

# Warren County School District

## *BANK LOAN SALE DOCUMENT* *QZAB General Obligation Bonds, Series of 2016*

**\$2,522,000**

**November 30, 2016**

**Prepared By:**

**Jamie Doyle**  
*Managing Director*



**The PFM Group**  
Financial & Investment Advisors

**PFM Financial Advisors LLC**  
One Keystone Plaza, Suite 300  
North Front & Market Streets  
Harrisburg, PA 17101  
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**WARREN COUNTY SCHOOL DISTRICT  
QUALIFIED ZONE ACADEMY BOND PROGRAM  
SERIES OF 2016 (High School)**

**Estimated:**

Dated: 12/29/2016  
Settlement: 12/29/2016  
Maximum Maturity: 45 years  
Actual Final Maturity: 9/1/2031  
Par Amount: \$2,522,000  
Bid Price: 100.0000%  
Proceeds: \$2,522,000  
First Interest Payment: 3/1/2017  
Principal Due: September 1  
Est. Taxable Coupon: 0.000%  
Est. Tax Credit Rate: 4.590%  
Est. Investment Rate: 0.000% <sup>[1]</sup>

AR% 71.75% (2016-17)  
PE% 19.51% Estimated  
1 Mill = \$420,000 Estimated

**ESTIMATED- BB&T PROPOSAL**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	<b>BANK TAX CREDIT</b>	<b>BONDHOLDER INFORMATION</b>			<b>ESTIMATED SINKING FUND INFORMATION</b>				<b>ISSUER NET PAYMENT STRUCTURE</b>				<b>TOTAL LOCAL EFFORT</b>	
Loan Payment Date	Bondholder Tax Credit Rate	Principal	Est. Taxable Coupon	Interest	Gross Principal Sinking Fund Required	Less: Sinking Fund Income	Net Sinking Fund Deposit	Principal Sinking Fund Balance	(5+8) Semi-Annual Net Payments	Annual Net Payments	Less: State Aid	Annual Estimated Local Effort	Existing Local Effort	Total Local Effort
					0.000% [1]									
3/1/2017													3,168,327.87	3,168,327.87
9/1/2017	4.590	149,000			149,000		149,000.00	149,000.00	149,000.00	149,000.00	(20,857.65)	128,142.35	3,078,614.55	3,206,756.90
3/1/2018								149,000.00						
9/1/2018	4.590	164,000			164,000		164,000.00	313,000.00	164,000.00	164,000.00	(22,957.42)	141,042.58	3,127,336.35	3,268,378.93
3/1/2019								313,000.00		164,000.00				
9/1/2019	4.590	159,000			159,000		159,000.00	472,000.00	159,000.00	159,000.00	(22,257.50)	136,742.50	3,228,683.13	3,365,425.64
3/1/2020								472,000.00		159,000.00				
9/1/2020	4.590	159,000			159,000		159,000.00	631,000.00	159,000.00	159,000.00	(22,257.50)	136,742.50	3,301,181.41	3,437,923.92
3/1/2021								631,000.00		159,000.00				
9/1/2021	4.590	168,000			168,000		168,000.00	799,000.00	168,000.00	168,000.00	(23,517.35)	144,482.65	3,273,784.24	3,418,266.89
3/1/2022								799,000.00		168,000.00				
9/1/2022	4.590	172,000			172,000		172,000.00	971,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,256,789.07	3,404,711.78
3/1/2023								971,000.00		172,000.00				
9/1/2023	4.590	172,000			172,000		172,000.00	1,143,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,253,557.92	3,401,480.62
3/1/2024								1,143,000.00		172,000.00				
9/1/2024	4.590	172,000			172,000		172,000.00	1,315,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,336,293.46	3,484,216.17
3/1/2025								1,315,000.00		172,000.00				
9/1/2025	4.590	172,000			172,000		172,000.00	1,487,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,333,196.09	3,481,118.79
3/1/2026								1,487,000.00		172,000.00				
9/1/2026	4.590	172,000			172,000		172,000.00	1,659,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,263,744.43	3,411,667.14
3/1/2027								1,659,000.00		172,000.00				
9/1/2027	4.590	172,000			172,000		172,000.00	1,831,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,257,600.88	3,405,523.59
3/1/2028								1,831,000.00		172,000.00				
9/1/2028	4.590	172,000			172,000		172,000.00	2,003,000.00	172,000.00	172,000.00	(24,077.29)	147,922.71	3,242,955.17	3,390,877.88
3/1/2029								2,003,000.00		172,000.00				
9/1/2029	4.590	173,000			173,000		173,000.00	2,176,000.00	173,000.00	173,000.00	(24,217.28)	148,782.72	3,234,860.45	3,383,643.18
3/1/2030								2,176,000.00		173,000.00				
9/1/2030	4.590	173,000			173,000		173,000.00	2,349,000.00	173,000.00	173,000.00	(24,217.28)	148,782.72	3,224,044.91	3,372,827.64
3/1/2031								2,349,000.00		173,000.00				
9/1/2031	4.590	173,000			173,000		173,000.00	2,522,000.00	173,000.00	173,000.00	(24,217.28)	148,782.72	3,215,914.62	3,364,697.35
3/1/2032										173,000.00				
9/1/2032														
3/1/2033													3,212,398.99	3,212,398.99
9/1/2033														
3/1/2034													2,906,069.21	2,906,069.21
9/1/2034														
3/1/2035													2,319,334.21	2,319,334.21
9/1/2035														
3/1/2036													2,320,838.20	2,320,838.20
9/1/2036														
3/1/2037													2,316,066.92	2,316,066.92
TOTALS		<b>2,522,000</b>		0.00	2,522,000.00		2,522,000.00		2,522,000.00	2,522,000.00	(353,040.28)	2,168,959.72	64,871,592.08	67,040,551.80

<sup>[1]</sup> For these purposes, investment rate is estimated. Investment contract will not be locked in prior to closing.

<b>WARREN COUNTY SCHOOL DISTRICT</b> <b>QUALIFIED ZONE ACADEMY BOND PROGRAM</b> <b>SERIES OF 2016</b> <b>Composition of the Issue</b>
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<b>SOURCES:</b>		2016
Bonds		2,522,000.00
District Cash Contribution		34,010.00
Accrued Interest		0.00

TOTAL	2,556,010.00
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<b>USES:</b>		
Deposit to Project Fund		2,471,560.00
Underwriter's Discount	\$0.00	0.00
Bond Insurance (AGM)	\$0.000	0.00
Legal Fees & Expenses		25,000.00
Financial Advisor		30,000.00
Credit Rating (Moody's A2)		16,200.00
OS Printing/Word Processing		0.00
Disclosure Counsel/DAC		5,750.00
Bank Counsel		5,000.00
Miscellaneous Expenses/Rounding		2,500.00
TOTAL		2,556,010.00

Sale (Special Meeting)	11/30/2016
Dated Date	12/29/2016
Settlement Date	12/29/2016

**WARREN COUNTY SCHOOL DISTRICT**  
**SUMMARY OF OUTSTANDING INDEBTEDNESS**

Debt Service Requirements									
1	2	3	4	5	6	7	8	9	10
Fiscal Year Ended	QZAB Series of 2011 (1)	QZAB Series of 2012(2)	G.O. Bonds Series of 2013	G.O. Bonds Series A of 2013	G.O. Bonds Series of 2014	QZAB Series of 2015	G.O. Notes Series of 2015	QZAB Series of 2016	Total Debt Service
6/30/2017	1,040,700	105,966	295,830	862,875	406,850	125,821	1,185,975		4,024,016
6/30/2018	988,700	40,000	295,755	862,750	406,760	125,721	1,215,890	149,000	4,084,575
6/30/2019	1,777,800	180,000	295,680		406,670	125,621	1,216,100	164,000	4,165,871
6/30/2020	1,315,700	1,215,000	295,583		406,580	125,521	710,807	159,000	4,228,190
6/30/2021	762,100	1,825,000	295,463		406,460	125,421	704,166	159,000	4,277,609
6/30/2022	789,000	1,764,254	295,343		406,310	125,321	706,321	168,000	4,254,548
6/30/2023	720,000	1,802,781	295,223		406,160	125,221	711,159	172,000	4,232,543
6/30/2024	702,000	1,797,494	295,103		425,710	125,121	705,745	172,000	4,223,172
6/30/2025	684,000	2,559,846	294,983		449,535	125,021		172,000	4,285,384
6/30/2026	666,000	2,016,867	792,273		487,273	124,921		172,000	4,259,333
6/30/2027	648,000	639,871	1,397,523		1,062,210	124,821		172,000	4,044,424
6/30/2028	630,000	599,733	1,363,323		1,133,010	124,721		172,000	4,022,786
6/30/2029	612,000	559,595	1,329,123		1,194,910	124,621		172,000	3,992,248
6/30/2030	594,000	514,639	1,294,923		1,267,710	124,521		173,000	3,968,792
6/30/2031		479,501	1,260,723		1,777,110	124,421		173,000	3,814,754
6/30/2032		439,363	1,231,448		1,827,595	124,321		173,000	3,795,726
6/30/2033		399,225	1,197,098		1,887,285	124,221			3,607,828
6/30/2034		359,087	1,162,461		1,490,295	284,121			3,295,964
6/30/2035						2,775,821			2,775,821
6/30/2036						2,777,621			2,777,621
6/30/2037						2,771,910			2,771,910
6/30/2038									
6/30/2039									
6/30/2040									
6/30/2041									
6/30/2042									
6/30/2043									
<b>TOTAL</b>	11,930,000	17,298,219	13,687,851	1,725,625	15,848,433	10,734,824	7,156,163	2,522,000	80,903,115

Local Effort Requirements									
11	12	13	14	15	16	17	18	19	20
Fiscal Year Ended	QZAB Series of 2011 (1)	QZAB Series of 2012(2)	G.O. Bonds Series of 2013	G.O. Bonds Series A of 2013	G.O. Bonds Series of 2014	QZAB Series of 2015	G.O. Notes Series of 2015	QZAB Series of 2016	Total Local Effort
6/30/2017	772,709	84,928	243,593	649,405	388,664	125,821	903,208		3,168,328
6/30/2018	734,099	32,059	243,532	649,311	388,578	105,046	925,991	128,142	3,206,757
6/30/2019	1,319,997	144,264	243,470		388,492	104,962	926,151	141,043	3,268,379
6/30/2020	976,893	973,783	243,390		388,406	104,879	541,333	136,743	3,365,426
6/30/2021	565,851	1,462,679	243,291		388,291	104,795	536,275	136,743	3,437,924
6/30/2022	585,824	1,413,992	243,192		388,148	104,712	537,917	144,483	3,418,267
6/30/2023	534,592	1,444,871	243,093		388,005	104,628	541,601	147,923	3,404,712
6/30/2024	521,227	1,440,633	242,994		406,681	104,544	537,478	147,923	3,401,481
6/30/2025	507,863	2,051,634	242,895		429,441	104,461		147,923	3,484,216
6/30/2026	494,498	1,616,454	652,376		465,491	104,377		147,923	3,481,119
6/30/2027	481,133	512,836	1,150,753		1,014,729	104,294		147,923	3,411,667
6/30/2028	467,768	480,667	1,122,591		1,082,364	104,210		147,923	3,405,524
6/30/2029	454,403	448,497	1,094,430		1,141,497	104,127		147,923	3,390,878
6/30/2030	441,039	412,466	1,066,269		1,211,043	104,043		148,783	3,383,643
6/30/2031		384,304	1,038,108		1,697,673	103,960		148,783	3,372,828
6/30/2032		352,135	1,014,003		1,745,901	103,876		148,783	3,364,697
6/30/2033		319,966	985,718		1,802,923	103,792			3,212,399
6/30/2034		287,796	957,198		1,423,678	237,397			2,906,069
6/30/2035						2,319,334			2,319,334
6/30/2036						2,320,838			2,320,838
6/30/2037						2,316,067			2,316,067
6/30/2038									
6/30/2039									
6/30/2040									
6/30/2041									
6/30/2042									
6/30/2043									
<b>TOTAL</b>	8,857,897	13,863,965	11,270,895	1,298,716	15,140,004	8,990,163	5,449,953	2,168,960	67,040,552

<b>Principal *:</b>	16,200,000	23,180,000	9,685,000	850,000	9,970,000	8,449,000	5,631,000	2,522,000	76,487,000
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<b>PE%:</b>	35.89%	27.67%	24.61%	34.48%	6.23%	22.92%	33.23%	19.51%	
<b>PE% Status:</b>	Temporary	Permanent	Temporary	Temporary	Temporary	Estimated	Estimated	Estimated	
<b>AR%</b>	71.75%	71.75%	71.75%	71.75%	71.75%	71.75%	71.75%	71.75%	
<b>Call Date:</b>	Non-Callable	Non-Callable	5/15/2018	Non-Callable	5/15/2019	9/1/2025	Anytime	Anytime	
<b>Purpose:</b>	New Money	New Money	New Money	Cur Ref 08	New Money	New Money	Cur Ref 2010	Cur Ref 2010	



\* Outstanding as of November 29, 2016

(1) QZAB debt service is net of Fed. Reimbursement Subsidy 5.138% & est. sinking fund earnings of 2.00%

(1A) Assumes Fed. Reimbursement Subsidy for 9/1/13 payments reduced by 8.70% (\$36,207.49 per payment)

(1B) Assumes Fed. Reimbursement Subsidy for 3/1/14 & 9/1/14 payments reduced by 7.20% (\$29,964.82 per payment)

(1C) Assumes Fed. Reimbursement Subsidy for 3/1/15 & 9/1/15 payments reduced by 7.30% (\$30,380.99 per payment)

(1D) Assumes Fed. Reimbursement Subsidy for 3/1/16 & 9/1/2016 payment reduced by 6.80% (\$28,300.10 per payment)

(1E) Assumes Fed. Reimbursement Subsidy for 3/1/17 payment reduced by 6.80% (\$28,300.10 per payment) (ESTIMATE ONLY)

(2) QZAB debt service is net of Fed. Reimbursement Subsidy 4.185% & sinking fund earnings of 3.14%

(2A) Assumes Fed. Reimbursement Subsidy for 11/1/13 & 5/1/14 payments reduced by 7.20% (\$34,922.99 per payment)

(2B) Assumes Fed. Reimbursement Subsidy for 11/1/214 & 5/1/2015 payments reduced by 7.30% (\$35,408.03 per payment)

(2C) Assumes Fed. Reimbursement Subsidy for 11/1/2015 & 5/1/2016 payments reduced by 6.80% (\$32,982.82 per payment)

(2D) Assumes Fed. Reimbursement Subsidy for 11/1/2016 & 5/1/2017 payments reduced by 6.80% (\$32,982.82 per payment) (ESTIMATE ONLY)

(3) Assumes that receipt of state reimbursement on highlighted bonds is delayed from FY15/16 through and including FY16/17

**WARREN COUNTY SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS  
SERIES OF 2016**

**SUMMARY OF FINANCING**

**2016 Bonds Principal:** **\$2,522,000**

**Sale Date:** 11/30/2016

**Settlement Date:** 12/29/2016

**Use of Proceeds:** Finance renovations to the Warren Area High School (a "qualified zone academy" under the IRS Code)

**FINANCING TEAM MEMBERS**

<b>Issuer</b>	<i>Warren County School District</i>
<b>Solicitor</b>	<i>Stapleford &amp; Byham, LLC</i>
<b>Bond Counsel</b>	<i>Knox McLaughlin Gornall &amp; Sennett, PC</i>
<b>Financial Advisor</b>	<i>PFM Financial Advisors LLC</i>
<b>Bank</b>	<i>BB&amp;T</i>
<b>Paying Agent</b>	<i>BB&amp;T</i>

November 18, 2016

Dr. Norbert J. Kennerknecht  
Director of Buildings and Grounds  
Warren County School District  
6820 Market Street  
Russell, PA 16345

**RE: Warren County School District (PA), Qualified Zone Academy Bonds of 2016**

Dear Mr. Kennerknecht:

Branch Banking and Trust Company (“BB&T”) is pleased to offer this proposal for the Qualified Zone Academy Bond (“QZAB”) requested by the Warren County School District, Pennsylvania (“DISTRICT”).

- (1) **Project:** QZAB for public school project
- (2) **Amount To Be Financed:** not to exceed \$2,522,000.00
- (3) **Interest Rates, Financing Terms and Corresponding Payments:**

Financing	Term	Current Tax Credit Rate
QZAB	15 years	4.59%

The general obligation financing shall constitute a QZAB for federal tax purposes with 100% of the tax credit accruing to the benefit of BB&T. Principal will be due in annual installments according to the amortization schedule included in the financing request dated November 16, 2016 for a 15 year term, maturing on September 1, 2031 (to be selected by District, subject to the maximum QZAB maturity published periodically by the U.S. Treasury Department). All principal payments will be paid by the District directly to BB&T. The federal treasury tax credit rate for QZABs is published by the U.S. Treasury Department and is subject to change. This rate is currently 4.59%. The actual tax credit rate for the term of the lease financing will be locked in on the date this commitment letter is executed by the District. BB&T shall require a floor rate of 4.30% for on the execution date. BB&T will not require that a supplemental coupon be paid by the District. BB&T reserves the right to cancel this offer at its discretion.

This offer is valid for a closing not later than December 31, 2016. Closing of the financing is contingent upon completing documentation acceptable to BB&T and closing shall be in a manner acceptable to BB&T.

All applicable taxes, legal fees (\$5000 for BB&T legal review), and any other costs of issuance shall be the District’s responsibility. The District shall pay the cost of lender counsel on behalf of BB&T for the review of the documentation. Please note that not more than 2% of the proceeds of the financing can be used to pay these costs, and if the aggregate closing costs exceed that amount, the District will be required to pay the excess from sources other than financing proceeds.

The financing shall not be callable by the District prior to maturity, excluding required QZAB refunding rules, due to the nature of the QZAB tax credit that serves as BB&T's consideration for providing this financing.

The applicable tax credit rate assumes that the District shall comply with all applicable federal tax requirements in order for the financing to remain a QZAB throughout its term, and if the financing shall become interest-bearing, the District shall comply with all applicable requirements in order for interest on the financing to be exempt from federal income taxation.

If it is determined at any time prior to closing that the financing will not qualify as a QZAB, BB&T reserves the right to terminate this offer, whether or not executed by the District, and to re-negotiate mutually acceptable terms for this financing.

**(4) Security:**

The QZAB shall be secured by the general obligation pledge of the Warren County School District, thus backed by its full faith, credit and taxing authority.

**(5) Financing Documents:**

It shall be the responsibility of the District to retain and compensate counsel to appropriately structure the general obligation financing according to Federal and Pennsylvania Statutes. BB&T shall also require the District's Bond Counsel to provide an unqualified legal opinion. BB&T reserves the right to review the documents and it must be mutually accepted by BB&T and the District.

BB&T agrees to serve as sinking fund depository for the obligation(s) anticipated to be issued in connection with this financing; provided, however, that BB&T shall not, and shall not be obligated by any provision to the contrary, to create, establish or hold a sinking fund account for the benefit of the District. Upon settlement, any miscellaneous or rounding amount balance remaining with respect to the unused proceeds of the obligation(s) will be returned to the District for application thereof to the first payment of principal and interest thereon.

**(6) Disbursement of Proceeds:**

The financing proceeds shall be disbursed to the District at closing.

\* \* \* \* \*

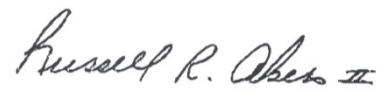
BB&T appreciates the opportunity to provide this financing proposal and requests to be notified within ten days of this proposal should BB&T be the successful proposer.

BB&T shall have the right to cancel this offer by notifying the District of its election to do so (whether or not this offer has previously been accepted by the District) if at any time prior to the closing there is a material adverse change in the District's financial condition, if we discover adverse circumstances of which we are currently unaware, if we are unable to agree on acceptable documentation with the District or if there is a change in law (or proposed change in law) that changes the economic effect of this financing to BB&T. We reserve the right to terminate our interest in this transaction at any time should we not be the successful proposer.

Please call me at (304) 353-1635 with your questions and comments. We look forward to hearing from you.

Sincerely,

BRANCH BANKING AND TRUST COMPANY

A handwritten signature in cursive script that reads "Russell R. Akers, II". The signature is written in dark ink and is positioned below the company name.

Russell R. Akers, II  
Vice President



On behalf of the Warren County School, the undersigned Manager hereby accepts the foregoing proposal as of the date indicated below. The closing of the financing described above is subject to completion of acceptable documentation. The District and BB&T intend that the acceptance of the proposal on the date indicated below will establish the first date there is a written agreement between the parties to complete the financing, in order to establish "the first date on which there is a binding, written contract for the sale or exchange of the QZAB within the meaning of Section 54A(b)(3) of the Internal Revenue Code.

Accepted and approved by the undersigned on behalf of the Warren County School District of Pennsylvania.

Date: \_\_\_\_\_, 2016.

Signature: \_\_\_\_\_  
Authorized Signor