
American Municipal Tax-Exempt Compliance Corporation

ARBITRAGE REBATE
COMPUTATION SPECIALISTS

AMTEC



Tel: 888-999-8038
Fax: 860-236-7135

998 Farmington Avenue
Suite 120
West Hartford, CT 06107
www.amteccorp.com



Amtec computes arbitrage rebate in accordance with the Tax Code.

When should rebate be calculated?

When Amtec is engaged on the closing date, rebate computations continue until the bond proceeds are expended. This service provides the client with a continuous review of the accumulated rebate liability. It also provides our clients with the opportunity to realign investments if returns fall below the bond yield. This is Amtec's most cost effective service.

What if an issue is older?

Tax compliance can be achieved when Amtec is engaged at anytime following the issuance date. Many of Amtec's clients request their first rebate computation several years after the closing date.

Amtec's "Catch Up" computation service provides identification of the rebate liability and the blended rate of return from all investments. Compliance with the Tax Code is guaranteed.

How are the fees determined?

Amtec provides each client with a written proposal for the computation of rebate. A computation and fee schedule is developed.

Can the fee change?

The computation fee is guaranteed not to change. This is a very important service point for bond issuers who are on a fixed budget.

How long has Amtec been an arbitrage rebate specialist?

Amtec was incorporated in 1990. The principals of Amtec have detailed experience with rebate computations and regulatory evolution since 1986.

AMTEC SERVICES

- ◆ Arbitrage rebate computations
- ◆ Pre issuance planning
- ◆ Development of project budgets
- ◆ Development of proceeds draw schedule
- ◆ Investment selection and optimization
- ◆ Preparation and evaluation of investment RFP
- ◆ Pro forma rebate and rebate exception computations

How does Amtec arrive at the correct rebate amount?

The computation of the rebate liability is accordance with Section 148 of the Internal Revenue Code, commencing with the date of closing through the fifth or subsequent anniversary date(s) of the bonds.

To assure the correct rebate amount, Amtec completes the following steps for all client issues:

- ◆ Review bond documents
- ◆ Verify the bond yield
- ◆ Calculate the accrued rebate liability
- ◆ Compute the rate of return on investments
- ◆ Test for possible rebate exceptions
- ◆ Complete required reporting documents

Amtec will calculate arbitrage on an existing bond issue or lease. These calculations can be constructed from the issuer's disbursement records or from trustee statements. Calculations are consolidated into reports creating an excellent audit trail. Tax forms are prepared for review by the issuer's attorneys and accountants.

Verify the Bond Yield

Amtec verifies the bond yield filed with the IRS at closing to determine the arbitrage rebate threshold. This calculation verification prevents the over payment of a rebate.

Calculate Rebate, Yield Reduction and Yield Restriction

Amtec calculates the actual rebate at specified times to allow for the establishment of a reserve and transfer of the excess to a Rebate Fund or Reserve Account. This also allows for accurate financial statement reporting of rebate liability. Yield reduction and yield restriction computations are in accordance with the Regulations, if required.

Compute the rate of return on investments

Amtec produces the internal rate of return on each fund subject to rebate. Since investment returns are blended to produce the rebate liability, Amtec consolidates its computations to arrive at the rebate amount.

Receiving Amtec's regularly prepared rebate computations also allows issuers to realign their investment portfolio to target higher earnings which can eliminate accumulated negative arbitrage.

Test for possible rebate exceptions

If an issuer achieves any rebate spending exception, Amtec will calculate the actual percentages spent in accordance with IRS Regulations. This test is applied to each computation.

Complete required reporting documents

Amtec prepares all IRS filings for its clients including Form 8038-T and any accompanying documentation, should a rebate payment be required.

Amtec's Fee and Service Guarantee

The diligence exercised by Amtec in the steps outlined provides regulatory compliance with the Tax Code. Each rebate report is accompanied with Amtec's professional opinion.

Rebate computation fee and services are detailed in formal proposals and are guaranteed not to change during the engagement.

Amtec's Compliance Philosophy

Our service enables issuers to become more proactive rebate managers. Most competing services offer a one time, five year, catch up computation service. We structure our services toward the early recognition of any rebate liability through the preparation and issuance of annual computations. These reports also provide the Issuer with an opportunity to realign its investments to maximize its earnings and eliminate any negative arbitrage which may have accrued prior to the computation.

Amtec's process ensures a regular review of investment performance and rebate status as well as an opportunity to realign investments. In addition, our reports also identify the target for the total earnings allowed by the Code for each issue. If a rebate liability exists, our reporting frequency quantifies the liability amount early so reserves can be established for its payment. Should interest rates fall, this reserve can then be systematically released for project use or debt service assistance.

Amtec does not sell investments nor does it receive fees from brokers or clients for investment services. Investment consultation services are completed for all clients to ensure continued compliance with the Tax Code.

Amtec's Service Philosophy

Amtec's services are directed toward tax compliance, investment optimization and the elimination of negative arbitrage. During the course of any engagement, Amtec will discuss any recommendation it has for improved record keeping, rebate management or investment strategy as it may apply to a bond issue. Since Amtec operates independently and is not an underwriter or investment provider, our recommendations are clearly at an arm's length and offer a significant benefit to our clients' rebate management and tax compliance goals.

Amtec is a nationally recognized consulting firm, incorporated in 1990, which assists tax exempt bond issuers with the technical aspects of regulatory tax compliance. The firm's principals have dealt actively with the Arbitrage Regulations since 1986 and have made many recommendations to the Internal Revenue Service to implement reform and simplification of the Regulations.

We have extensive experience with fixed rate, variable rate and capital appreciation bond issues. Additionally, we are knowledgeable concerning commercial paper and pooled bond financings and have developed specialized programs which identify and track transferred proceeds.

The firm has completed arbitrage rebate consulting engagements for more than \$14 billion of tax exempt financings for more than 1,250 municipal issues.

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