

Converting Tax Liens Into Revenue

**Revenue Option for the
Warren County School District**

May 1, 2007

About XSPAND

- National leader in purchasing and servicing of real property tax liens.
- Monetized over \$1.5 billion of similar assets since 1997.
- Purchased \$407 million of tax liens from 94 Los Angeles School Districts.
- Serviced to-date a tax lien portfolio in excess of \$1.75 billion in 23 states—over 1,000 taxing agencies.
- Awarded 1st contract in Pennsylvania to operate a Tax Claim Bureau by Montgomery County, PA, and functions as the TCB for Blair County, PA.
- One of two servicers for New York City tax lien securitization program.
- Pennsylvania clients include: City of Erie, Montgomery County, Blair County, Norristown, Chester, Chester Upland School District, Williamsport Area SD, Altoona Area SD, York City SD.
- National clients include: New York City, NY; Los Angeles County Schools, CA; Kansas City, KS; Nassau County, NY; Erie County, NY; Monroe County, NY; City of Camden, NJ; Cuyahoga County, OH; Lucas County, OH.

About BEAR STEARNS

- XSPAND's parent company.
- Over \$70 billion in total capital.
- Headquartered in New York City, the company has over 14,000 employees worldwide.
- Ranked 1st by *Fortune* magazine as America's most admired Securities company in 2005.
- Rated A+ by Standard and Poor's.
- Leader in tax lien transactions.

Selling Tax Claims

- A taxpayer's failure to pay property taxes results in a lien, or claim, being attached to property associated with delinquency.
- Liens are assets that have a face value of the delinquent tax amount plus fees and penalties. Liens also accumulate interest.
- 30 states, including Pennsylvania, have laws that permit local taxing jurisdictions to sell real property tax liens. Some states even require that delinquent taxes be sold.
- Across the country, over \$4 billion of these assets are sold or financed each year.

Pennsylvania Background

- In 2004 the Pennsylvania Real Estate Tax Sale Law of 1947 was amended to provide procedures for school districts to sell tax claims.
- Pennsylvania school districts can generate significant cash and budget revenue via sale of tax claims – *without changing or disrupting current collection processes.*
- Since 2004 many Pennsylvania counties, cities and school districts have sold tax claims to maximize delinquent property tax revenue.

XSPAND's Recent PA Activity

- City of Erie
- Uniontown Area School District
- City of Chester
- Chester-Upland School District
- York City School District
- Altoona Area School District
- City of Altoona
- Williamsport Area School District
- Borough of Norristown
- Blair County
- Montgomery County

Purchaser Doesn't Collect Taxes

- All collection activities currently being performed by County Tax Claim Bureau will remain unchanged.
- Purchasers have NO interaction with delinquent taxpayers.
- Law does not permit purchaser of tax claims to foreclose on property.
- **A sale of the district's tax claims will have no impact on delinquent taxpayers.**

Benefits of Selling Tax Claims

- Selling tax claims generates significant immediate revenue above what is traditionally collected both in the first year and in subsequent years.
- Revenue can be recurring enabling district to achieve a tax collection rate approaching 100% on an on-going basis.
- Good fiscal policy to match current expenditures with current receipts and facilitates budgeting and financial planning.
- Current taxpayers not asked to finance delinquent taxpayers.
- Additional revenue can be used to mitigate tax increases, fund new initiatives, replenish fund balances, etc.

XSPAND Transaction Features

- District would secure significant immediate revenue.
 - XSPAND typically pays 92 – 95% of full redemptive value (including all accumulated interest and penalties)
- XSPAND assumes all credit risk of non-payment of purchased claims.
- XSPAND would charge District no administrative or legal fees.
- Transparent to local taxpayers. Tax Claim Bureau continues to collect and XSPAND does not interact with taxpayers.
- No additional fees charged to taxpayers.
- Taxpayer protections of the Real Estate Tax Sale Law, such as installment plans and hardships, remain available to taxpayers through County Tax Claim Bureau.

Transaction Steps

1. Warren County SD and County Tax Claim Bureau provide XSPAND with delinquent property tax data.
2. XSPAND conducts due diligence and makes purchase proposal.
3. School Board passes resolution authorizing sale of claims.
4. Purchase/Sale agreement negotiated and finalized.
5. 30 days after passage of resolution, transaction closes and funds are wired to school district.

What Others Say...

"By purchasing the City's delinquent tax claims, XSPAND provided us with significant revenue that is helping ensure our long-term financial health. Furthermore, in keeping with the City's goals, XSPAND's partnership with the City did not alter in any way the County's Tax Claim Bureau's traditional involvement with our delinquent taxpayers. XSPAND has had no contact whatsoever with our taxpayers. This is a win-win situation for the City."

Mayor Joseph E. Sinnott, City of Erie, February, 2007

"XSPAND provided the district revenue and a sound financial solution. By selling tax claims every year the district ensures healthy property tax revenues and can budget with greater certainty."

Carlos Lopez, Superintendent, York City School District, October 2005

"Selling our tax claims to XSPAND greatly accelerated the district's delinquent tax revenue without adding any additional costs or contact with our taxpayers. With budget pressures on districts growing every year, it's just smart to get revenue from underperforming assets such as tax claims."

Dr. Pat Lowery, Superintendent, Williamsport Area School District, July 2006