change from the default value. We fixed this problem in the 11.95 release.

We've added a new report to the stand-alone reporting module. Report #95 displays a list of maturities on your database that have early call options but have not been called. The report is sorted by call year and Bond ID.

We've added a summary report (#65b) for the private use calculations. This report is available to users who have purchased the Allocations module.

We've added a new feature to generate invoices (#96) for borrowers in a pooled financing (Loan Pools | Generate Invoices).

We corrected a bug in the Sizing Yearly Debt Service Report (#14b). Previously this report displayed totals by calendar year and not by fiscal year.

We corrected a bug in the refunding verification report. In certain cases the outside sources of funds was not shown in the report. (Note: This omission had no effect on the calculations.)

We added a new field to the Rebate Calculations Window. This field is for the date that the beginning bond proceeds were received by the issuer. Ordinarily the user should leave the value of this field to the delivery date of the bonds. However, the value might change in cases where the user is performing rebate calculations via purpose expenditures for a subsequent 5-year calculation period. *Example:* Assume that you are performing calculations for the second 5-year period for a variable rate bond that was dated and delivered on 1/1/2000. In this case, your beginning gross proceeds would be equal to the amount of the unspent proceeds as of 1/1/2005. You would also change the date of beginning gross proceeds from its default value of (1/1/2000 (the delivery date) to 1/1/2005.

We now include debt service payment view options for the following reports: New Issue Impact Report (#5), Allocations One Year Indebtedness Report (#36c, #36e), Allocations One Year Paying Agent Report (#34, #35), and the Combined Indebtedness report (#07). The Debt Service Payment View Options provide view options for matuities that have been called. You can view debt service payments (a) through the call date, (b) through the defeasance date, (c) up to (but not through) the defeasance date, or (d) choose to ignore the calls and show debt service through the original maturity date.

We have changed the order of the fields displayed in the rebate transaction grid. The Fund ID is now displayed prior to the calculated fields.

We modified all of the 8038 tax forms. The text is now displayed in a Bold Courier 8-point font.

We now provide a new TIC computation option for bonds that have one or more maturities that have been called. You can compute the TIC to the original maturity date or to the call date (File | Fixed Rate Bonds | TIC/Bids).

We corrected a bug when the user chose to size a bond issue using Sizing Rules 13 -16. In some instances, the Project Costs and/or the Bond Issue Size fields were hidden from view. We also added a new report (Report #72a) for these sizing options. Report #72A displays the user-input revenue flow projections and the revised revenue projections that Mun-Ease calculated. Mun-Ease applies a percentage of the revenue flows that the user enters until it derives a revenue pattern that will result in the desired size of the bond issue.

12.0 Version to be Shipped in Mid-2005

Our current plans are to ship our 12.0 version in June or July of 2005. The 12.0 version will *include new manuals and will be shipped free-of-charge* to all of our current customers. Shown below is a summary of the major features of the new release.

- An enterprise version of Mun-Ease that uses Microsoft's SQL Server database. This version is a three-tier, client-server application. (We recommend this version only for issuers that have very large databases and that have onsite database administrators.)
- A new features that allows issuers to input and maintain information for housing bonds (*Base module*).
- A new feature to perform refunding analyses for notes and/or variable rate bonds (*Refunding module*).
- A new feature that allows users to perform rebate/penalty calculations for selected funds within a bond issue. The user may select up to 10 funds. (Our current version allows the user to perform calculations for all funds or for a specific fund.) (*Arbitrage module*)
- A new feature that allows users to define separate and distinct yields on various restricted funds in the sizing and refunding modules. For example, users could define different rates of return for the debt service reserve and capitalized interest funds (*Sizing and Refunding modules*).
- A new feature in the Allocations module to pro-rate expenses among bond issues on a Fi-Fo (first-in, first-out) basis. This feature is for situations where projects are authorized by elected officials and multiple bond issues fund these projects. We've added a new database table that records the initial amounts authorized for capital projects. As amounts are expended to complete the projects, the expenditures are aggregated and netted against the amounts authorized to determine the remaining funds that can be spent. Mun-Ease then pro-rates expenditures to the bond issues that have funded the projects on a Fi-Fo basis (*Allocations module*).
- A new feature in the Internet Add-On module to evaluate bidders in a competitive bond sale. Underwriters can enter bids over the Internet and Mun-Ease will compute the TIC of each bid. Based on options chosen by the issuer, bidders can view competitor bids during the sale period. The Internet Add-On module runs on an issuer's web server (*Internet Add-On module*).
- A revamped Tutorials guide that contains new step-by-step instructions for performing analyses in the Arbitrage, Refunding, and Sizing modules.