December 15, 2009

To:   Cities of Kansas City, St. Louis, Springfield and Independence
       Counties of Boone, Clay, Greene, Jackson, Jasper, Jefferson, St. Charles and St. Louis

OFFICIAL NOTICE

Re:  Federal Stimulus Bill – Qualified Energy Conservation Bond Allocations

Dear Local Elected Official:

In February 2009, Congress signed into law the omnibus American Recovery and Reinvestment Act of 2009 ("ARRA"). ARRA created new bond program opportunities for state and local government, including the expansion of federal tax credit bond programs. This Notice provides important information for your community relating to an expanded type of tax credit bond: Qualified Energy Conservation Bonds ("QECBs"), a brief description of which is attached to this Notice as Attachment 2.

The QECBs program is capped by a national limitation amount, which was allocated among the States and to certain counties and cities within each state (collectively, the “Original Allocation Designees”). A list of the Original Allocation Designees and the amount allocated to each is attached to this Notice as Attachment 1. Original Allocation Designees should consult with their legal and financial advisors for the details of these bonds and should not rely solely on this Notice or the attachments.

Because QECBs could provide a valuable incentive for both public projects and private development in your community, and since the allocations are limited, this Notice is intended to provide information concerning the specifics and accessibility of the QECBs program. The State recognizes the federal allocation amounts, but also creates a mechanism for maximum distribution of the State’s ultimate allocation. The purpose of the allocation process is to assure that the State as a whole takes full advantage of this federally tax-advantaged bonding opportunity.

An Original Allocation Designee may use its original allocation, but ARRA also allows Original Allocation Designees to reallocate all or a portion of their original allocation back to the State if surplus allocation amounts exist in order to further economic activity in other areas of the State. It is truly a way for local government to participate in the economic recovery of the State as a whole, without regard to boundary or jurisdiction. The Department of Economic Development (the “Department”) has been named as the agency to manage the bond allocation and reallocation process. This Notice outlines how the Department will administer the QECB allocation and how an allocation of QECBs can be used.

The Department hereby notifies you that your jurisdiction is an Original Allocation Designee and has received an allocation of QECBs pursuant to Notice 2009-29 issued by the
Internal Revenue Service on July 20, 2009, in the amounts specified in Attachment 1 to this Notice (the “QECB Allocation”). A copy of IRS Notice 2009-29 is attached to this Notice as Attachment 3.

Pursuant to ARRA and IRS Notice 2009-29, you are notified as follows:

1. Each Original Allocation Designee may, at any time, waive any QECB Allocation by providing written notice, included in this Notice as Attachment 6, to the Department at the address set forth above. Timely waivers will benefit those communities and projects having a need for QECB allocation.

2. Any public entity (including but not limited to an Original Allocation Designee) may apply to the Department for a QECB Allocation. A copy of the QECB Application is attached to this Notice as Attachment 4.

3. Every public entity receiving a QECB allocation (including but not limited to an Original Allocation Designee), must notify the Department in writing of the issuance of QECBs, the form of which is attached to this Notice as Attachment 5, whether the QECBs are issued by the public entity directly, an entity on behalf of the Allocation Designee, or another unrelated state or local governmental issuer.

4. Any public entity that receives a QECB allocation may authorize another eligible issuer to issue QECBs on behalf of the public entity (e.g. a county Industrial Development Authority or a county public building corporation). Similarly, a public entity may use another entity authorized by state law to issue bonds (for example, the Missouri Development Finance Board) pursuant to an arrangement where the proceeds of the bonds will be loaned to the entity and used to finance a specific project. As noted in paragraph 3 above, even if the public entity does not itself issue QECBs, it remains responsible for notifying the Department of the issuance of QECBs.

Additional information concerning QECBs can be found at www.ded.mo.gov

If you have any questions concerning this Notice please contact either Sallie Hemenway (573-751-5097 or sallie.hemenway@ded.mo.gov) or Ronda Anderson (573-522-9062 or ronda.anderson@ded.mo.gov).

David D. Kerr
Director

C: Sallie Hemenway
Brenda Horstman
Ronda Anderson

Attachments:
1. Missouri Allocations
2. Overview of QECBs
3. IRS Notice 2009-29
4. QECB Application
5. Report of QECB Issuance
6. Notice of Waiver of QECB Allocation
### Missouri Allocations

**TOTAL MISSOURI QECBS ALLOCATION:** $61,329,000  
**2008 MISSOURI POPULATION:** 5,911,605  
**QECBS ALLOCATION PER CAPITA:** $10.374

<table>
<thead>
<tr>
<th>Original Allocation Designee</th>
<th>2008 Population</th>
<th>QECBs Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Kansas City</td>
<td>450,375</td>
<td>$4,670,389</td>
</tr>
<tr>
<td>City of St. Louis</td>
<td>350,759</td>
<td>3,637,371</td>
</tr>
<tr>
<td>City of Springfield</td>
<td>154,777</td>
<td>1,605,037</td>
</tr>
<tr>
<td>City of Independence</td>
<td>110,704</td>
<td>1,148,000</td>
</tr>
<tr>
<td>Boone County</td>
<td>152,049</td>
<td>1,577,408</td>
</tr>
<tr>
<td>Clay County (residual)*</td>
<td>96,594</td>
<td>1,192,333</td>
</tr>
<tr>
<td>Greene County (residual)*</td>
<td>109,016</td>
<td>1,130,969</td>
</tr>
<tr>
<td>Jackson County (residual)*</td>
<td>313,514</td>
<td>3,656,810</td>
</tr>
<tr>
<td>Jasper County</td>
<td>115,049</td>
<td>1,193,557</td>
</tr>
<tr>
<td>Jefferson County</td>
<td>215,764</td>
<td>2,238,409</td>
</tr>
<tr>
<td>St. Charles County</td>
<td>343,207</td>
<td>3,560,546</td>
</tr>
<tr>
<td>St. Louis County</td>
<td>993,512</td>
<td>10,307,031</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>3,405,320</td>
<td><strong>$35,917,860</strong></td>
</tr>
<tr>
<td><strong>MISSOURI RESIDUAL ALLOCATION</strong></td>
<td></td>
<td><strong>$25,411,140</strong></td>
</tr>
</tbody>
</table>

*Residual population and allocation of the applicable county after subtracting from the county population any city within the county having a population in excess of 100,000.*
Overview of Qualified Energy Conservation Bonds

The American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009) ("ARRA") created several new tax credit bond programs, and greatly expanded others, for use by State and local governments for certain enumerated purposes. Although tax credit bonds are taxable bonds, they provide a Federal tax credit to bond holders on quarterly credit allowance dates. The exact credit rate and maximum maturity date for QECBs are set by the Treasury as of the date on which there is a binding contract for sale of the QECBs. The tax credit works as a Federal subsidy that results in the issuer paying significantly lower interest costs than on a comparable tax-exempt bond. Accordingly, tax credit bonds are subject to numerous restrictions to ensure that bond proceeds are used for their intended purposes. This memorandum focuses on one type of tax credit bond program, Qualified Energy Conservation Bonds, that may be issued for specified energy conservation purposes.

ARRA imposes a national bond volume limitation (the “Volume Cap”) for Qualified Energy Conservation Bonds of $3.2 Billion, which was allocated among the States and “large local governments” (defined as any county or city having a population of at least 100,000) within the States based on population (collectively, the “Original Allocation Designees”). Any amount allocated to a large local government may be reallocated back to the State or to another eligible issuer of QECBs (generally, political subdivisions and entities empowered to issue bonds on behalf of such entities). In all events, QECBs must be issued to finance qualified conservation purposes located within or attributable to both the jurisdiction of the issuer of the QECBs and the jurisdiction of the Original Allocation Designee. And although there is no deadline by which QECBs must be issued, the amount of QECBs that may be issued cannot exceed the amount allocated to a given issuer.

It is important to remember that Qualified Energy Conservation Bonds are created by Federal tax law, and thus all Missouri bond laws apply. Before determining whether Qualified Energy Conservation Bonds could benefit your community, you must first determine what type of Missouri bond could be issued. In general, if issued as governmental bonds for public purposes, Qualified Energy Conservation Bonds will likely be general obligation bonds, utility revenue bonds, leasehold revenue bonds, certificates of participation or special obligation bonds. Alternatively, if issued for privately owned or used projects, Qualified Energy Conservation Bonds will likely be Chapter 100 Bonds, industrial revenue bonds, industrial development bonds or another type of private activity bond.

ARRA provides that 100% of “Available Project Proceeds” (essentially, sale proceeds plus investment earnings less amounts in a reserve fund) of Qualified Energy Conservation Bonds must be spent to finance “qualified conservation purposes” within three years of the issue date. In addition, the issuer or borrower, as applicable, must enter into a binding commitment with a third party within six months of the issue date to spend at least 10% of the Available Project Proceeds, and not more than 2% of sale proceeds may be used to pay costs of issuing the bonds. Qualified conservation purposes are defined as:

(1) capital expenditures for the purpose of (a) reducing energy consumption in publicly-owned buildings by at least 20%, (b) implementing green community programs (including the use of loans, grants, or other repayment mechanisms to implement such programs), (c) the production of electricity from renewable energy resources in rural areas, or (d) any of the following qualified facilities if meeting specific criteria set forth under the Code for electricity produced from certain renewable energy resources;

(2) expenditures for research facilities and research grants to support research in the development of: (a) cellulosic ethanol or nonfossil fuels, (b) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels, (c) increasing the efficiency of existing technologies for producing non-fossil fuels, (d) automobile battery technologies and other technologies to reduce fossil fuels consumption in transportation, or (e) technologies to reduce energy use in buildings;
(3) expenditures for mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting;

(4) demonstration projects designed to promote the commercialization of: (a) green building technology, (b) conversion of agricultural waste for use in the production of fuel or otherwise, (c) advanced battery manufacturing technologies, (d) technologies to reduce peak use of electricity, or technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity; or

(5) public education campaigns to promote energy efficiency.

Additional restrictions apply to “private activity bonds” (defined below), including QECBs, that do not apply to governmental bonds. Principally, any allocation to a State or large local government must be reallocated in a manner that results in the use of not less than 70% of the allocation to the State or large local government to designate bonds that are not private activity bonds. Without any Treasury Regulations or other guidance from the IRS on this limitation, it appears as though this limitation applies to both the allocation to the State and any reallocation to a large local government. Solely for purposes of this limitation, a special rule for bonds to finance green community programs provides that bonds issued for the purpose of providing loans, grants or other repayment mechanisms for capital expenditures to implement green community programs are not treated as private activity bonds. Secondly, the term “qualified conservation purpose” includes only those expenditures that are considered a capital expenditure for Federal tax purposes. For example, QECBs may be issued to finance public education campaigns to promote energy efficiency, but, to the extent expenditures for this purpose are not capital expenditures, proceeds of a private activity QECB may not be used to finance costs of these public education campaigns.

A “private activity bond” is defined as any bond that meets either the private business tests of Code § 141(b) or the private loan financing test of Code § 141(c). In general, the private business tests are met if more than 10% of the proceeds of the issue are (1) used for any private business use, and (2) directly or indirectly (A) secured by any interest in property used for a private business use, or payments in respect of property used in a private business use, or (B) derived from payments in respect of property, or borrowed money used for a private business use. The private loan financing test is met if the proceeds of a QECB are used to make or finance loans to a private business in excess of the lesser of 5% of QECB proceeds or $5,000.
Attachment 3

IRS Notice 2009-29
Attachment 4

QECB Application
State of Missouri  
Notice of Intent to Issue  
Qualified Energy Conservation Bond

Date  ________________________

City or County  ______________________________________________________________________________________
Street Address  ______________________________________________________________________________________
Telephone _______________________________________________ Fax _____________________________________

Name of Chief Elected Official ________________________________________________________________________
Name of Authorized Representative (if applicable) __________________________________________________________

Amount of Original Allocation of Qualified Energy Conservation Bonds: $________________
Amount of Qualified Energy Conservation Bonds to be Issued: $________________
Estimated Date of Bond Closing: ______________________
Issuing Entity, if Other than City or County: ______________________
Amount of Qualified Energy Conservation Bonds Waived (use Waiver Form): $________________
Remaining Amount of Qualified Energy Conservation Bonds: $________________

(Please attach separate page description of project(s) using QECB. Include a description of activities, beneficiaries and numbers of jobs created or retained.)

I hereby certify that the city/county of ______________, as duly authorized by its governing body, intends to issue Qualified Energy Conservation Bonds, as specified above.

Signature________________________________________________________________  Date ____________________
Chief Elected Official or Authorized Representative

Submit original form to:
Missouri Department of Economic Development  
Qualified Energy Conservation Bonds  
301 West High Street, P.O. Box 1157  
Jefferson City, Missouri 65102
Attachment 5

Report of QECB Issuance
REPORT OF QUALIFIED ENERGY CONSERVATION BOND ISSUANCE

Issuance of Qualified Energy Conservation Bonds should be reported to the Department of Economic Development using this form. Complete one Report for each bond issue. Please type or print.

**Part A – Bond Issuer**

<table>
<thead>
<tr>
<th>Name of Issuer</th>
<th>Issuer’s Federal Identification Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer’s Street Address</td>
<td>County</td>
</tr>
<tr>
<td>Issuer’s Mailing Address (if different)</td>
<td>PO Box</td>
</tr>
<tr>
<td>Name of Issuer’s Spokesperson</td>
<td>Title</td>
</tr>
<tr>
<td>Name of Bond Counsel for Issuer</td>
<td>Firm Name</td>
</tr>
<tr>
<td>Address</td>
<td>PO Box</td>
</tr>
</tbody>
</table>

**Part B – Description of Project of Financing**

Project Name

<table>
<thead>
<tr>
<th>Project’s Street Address</th>
<th>City or Town</th>
<th>Zip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Beneficiary Name</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal Beneficiary Street Address</td>
<td>City or Town</td>
<td>State</td>
</tr>
</tbody>
</table>

**Part C – Bonds, Terms and Conditions**

<table>
<thead>
<tr>
<th>Name of Bonds</th>
<th>CUSIP number of bond with latest maturity if assigned</th>
<th>Interest Rate(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term of Bond Issue (Principal Amortization Period)</td>
<td>Date Bonds Issued</td>
<td>Expiration Date (Including Extension)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Bond Issued</th>
<th>Disposition of Bond Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Qualified Energy Conservation Bonds</td>
<td>Land</td>
</tr>
<tr>
<td>Type of bond issued ____________________________</td>
<td>New Building Construction</td>
</tr>
<tr>
<td></td>
<td>Capital Improvements</td>
</tr>
<tr>
<td></td>
<td>Machinery &amp; Equipment</td>
</tr>
<tr>
<td></td>
<td>Issuance Expenses</td>
</tr>
<tr>
<td></td>
<td>Other __________________</td>
</tr>
<tr>
<td></td>
<td>Total amount of bond issuance</td>
</tr>
</tbody>
</table>
### Attestation of Issuer

I certify that the above information is accurate to the best of my knowledge and that I am authorized to submit this report on behalf of the bond issuer.

<table>
<thead>
<tr>
<th>Signature of Issuer’s Spokesperson</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printed Name of Issuer’s Spokesperson</td>
<td>Title</td>
</tr>
</tbody>
</table>

### Signature of County/City Allocatee

<table>
<thead>
<tr>
<th>Signature of County/City Representative</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printed Name of County/City Representative</td>
<td>Title</td>
</tr>
</tbody>
</table>

### Send to:

Department of Economic Development  
Qualified Energy Conservation Bond  
301 West High Street  
PO Box 1157  
Jefferson City, MO 65102  
Phone: (573) 751-5097  
Fax: (573) 522-5033
Attachment 6

Waiver of Qualified Energy Conservation Bond Allocation
State of Missouri  
Qualified Energy Conservation Bond  
Notice of Waiver of Allocation

Date ________________________  
City or County ________________________________________________________________________  
Street Address ________________________________________________________________________  
Telephone __________________________________   Fax ________________________________  
Name of Chief Elected Official ____________________________________________________________  
Name of Authorized Representative (if applicable) ______________________________________________  

Amount of Original Allocation of **Qualified Energy Conservation Bonds**: $________________  
Amount of Qualified Energy Conservation Bonds Waived: $________________  
Amount of Qualified Energy Conservation Bonds Issued to Date: $________________  
Amount of Qualified Energy Conservation Bonds Previously Waived: $________________  
Remaining Amount of Qualified Energy Conservation Bond Allocation: $________________  

*I hereby certify that the city/county of _____________, as duly authorized by its governing body, has waived all or a portion of its Qualified Energy Conservation Bond allocation, as specified above.*

Signature_____________________________________________ Date __________________________  
Chief Elected Official or Authorized Representative

Submit original form to: Missouri Department of Economic Development  
Qualified Energy Conservation Bonds  
301 West High Street, P.O. Box 1157  
Jefferson City, Missouri 65102