Cooperation Leads to Success

U.S. Bank Closes Tobacco Deal with State of Ohio

On Monday, Oct. 29, 2007, the state of Ohio closed a $5.05 billion bond sale – the largest single financial transaction in Ohio history – securitized by tobacco company settlement payments for which U.S. Bank Corporate Trust Services acts as the bond trustee.

The U.S. Bank Role

“As part of our responsibilities, U.S. Bank will hold the reserve fund set up as part of the deal, receive the tobacco monies that come into the state each year, and then use those funds to pay the principal and interest payments to the bondholders,” says Michael Dockman, vice president, U.S. Bank Corporate Trust Services Columbus office. “Instead of waiting for annual payments, the state gets a one-time lump sum payment now. Besides being able to fund projects immediately, the state also benefits by transferring the risk of default or other nonpayment by the tobacco companies to the bondholders. And, because the tobacco bonds are not considered general obligation bonds, the state may have more flexibility in its financing.”

About the Settlement

In 1998, leading cigarette companies settled a lawsuit brought by 46 states, five U.S. territories and the District of Columbia seeking to recoup healthcare costs resulting from tobacco-related illnesses. Four other states had previously settled with the tobacco companies. As part of the master settlement, the tobacco companies involved agreed to pay the states billions of dollars in annuitized payments, spread over many years, with the amounts and timelines individually established for each state or entity.

Like several other states, Ohio opted to issue bonds backed by the tobacco settlement dollars rather than waiting to use the settlement money as it trickled in over the next four decades. The $5.05 billion bond issuance allows the state to use the money immediately to finance new school construction and property tax relief for seniors and disabled individuals.

The Ohio tobacco bond deal is a great example of teamwork and partnership within U.S. Bank, according to Karen Bigelow, vice president, Government Banking Columbus office.

“The Government Banking group has a longstanding relationship with the state of Ohio, but we knew we could do more,” Bigelow says. “Our team here collaborated with other business lines within the bank to explore ways

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Welcome to Our New Look!

We’re pleased to send you our newsletter, Corporate Trust Connection, to help keep you informed about what’s happening in the corporate trust industry and at U.S. Bank. We’ve redesigned the newsletter to make it more attractive and inviting to read as well as to reflect our new brand standards.

We hope you find Corporate Trust Connection informative and valuable. If you know someone who would benefit by reading this newsletter, please pass it along and have them contact us to be added to the distribution list. If you have any comments or suggestions about the newsletter, please send them to marketing.corporatetrust@usbank.com.

We wish you a happy holiday season and prosperous New Year.
Experience Makes the Move to a Successor Trustee Easy

When a trustee is set up for debt financing, there’s often an expectation that the relationship between issuer and trustee will not change. But in reality, many circumstances warrant a move to a successor trustee.

For example, the trustee may encounter a conflict of interest because it acts in a dual role as lender and trustee for a corporation in financial difficulty. Or it may make sense to consolidate business to one trustee if the issuer has accounts spread to multiple trustees. Or the issuer may be unhappy with the service they’re getting.

We Handle All the Details

No matter the reason for the move, it’s easy to make U.S. Bank Corporate Trust Services your successor trustee. “We’ve become successor trustee many times, and streamlined the process to make it essentially seamless for clients,” says Dyan Huhta, vice president of the Northwest region offices. “We can prepare all the paperwork that’s required, so issuers can just sign and move forward.”

Typically, the issuer provides a removal letter (“which we can assist in writing,” Huhta interjects) to the current trustee. Then, the process works in one of two ways: U.S. Bank executes a tri-party agreement with the issuer, the former trustee and U.S. Bank in which all trustee responsibilities are assumed by U.S. Bank. Or, the old trustee is removed, and then U.S. Bank executes a letter to say that it accepts the trusteeship.

After that, U.S. Bank notifies Depository Trust Company (DTC) of the change and moves the assets of the trust and sets them up in the U.S. Bank systems.

“We have good relationships with our competitors, which helps the tri-party agreements go smoothly,” Huhta says. “Each deal can be very different from the last one,” she continues. “But we’ve done this so many times that we’ve seen a wide range of circumstances, and we know how to get the job done.”

MuniMae Made the Move

Currently, U.S. Bank Corporate Trust Services is in the process of taking over about 150 accounts for MuniMae, a national leader in multifamily housing finance. “MuniMae is the bondholder and servicer on those 150 accounts, and they’ve decided to move them to us,” Huhta says.

“We have good relationships with our competitors, which helps the tri-party agreements go smoothly.”

– Dyan Huhta

“The fact that there are so many accounts, and that they are going to 15 different U.S. Bank Corporate Trust Services account managers spread across the country, makes the project complex. But with careful coordination, it’s coming together. And when the transfer is complete, each account will have a relationship manager in its local region, allowing for superior service.”

“I think a deal of this size just emphasizes our depth,” Huhta states. “We’re able to handle deals of any size and complexity.”

A MuniMae representative agrees. “We have enjoyed a great relationship with U.S. Bank Corporate Trust Services for many years,” says Chris Levey, senior vice president, MMA Financial. “Their systems are as good as any we’ve seen in the industry and the quality of their service was the main reason we chose them as successor trustee for a large portion of our municipal bond portfolio.”

Oct. 11 U.S. Bank Wine & Cheese Event

Spotlight on the Chicago Office

Home to the largest derivatives market in the world resulting from the merger of the Chicago Mercantile Exchange and Chicago Board of Trade, Chicago ranks among the top financial centers in the nation. U.S. Bank Corporate Trust Services maintains a high profile in “The Windy City,” with an office boasting leadership in three distinct areas of corporate trust.

Striving for Growth in the Muni World

U.S. Bank is ranked among the top three municipal trustees for Illinois for the first three quarters of 2007, according to Grace Gorka, vice president and site manager for the municipal group in Chicago.

“The LaSalle acquisition helped strengthen our market share,” Gorka says. “But we would not have retained our customers or expanded our customer base without the resources of U.S. Bank, the depth of experience and the level of service that our employees bring to the table.”

The municipal group offers a full range of corporate trust services, including municipal trusteeship and corporate escrow services. “We have a great group of people here,” Gorka says. “And we’re excited about the opportunities for growth in the Chicago and greater Illinois markets.”

Growing Structured Finance

The Structured Finance Group in Chicago handles a diverse portfolio of asset-backed and mortgage-backed transactions. Historically their niche has been auto loans, auto lease receivables and credit card receivables transactions. They have in-depth expertise in titling trusts and work with many of the captive finance companies with most of the major U.S. auto companies. During the last several years this Structured Finance office has added other asset classes including equipment leases, energy bonds, hurricane recovery bonds and even franchise receivables.

Although traditionally a small office, the Chicago staff’s expertise and experience in broad range of asset classes has contributed to the growth in this particular location. A continued hallmark of Structured Finance, and the Chicago staff particularly, is their flexibility and responsiveness to customer needs as the market continues to evolve and change.

FSIR Offers Flexibility and Responsiveness

Another critical component of the Chicago office, First Security Investor Reporting (FSIR), is responsible for bond, tax and SEC reporting on mortgage-backed and asset-backed securities. Recent activity in the sub-prime market has resulted in increased demand from customers for more data and customized reporting. Since all of FSIR’s systems were developed in-house, we are able to respond quickly and efficiently to those requests.

FSIR puts a strong emphasis on quality control with a separate review process – done by an independent senior manager – that recalculates the items on the bondholder statement, assuring a greater level of accuracy and accountability. “Given the number of data elements on each report (typically 4,000 to 5,000), the complexity of the calculations, the dollar volumes involved and the uniqueness of each transaction, we feel that this secondary review is well worth the effort. Our customers definitely appreciate it,” says Dan Nevis, vice president and business line manager of the group. “This level of review is another way U.S. Bank stands out from the competition.”

See Us for Financing Solutions

The “City of Broad Shoulders” has plenty to offer locals and visitors alike, and U.S. Bank Corporate Trust Services has “broad shoulders” as well. With our expertise, experience and resources, we can help you find creative solutions to your financing needs. Contact your Account Manager for more information.

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<th>Rank</th>
<th>Trustee</th>
<th>No. of Issues</th>
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U.S. Bank Closes Tobacco Deal with State of Ohio  continued from front

to enhance this relationship.” The newly elected State Treasurer for Ohio invited the team to present its capabilities. Realizing the Ohio Tobacco Bond Deal was on the horizon, Mike Dockman and the Government Banking team capitalized on this opportunity to share with the administration the strength and experience of Corporate Trust Services. As a result, U.S. Bank was asked to participate in the request for proposal for the bond trusteeship.

“If not for the spirit of cooperation and teamwork between Government Banking and Corporate Trust Services, we may not have won the business,” she adds. “By providing our customers access to other business lines, we can benefit them as well as enhance our relationship.”

In the meantime, the state of Ohio can start using the bond proceeds. “We’re looking forward to working with U.S. Bank on this issuance,” says Jake Wozniak, Director of Debt Management, Ohio Treasurer of State.

“Our longstanding relationship with the bank through Government Banking has been positive, and we appreciate that the bank offers a wide range of services. We’re excited to work with Corporate Trust Services.”


* If you’d like to explore creative solutions to financing issues, contact your U.S. Bank Corporate Trust Services Account Manager.

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Comments and suggestions for the newsletter are welcome and should be forwarded to Jessica Johnson, Corporate Trust Connection, U.S. Bank Corporate Trust Services, (651) 495-3928 (phone) or marketing.corporatetrust@usbank.com (email). For more information, visit our Web site at usbank.com/corporatetrust.