

Corporate Trust Connection

Winter 1999

A Message from the President

Welcome to the inaugural issue of the *Corporate Trust Connection*, your quarterly newsletter from U.S. Bank Corporate Trust Services.

Businesses today continually seek ways to further satisfy their customers and shareholders. The corporate trust business is no exception. With that in mind, we hope to provide you with interesting and informative articles that will help you accomplish your goals – perhaps offering a new product or idea.

We believe strong working relationships are developed through regular communication. It is our intent to use this newsletter as a means of communicating with you about changes, new products and processes, and other occurrences within the corporate trust industry and within U.S. Bank.

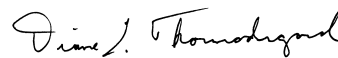
Once you have read this newsletter, I encourage you to contact your Relationship Specialist or e-mail our marketing department at the address provided on page 2. We value your input and



Diane Thormodsgard
President, U.S. Bank
Corporate Trust Services

would like to hear your thoughts on this issue and your suggestions for articles for future issues.

I hope you enjoy reading the *Corporate Trust Connection* and thank you for selecting U.S. Bank Corporate Trust Services to meet your corporate trust needs.



Diane Thormodsgard
President, U.S. Bank
Corporate Trust Services

Did You Know...

The Bondholder Services Group at U.S. Bank provides assistance to more than 1 million bondholders and handles:

- more than 15,000 bondholder and investor calls per month.
- more than 2,300 pieces of bondholder and investor correspondence per month.
- more than 30,000 registered transfers per month.
- more than 7,000 registered principal payments per month.

U.S. Bank has been ranked the Top Municipal Trustee every quarter for more than three years in a row.*

U.S. Bank Corporate Trust Services:

- administers a portfolio representing all types of municipal and corporate bonds whose par value outstanding exceeds \$620 billion.
- serves an important niche for our customers by providing business escrow services.

* As ranked by Securities Data Co.

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Extendible Commercial Paper

A First for the Tax-Exempt Muni Market

Wisconsin finance officials have put together a \$50 million general obligation extendible commercial notes (ECN) issue, a first for the tax-exempt municipal market.* Goldman, Sachs & Co. developed the ECN program at the request of corporate issuers who wanted to bypass supporting bank credit and sold the idea of a municipal version to the State of Wisconsin (the Issuer). U.S. Bank Corporate Trust Services is the Issuing, Paying and Calculation Agent for the transaction, which closed on September 9, 1999, and played a significant role in developing mechanics to administer the program.

Other key players include Foley & Lardner (Bond Counsel) and The Depository Trust Company (DTC).

How It Works

The Wisconsin ECNs are similar to typical commercial paper but have a few important differences. Because the Issuer has strong credit ratings from all three rating

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Comments and suggestions for the newsletter are welcome and should be forwarded to Kathleen Engesser, Marketing Manager, U.S. Bank Corporate Trust Services, (651) 244-8440 (phone) or kathleen.engesser@usbank.com (e-mail).



Extendible CP offers flexibility and efficiency for the municipal bond market.

agencies (Fitch, Moody's and Standard & Poor's), a liquidity facility is not required.

Additionally, the Issuer has the option to retain the right to extend the maturity in the event of a failed remarketing. With standard commercial paper, investors can turn to the liquidity provider if remarketing efforts fail or an Issuer is unable to pay off the debt at maturity. In the case of an ECN program, the Issuer can extend the maturity date and the liquidity risk associated with commercial paper is transferred to the investor, who is compensated for the additional risk with higher yields.

Specifics of the Wisconsin Issue

Each note will mature on its original maturity date

(from one to 180 days from its original issue date), unless the Issuer exercises its option of extending the maturity date. In that case, the note will mature on the extended maturity date (90 days after the original maturity date) and will bear interest during that period at a reset rate. The reset rate is determined by a formula using a fixed rate multiplied by the Bond Market Association Municipal Swap Index plus a percentage rate based on prevailing ratings by the three rating agencies.

Key Advantages

Extendible municipal commercial paper holds several advantages for the Issuer:

- **Potential cost-savings.** There are no liquidity facility-associated costs (although higher yields paid to compensate investors for greater risk may offset part of savings).
- **Increased efficiency.** There is no need to commit staff time to the management of a liquidity facility.
- **Flexibility.** The Issuer has the option of extending the maturity date for an

additional 90 days from the original maturity date.

"Our evaluation at this point is positive," says Frank Hoadley, capital finance director for the State of Wisconsin. "In fact, we recently authorized an additional \$75 million and are in the process of investigating transferring other existing commercial paper issues into this extendible form."

Finding Solutions for You

U.S. Bank Corporate Trust Services worked closely with the Issuer, Goldman, Sachs & Co., DTC and dealers to make this new issue a reality. "The corporate trust officers at U.S. Bank were great to work with," says Hoadley. "They spent a lot of time getting the inaugural issue off the ground and their input was very helpful."

We look forward to helping you find creative ways to structure your financing programs. For more information, contact your

U.S. Bank Corporate Trust Services representative.

*To avoid confusion with the corporate version, the preferred terminology is Extendible Municipal Commercial Paper (EMCP).

The Issuer has the option of extending the maturity date.

How Will the Internet Benefit the Corporate Trust Business?

The popularity of the Internet is growing by leaps and bounds. In fact, more than 76 million Americans regularly used the Internet in 1998, and experts predict that number will jump to 133 million by the end of the year 2000.* With so many people logging on to the web, it's important for corporate trust providers to keep up with the times. What follows is a look at how U.S. Bank Corporate Trust Services is meeting the growing demand for fast, convenient access to information over the Internet.

Responding to Expanding Needs

In this age of technological advances, new standards are being set when it comes to the speed at which investment decisions are made. The bondholders and investors of today want immediate access to reliable information. That's why U.S. Bank Corporate Trust Services is online, committed to supplying timely, accurate information for our customers.

Visitors to our web site will find a variety of valuable options available to them:

- Our **Investor Information Reporting** page gives investors convenient, online access to structured remittance statement information. Web site visitors can browse a searchable database to find factors, pool summary

data and loan detail information. Data can be retrieved by entering the CUSIP** identification number(s) or by browsing through handy, pull-down menus listing the bond Issuer and Series. We are



in the process of converting many of our MBS issues and will continue to add our large customers' accounts to this site. We expect this process to be completed by mid-2000.

- The **Bondholder Information** page connects your bondholders with a list of answers to frequently asked questions, definitions of commonly used terms and telephone numbers where customer service representatives can be reached.
- Our listing of **Resources and Events** displays upcoming corporate trust industry conferences and seminars that you may find interesting or may choose to attend.

Internet visitors can also access other areas of the site with descriptions of available

products and services, and contact information for regional representatives. U.S. Bank Corporate Trust Services is committed to expanding our offering of products and services on the Internet. U.S. Bank Access is one of our Internet priorities. This enhancement will make the delivery of individual account information just a click away.

Worldwide Access with a Local Connection

Our Web site is aimed at giving you daily, online

access to valuable information from any Internet browser in the world. But, as U.S. Bank Corporate Trust Services works to expand our Internet presence, it's important to remember that we're also dedicated to maintaining our nationwide network of local representatives. With corporate trust specialists located in offices around the country, we're committed to continually providing our customers with a level of service, knowledge and understanding that sets the standard for our industry.

* Source: Computer Industry Almanac press release, July 6, 1999.

** CUSIP - Committee on Uniform Security Identification Procedures.

Y2K Update: We're Ready

All systems are "go" and ready for the Year 2000 at U.S. Bank. On June 30, 1999, we completed our final Year 2000 internal critical systems testing requirements of the Federal Financial Institutions Examinations Council (FFIEC). All systems worked properly.

"This was the last threshold for meeting federal internal testing guidelines for our Year 2000 preparedness," says Phil Heasley, president and chief operating officer of U.S. Bancorp. The tests were performed on actual bank computer systems, using information captured from real customer data. The testing was performed in a stand-alone environment, which means the computer systems were removed from contact with the systems containing actual customer data. "We will continue testing throughout the year," says Heasley, "but we are confident that all bank operations are well prepared for the Year 2000."

Do you have questions about Y2K? Visit our Year 2000 Team at www.usbank.com, or call Rob Haas, manager of year 2000 communications for U.S. Bancorp, at **651-205-2389**.

Speed Up Bond Issues with FAST

"The FAST program allows us to conduct securities transactions in a more automated and efficient way," says Ivan Woyno, operations manager for U.S. Bank Corporate Trust Services. FAST – Fast Automated Security Transfer – was developed by The Depository Trust Company (DTC) and the Securities and Exchange Commission to keep securities in a more paperless form. Rather than issuing certificates, bonds are often issued in FAST book entry form.

It's another step the securities industry is taking toward more electronic transfers of information and less paper. "FAST loans protect your bondholders against the possible loss or theft of a physical certificate, plus they offer the ease of electronic transactions – your bondholders don't have to mail certificates back and forth," Woyno explains. The rapid turnaround and trans-

fer times often result in improved investor relations.

A FAST loan can either be a true book entry loan (a bondholder will never receive a physical certificate) or FAST fully registered (where a certificate can be printed upon request). Both of these methods reduce the cost of printing and processing certificates for both issuers and agents. A FAST book entry loan/issue differs from a non-FAST loan/issue in the following ways:

- The securities are held by the transfer agent (U.S. Bank Corporate Trust Services) rather than DTC.
- The loan balance is held in the form of a global certificate or book position, stored in a secured area at the transfer agent's facility.
- The loan balance is updated immediately with deposits and withdrawals on a daily basis.



FAST is designed to make securities transactions more efficient.

FAST Catches On

The FAST program has experienced wide acceptance and rapid growth. FAST now serves nearly 200 issuers with over 300,000 issues with a market value of more than \$15 trillion. From mid-1998 to mid-1999, U.S. Bank saw an increase of 80.8% in the number of bond issues participating in the FAST program. The dollar value of these bonds totaled more than \$271 billion at the end of June 1999.

"Due to the large dollar value, we utilize an automated means of balancing all of our FAST positions with DTC," says Dan Hill, assistant vice president of operations. "For every FAST eligible CUSIP within the U.S. Bank FAST program, we must balance on a daily basis with DTC. If we have a balanced position for Loan A of \$10 million, DTC has to have the same balance."

"We balance every single day with DTC," he confirms.

Is It Y2K Compliant?

"The FAST program was the first process DTC asked us to test for Y2K compliance. We completed testing, incorporating our vendor, DTC and ourselves, in January 1999. I'm happy to report that all testing was successful," Hill says.

