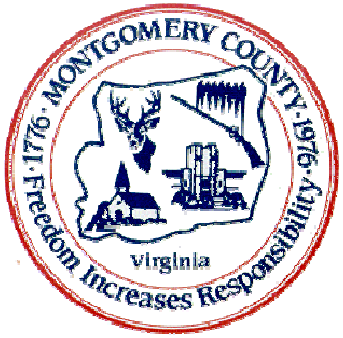
DAVENPORT & COMPANY

Montgomery County, Virginia

Summary of Bids Received for Tax Exempt Non-Bank Qualified Lease Revenue Bonds, Series 2015



February 10, 2015

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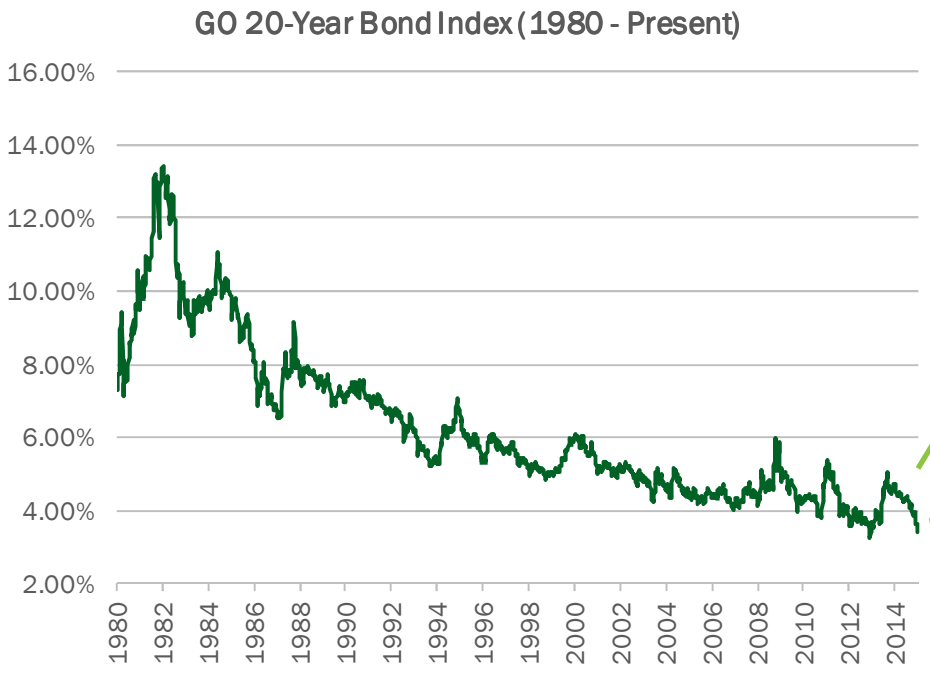
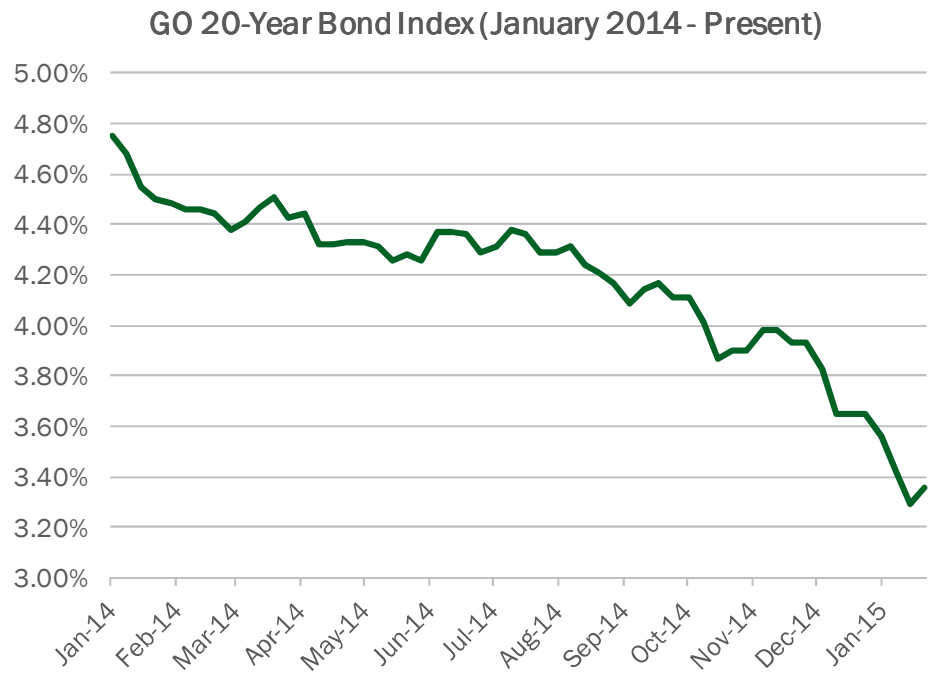
Recent Interest Rate Trends

- Tax-exempt interest rates remain near all-time lows and have trended lower through the beginning of 2015.
- Estimated debt service savings are projected to be approximately $1.1 million, more than $300,000 greater than the previous estimate shared with the Board of Supervisors on January 16, 2015.





The "20-Bond Index" shown above consists of 20 tax-exempt bonds with an average rating of 'Aa2'/'AA' (Moody's / S&P) that mature in 20 years and serves as a general indicator of prevailing interest rates for tax-exempt borrowers. Rates as of 1/22/2015.

Direct Bank Loan Solicitation

- On Thursday, January 7, 2015, Davenport & Company on behalf of Montgomery County, Virginia (the "County"), distributed a Request for Proposal ("RFP") to local, regional and national lending institutions for a tax-exempt non-bank qualified lease revenue bond up to $12,500,000.
  - The RFP was distributed to refinance the County's outstanding Series 2005A and Series 2005B Bonds.
- On Tuesday, January 27th, Davenport received proposals from the following lending institutions:
  - Capital One Bank
  - Huntington National Bank
  - Key Bank
  - Regions
  - SunTrust
  - TD Bank
  - Union First Market
  - Wells Fargo
- A detailed summary of each proposal has been included in the Appendix.

Capital One	Huntington	Key Bank	Regions	SunTrust	TD Bank	Union First Market	Wells Fargo
2.15%	1.98% or 2.19%(1)	1.77%(2)	1.96%	2.47%	1.60% or 1.85%(1)	2.14%	1.82%(2)

(1) Interest Rate selected based upon the optional redemption language selected by the County.
(2) Interest Rate is not locked in until future date closer to the funding date.

Summary of Top Two Proposals

- TD Bank's Proposal offers the following terms and conditions:

TD Bank Proposal	
Refunding of Series 2005A & 2005B Bonds	
Amount:	Up to $12,500,000
Rate:	Option 1: 1.60% Option 2: 1.85%
Prepayment:	Option 1: Anytime with a "Break Funding Fee" (Make-Whole) Option 2: Anytime Without Penalty
Closing Costs:	Cost of Lender's Counsel
Subject to Credit Approval:	No
Accept by:	February 17, 2015
Close by:	February 27, 2015

- Key Bank's Proposal offers the following terms and conditions:

Key Bank Proposal	
Refunding of Series 2005A & 2005B Bonds	
Amount:	Up to $12,500,000
Rate:	1.77%* (Actual rate will be set three days prior to funding)
Prepayment:	No Prepayment on the Bond for the first 3 years and 0% prepayment penalty thereafter.
Closing Costs:	Cost of Lender's Counsel
Subject to Credit Approval:	Yes
Accept by:	February 27, 2015
Close by:	February 27, 2015

*Key Bank's interest rate is based upon their cost of funds index. For each one basis point increase or decrease in the index, the fixed rate shall increase or decrease by 0.67 basis points.

Estimated Refunding Results – TD 1.60%

Summary of Bonds Refunded		
Series	2005A	2005B
Coupon(s)	4.00-5.00%	4.00-5.00%
Maturities Refunded	2016 - 2021	2016 - 2021
Par Refunded	$6,745,000	$4,675,000
Call Date	3/1/2015	3/1/2015

Summary of Refunding Results			
Series	2005A	2005B	Total
Gross Savings	$728,281	$432,006	$1,160,287
Present Value Savings	$691,766	$410,375	$1,102,141
Percent Savings	8.99%	7.68%	8.45%
Negative Arbitrage	$9,835	$6,814	$16,649

Prior Bond Debt Service				TD Bank - 1.60% Option			Difference
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Total
2016	$1,705,000	$531,498	$2,236,498	$1,855,000	$187,951	$2,042,951	$193,547
2017	1,770,000	463,298	2,233,298	1,884,000	155,696	2,039,696	193,602
2018	1,850,000	382,098	2,232,098	1,914,000	125,552	2,039,552	192,546
2019	1,935,000	296,438	2,231,438	1,943,000	94,928	2,037,928	193,510
2020	2,030,000	206,600	2,236,600	1,979,000	63,840	2,042,840	193,760
2021	2,130,000	106,500	2,236,500	2,011,000	32,176	2,043,176	193,324
Total	$11,420,000	$1,986,430	$13,406,430	$11,586,000	$660,143	$12,246,143	$1,160,287

All numbers are preliminary, subject to change and net of estimated costs of issuance.
Assumes direct bank loan closing February 26, 2015.

Debt Service Comparison

	TD Bank - 1.60% Option			TD Bank - 1.85% Option			Difference
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Total
2016	$1,855,000	$187,951	$2,042,951	$1,844,000	$217,318	$2,061,318	($18,367)
2017	1,884,000	155,696	2,039,696	1,877,000	180,227	2,057,227	(17,531)
2018	1,914,000	125,552	2,039,552	1,910,000	145,503	2,055,503	(15,951)
2019	1,943,000	94,928	2,037,928	1,945,000	110,168	2,055,168	(17,240)
2020	1,979,000	63,840	2,042,840	1,987,000	74,185	2,061,185	(18,345)
2021	2,011,000	32,176	2,043,176	2,023,000	37,426	2,060,426	(17,250)
Total	**$11,586,000**	**$660,143**	**$12,246,143**	**$11,586,000**	**$764,825**	**$12,350,825**	**($104,683)**

- For the County to receive complete prepayment flexibility, the 25 basis points increase in TD Bank's interest rate would cost the approximately $105,000 of net budgetary savings.
- Additionally, Key Bank's Rate of 1.77% that allows the County prepayment flexibility after 3 years, the additional 17 basis points would cost the County approximately $71,000 of net budgetary savings.

Recommendation & Rationale

- Davenport recommends the County accept the 1.60% rate option from TD Bank to refund the County's Series 2005A and Series 2005B Bonds. This recommendation is based upon the following:
  - The 1.60% is the lowest interest rate bid;
  - The interest rate is not subject to change between now and the funding date;
  - The proposal is not subject to final credit approval; and,
  - Although the 1.60% is subject to a "Break Funding Fee" in the event the County decides to redeem the bonds at any call date, given the short amortization and collateral involved with the Series 2015 Bond, Davenport believes the additional net budgetary savings received outweighs more favorable prepayment provisions.

Next Steps

Date	Action
January 27, 2015	Davenport Received Responses to the County's Request for Proposals
February 3, 2015	School Board Takes Official Action Approving Necessary Financing Documents
February 10, 2015	Davenport to present Request for Proposals Results and Board of Supervisors Takes Official Action Approving Necessary Financing Documents
February 17, 2015	Economic Development Authority Takes Official Action Approving Necessary Financing Documents
February 26, 2015	Close on Series 2015 Refunding Bonds

Appendix

Montgomery County, Virginia

Detailed Bid Overview

Lease Revenue Bond, Series 2015				
	Capital One Series 2015	Huntington Series 2015	Key Bank Series 2015	Regions Series 2015
FINANCING	Refunding Series 2005 A&B	Refunding Series 2005 A&B	Refunding Series 2005 A&B	Refunding Series 2005 A&B
AMOUNT	$12,500,000	$12,500,000	$12,500,000	$12,500,000
TERM	6 Years	6 Years	6 Years	6 Years
PRINCIPAL PAYMENT	Annual	Annual	Annual	Annual
INTEREST PAYMENT	Semi-Annual	Semi-Annual	Semi-Annual	Semi-Annual
INTEREST RATE	2.15%	Option 1 - 1.98% Option 2 - 2.19%	1.77%*	1.96%
INTEREST RATE RESET	None	Yes, Rate Locked in on Acceptance of Term Sheet	Yes, Actual Rate Locked in 3 days prior to funding*	None
BANK CLOSING COSTS	None	None*	Lender's Counsel (Not Specified)	Lender's Counsel ($7,500)
CLOSE BY	3/2/2015	Not Specified	Not Specified	Not Specified
CALL DATE	3/1/2018	Option 1 - Non-Callable Option 2 - 3/1/2019	3/1/2018	Anytime
PREPAYMENT PENALTY	None	Option 1 - Not Applicable Option 2 - None	None	3-2-1 Prepayment Penalty*
ACCEPT BY	2/6/2015	2/17/2015	2/27/2015	2/27/2015
SUBJECT TO CREDIT APPROVAL?	Yes	Yes	Yes, 3-5 Business Days	Yes
NOTES	Acting in the interest of its own account and the proposal does not constitute giving the County advice.	*Note: Bank anticipates using in-house counsel. However, if outside counsel is required the County must bear that expense. Presentment and surrender bond structure is not permitted prior to final maturity.	*Note: Interest rate is based upon their cost of funds index. For each one basis point increase or decrease in the index, the fixed rate shall increase or decrease by 0.67 basis points.	*Prepayment penalty of 3% of any principal amount prepaid during year 1, 2% in year 2, etc. Additionally, Yield maintenance provisions apply if change in marginal federal corporate tax rate.

Detailed Bid Overview

Lease Revenue Bond, Series 2015				
	SunTrust Series 2015	TD Bank Series 2015	Union First Market Series 2015	Wells Fargo Series 2015
FINANCING	Refunding Series 2005 A&B	Refunding Series 2005 A&B	Refunding Series 2005 A&B	Refunding Series 2005 A&B
AMOUNT	$12,500,000	$12,500,000	$12,500,000	$12,500,000
TERM	6 Years	6 Years	6 Years	6 Years
PRINCIPAL PAYMENT	Annual	Annual	Annual	Annual
INTEREST PAYMENT	Semi-Annual	Semi-Annual	Semi-Annual	Semi-Annual
INTEREST RATE	2.47%	Option 1 - 1.85% Option 2 - 1.60%	2.14%	1.77%*
INTEREST RATE RESET	None	None	None	Yes, Actual Rate Locked in 5-10 days prior to funding*
BANK CLOSING COSTS	Closing Fee ($12,500)	Lender's Counsel ($5,000)	None	Lender's Counsel (Not Specified)
CLOSE BY	2/27/2015	2/27/2015	Not Specified	
CALL DATE	Anytime	Option 1 - Anytime Option 2 - Anytime	Anytime	Non-Callable
PREPAYMENT PENALTY	None	Option 1 - None Option 2 - Make-Whole	None	Not Applicable
ACCEPT BY	2/10/2015	2/17/2015	Not Specified	2/27/2015
SUBJECT TO CREDIT APPROVAL?	Yes	No	No	Yes
NOTES	Yield maintenance provisions apply if change in marginal federal corporate tax rate.	County must agree to waive jury trial in any proceeding against the bank. Customary Bank indemnification to extent applicable and permitted by law in all cases except where the Bank is proved to have been guilty of gross negligence or willful misconduct.	Bank will require yield maintenance language in the event there is a change in tax law or tax regulation after the date of this commitment which causes the after tax yield to the Bank to diminish.	*Interest Rate is based upon the Banks Cost of Funds and a spread based upon LIBOR to the Cost of Funds rate. Default rate is equal to base rate plus 3%.Bond Documents are required to be posted on EMMA.

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Version 01/13/2014 DJG/CR