

**COUNCIL ACTION FORM**

**SUBJECT: RESOLUTION APPROVING OFFICIAL STATEMENT FOR GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2009B**

**BACKGROUND:**

The 2009/10 budget included General Obligation Bond funded capital improvement projects in the amount of \$11,165,000. The City Council has held a public hearing on the issuance and date of sale has been set for September 22, 2009.

The Official Statement, or "Preliminary Official Statement", is the offering document for municipal securities, in preliminary form, which does not contain pricing information. The statement provides several financial disclosures and information about the City. The statement has not been presented to Council for previous bond issues, but bond counsel now recommends that the statement be approved by resolution of the governing body.

Projects to be funded by this issue include the following:

**2009/2010 CIP G.O. Bond Issue:**

SW Ames Stormwater Management	\$ 475,000
Arterial Street Pavement Improvements	468,000
Collector Street Pavement Improvements	1,000,000
CyRide Route Pavement Improvements	800,000
Concrete Pavement Improvements	1,625,000
Asphalt Pavement Improvement Program	500,000
Downtown Pavement Improvements	500,000
Subtotal	<u>\$ 5,368,000</u>

**Carried Forward from 2008/2009 CIP:**

Concrete Pavement Improvements	\$ 1,225,000
Asphalt Pavement Improvement Program	350,000
Collector Street Pavement Improvements	900,000
CyRide Route Pavement Improvements	900,000
Arterial Street Pavement Improvements	437,573
Downtown Pavement Improvements	700,000
Subtotal	<u>\$ 4,512,573</u>

*Planned Tax Increment Financing (TIF):*

South Bell TIF	\$ 1,152,000
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Issuance Costs	<u>\$ 132,427</u>
<b>Total Debt Issue</b>	<b><u>\$ 11,165,000</u></b>

**ALTERNATIVES:**

1. Adopt a resolution approving the Official Statement for General Obligation Corporate Purpose Bonds, Series 2009B.
2. Refer the Official Statement back to City staff for modifications.

**MANAGER'S RECOMMENDED ACTION:**

Issuance of these bonds is necessary in order to accomplish the City's approved capital improvements this coming year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby adopting a resolution approving the Official Statement for General Obligation Corporate Purpose Bonds, Series 2009B.

New Issue

Rating: Application Made

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants the interest on the Bonds will be excluded from gross income for federal income tax purposes, such interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 and will not be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) and the City will designate the Bonds as "qualified tax exempt obligations. See "Tax Exemption and Related Considerations" herein for more information.*

**CITY OF AMES, IOWA**

**\$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B**

BIDS RECEIVED: Tuesday, September 22, 2009, 11:00 o'clock A.M., Central Time  
 AWARD: Tuesday, September 22, 2009, 7:00 o'clock P.M., Central Time

**Dated:** October 29, 2009

**Minimum Bid:** \$11,086,845

**Principal Due:** June 1, 2010-2021

**Good Faith Deposit:** Required of Purchaser Only

The \$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B (the "Bonds") are being issued pursuant to Division III of Chapter 384 of the Code of Iowa and resolutions to be adopted by the City Council of the City of Ames, Iowa (the "City"). The Bonds are being issued for the purpose of paying the cost for the construction of improvements to streets, storm sewers, sanitary sewers, municipal waterworks system and municipal electric system. The Bonds are general obligations of the City, for which the City will pledge to levy ad valorem taxes against all property within the City without limitation as to rate or amount.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The City's Treasurer as paying agent will pay principal on the Bonds, payable annually on June 1, beginning June 1, 2010, and interest on the Bonds payable initially on June 1, 2010 and thereafter on each December 1 and June 1 to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the fifteenth day preceding such interest payment date (the "Record Date").

The Bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2010	\$500,000	2016	\$955,000
2011	860,000	2017	980,000
2012	870,000	2018	1,015,000
2013	885,000	2019	1,050,000
2014	905,000	2020	1,090,000
2015	925,000	2021	1,130,000

**PRINCIPAL**

**ADJUSTMENT:** The City reserves the right to increase or decrease the aggregate principal amount of the Bonds. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any change in issue size.

**REDEMPTION:** Bonds due after June 1, 2017 will be subject to call for prior redemption on said date or on any date thereafter upon terms of par plus accrued interest to date of call.

The Bonds are offered, subject prior sale, withdrawal or modification, when, as and if issued and subject to the unqualified approving legal opinion of Dorsey & Whitney LLP, Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Bonds. It is expected that the Bonds will be available for delivery on or about October 29, 2009. This Preliminary Official Statement will be further supplemented by offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in Rule 15c2-12.

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may officers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

## COMPLIANCE WITH S.E.C. RULE 15c-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

**Preliminary Official Statement:** This Preliminary Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective bidders in the interest of receiving competitive bids in accordance with the Notice of Sale and Terms of Offering contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement".

**Review Period:** This Preliminary Official Statement has been distributed to City staff as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to Public Financial Management at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

**Final Official Statement:** Upon award of sale of the Bonds, the legislative body will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

## REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto were prepared relying on information of the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of Public Financial Management, Inc. as Financial Advisor, payable entirely by the City, is contingent upon the sale of the issue.

## TABLE OF CONTENTS

<b>NOTICE OF SALE</b> .....	<b>i</b>
<b>TERMS OF OFFERING</b> .....	<b>iii</b>
<b>SCHEDULE OF BOND YEARS</b> .....	<b>vii</b>
<b>INTRODUCTION</b> .....	<b>1</b>
Authority and Purpose .....	1
Payment of and Security for the Bonds .....	1
Book-Entry-Only System .....	1
Future Financing.....	3
Litigation; Debt Payment History .....	3
Legal Matters .....	4
Tax Exemption and Related Considerations .....	4
Rating.....	5
Financial Advisor.....	5
Continuing Disclosure .....	5
Certification .....	5
<b>CITY PROPERTY VALUATIONS</b> .....	<b>6</b>
Iowa Property Valuations .....	6
1/1/2008 Valuations (Taxes payable July 1, 2009 through June 30, 2010) .....	6
2008 Gross Taxable Valuation by Class of Property .....	6
Trend of Valuations .....	7
Larger Taxpayers .....	7
Legislation .....	7
<b>CITY INDEBTEDNESS</b> .....	<b>8</b>
Debt Limit.....	8
Direct Debt.....	8
Other Debt .....	9
Overlapping Debt.....	10
Debt Ratios .....	10
Levies and Tax Collections.....	10
Tax Rates .....	11
Levy Limits.....	11
General Fund Budgets - Accrual Basis .....	12
Funds on Hand - Cash Basis (Cash and Investments as of June 30, 2009).....	12
<b>THE CITY</b> .....	<b>13</b>
City Government.....	13
Employees; Pensions .....	13
Union Contracts; Other Post Employment Benefits .....	13
Insurance .....	14
<b>GENERAL INFORMATION</b> .....	<b>15</b>
Location and Transportation .....	15
Larger Employers .....	15
Building Permits .....	16
U.S. Census Data .....	16
Unemployment Rates.....	16
Education .....	16
Financial Services; Financial Statements.....	17
<b>APPENDIX A - FORM OF LEGAL OPINION</b>	
<b>APPENDIX B - JUNE 30, 2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT</b>	
<b>APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE</b>	
<b>OFFICIAL BID FORMS</b>	

# City of Ames, Iowa

## Mayor/City Council

<u>Member</u>	<u>Office</u>	<u>Initial Term Commenced</u>	<u>Term Expires</u>
Ann Campbell	Mayor	January 03, 2006	December 31, 2009
Jim Popken	Council Member – At Large	January 03, 2006	December 31, 2009
Matthew Goodman	Council Member – At Large	January 03, 2004	December 31, 2011
Dan Rice	Council Member – 1 <sup>st</sup> Ward	January 03, 2006	December 31, 2009
Jami Larson	Council Member – 2 <sup>nd</sup> Ward	November 14, 2006	December 31, 2011
Ryan Doll	Council Member – 3 <sup>rd</sup> Ward	January 03, 2006	December 31, 2009
Riad Mahayni	Council Member – 4 <sup>th</sup> Ward	January 14, 2003	December 31, 2011

## Administration

Steven Schainker, City Manager  
Duane Pitcher, Director of Finance  
Diane Voss, City Clerk  
Roger Wisecup II, City Treasurer  
John Dunn, Director of Water and Pollution Control  
John Joiner, Director of Public Works  
Don Kom, Director of Electric Utility

## City Attorney

Doug Marek  
Ames, Iowa

## Bond Counsel

Dorsey & Whitney LLP  
Des Moines, Iowa

## Financial Advisor

Public Financial Management  
Des Moines, Iowa

## NOTICE OF SALE

### City of Ames, Iowa \$11,165,000 General Obligation Corporate Purpose Bonds, Series 2009B

Bids will be received on behalf of the City of Ames, Iowa, until 11:00 o'clock a.m. on September 22, 2009, for the purchase of \$11,165,000 General Obligation Corporate Purpose Bonds, Series 2009B, of the City.

Any of the methods set forth below may be used, but no open bids will be accepted:

Sealed Bidding: Sealed bids will be received at City Hall, 515 Clark Avenue, Ames, Iowa.

Electronic Internet Bidding: Electronic internet bids will be received at City Hall, Ames, Iowa, and must be submitted through PARITY®.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at City Hall, Ames, Iowa, and will be sealed and treated as sealed bids.

After the deadline for receipt of bids has passed, sealed bids will be opened and announced, and electronic internet bids will be accessed and announced. All bids will be presented to the City Council for consideration at its meeting to be held at 7:00 o'clock p.m. on September 22, 2009, at the City Hall, Ames, Iowa, at which time the Bonds will be sold to the best bidder for cash.

The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, will be dated October 29, 2009, will bear interest payable semiannually on each June 1 and December 1 to maturity, commencing June 1, 2010, and will mature on June 1 in the following years and amounts:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2010	\$500,000	2016	\$955,000
2011	860,000	2017	980,000
2012	870,000	2018	1,015,000
2013	885,000	2019	1,050,000
2014	905,000	2020	1,090,000
2015	925,000	2021	1,130,000

The right is reserved to the City to call and redeem all of the Bonds maturing in the years 2018 to 2021, inclusive, in whole or in part, in one or more units of \$5,000, on June 1, 2017, or on any date thereafter prior to and in any order of maturity (and within a maturity by lot), upon terms of par and accrued interest.

Bidders must specify a price of not less than \$11,086,845, plus accrued interest. The legal opinion of Dorsey & Whitney LLP, Attorneys, Des Moines, Iowa, will be furnished by the City.

A good faith deposit of \$111,650 is required from the successful bidder and may be forfeited to the City in the event the successful bidder fails or refuses to take and pay for the Bonds.

The City reserves the right to reject any or all bids and to waive irregularities in any bid.

The Bonds are being issued pursuant to the provisions of Division III of Chapter 384 of the Code of Iowa and will constitute general obligations of the City, payable from taxes levied upon all the taxable property in the City without limitation as to rate or amount.

The Securities and Exchange Commission (the “SEC”) has promulgated certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the “Rule”) that make it unlawful for an underwriter to participate in the primary offering of municipal securities in a principal amount of \$1,000,000 or more unless, before submitting a bid or entering into a purchase contract for such securities, an underwriter has reasonably determined that the issuer or an obligated person has undertaken in writing for the benefit of the holders of such securities to provide certain disclosure information to prescribed information repositories on a continuing basis so long as such securities are outstanding.

On the date of issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Certificate pursuant to which the City will undertake to comply with the Rule. The City will covenant and agree to comply with and carry out the provisions of the Continuing Disclosure Certificate. All of the officers of the City will be authorized and directed to take any and all actions as may be necessary to comply with the Rule and the Continuing Disclosure Certificate.

Bidders should be aware that the official terms of offering to be published in the Official Statement for the Bonds contain additional bidding terms and information relative to the Bonds. In the event of a variance between statements in this Notice of Sale (except with respect to the time and place of the sale of the Bonds and the principal amount offered for sale) and said official terms of offering, the provisions of the latter shall control.

By order of the City Council of Ames, Iowa.

Diane R. Voss  
City Clerk



## TERMS OF OFFERING

### CITY OF AMES, IOWA

In addition to the provisions of the Notice of Sale, this section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

#### DETAILS OF THE BONDS

GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2009B (the “Bonds ”), in the principal amount of \$11,165,000\* to be dated October 29, 2009 in the denomination of \$5,000 or multiples thereof, and to mature on June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2010	\$500,000	2016	\$955,000
2011	860,000	2017	980,000
2012	870,000	2018	1,015,000
2013	885,000	2019	1,050,000
2014	905,000	2020	1,090,000
2015	925,000	2021	1,130,000

\* Preliminary; subject to change. The City reserves the right to increase or decrease the aggregate principal amount of the Bonds. However, the maximum par amount will not exceed \$11,200,000. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any change in issue size.

#### OPTIONAL REDEMPTION

Bonds due after June 1, 2017 will be subject to call for prior redemption on said date or on any date thereafter upon terms of par plus accrued interest to date of call.

#### INTEREST ON THE BONDS

Interest on the Bonds will be payable on June 1, 2010 and semiannually on the 1<sup>st</sup> day of December and June thereafter. Interest and principal shall be paid to the registered holder of a Bond as shown on the records of ownership maintained by the registrar as of the fifteenth day preceding such interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

#### GOOD FAITH DEPOSIT

A Good Faith Deposit (the “Deposit”) in the amount of \$111,650 is required of the lowest bidder only for the Bonds. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City’s Financial Advisor not later than 1:00 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of that lowest bidder will be rejected and the City may direct the second lowest bidder for the Bonds to submit a Deposit and thereafter may award the sale of the Bonds to the same. No interest on a Deposit will accrue to a successful bidder (the “Purchaser”). The Deposit will be applied to the purchase price of the Bonds. In the event a Purchaser fails to honor its accepted bid proposal, the Deposit will be retained by the City.

## BOOK-ENTRY-ONLY SYSTEM

The Bonds will be issued by means of a book-entry-only system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City’s designated Paying Agent, Bankers Trust Company, N.A., Des Moines, Iowa, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The Purchaser, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.

## FORM OF BIDS AND AWARD

All bids shall be unconditional for the entire issue of Bonds for a price not less than \$11,086,845, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations as set forth under the “RATES OF INTEREST” section below. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the City. The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost basis (“TIC”) assuming compliance with the “GOOD FAITH DEPOSIT” section on the previous page. The TIC shall be determined by the "present worth method," i.e., by ascertaining the semiannual rate, compounded semi-annually, necessary to discount to present worth as of the anticipated dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefore. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest which is twice the semiannual rate so ascertained. (This method is also known as the "Canadian Method"). The TIC shall be as determined by the Financial Advisor based on the Terms of Offering and all amendments, and on the bid as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Bonds will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

## RATES OF INTEREST

The rates of interest specified in the bidder's proposal must conform to the following limitations:

1. Each annual maturity must bear a single rate of interest from the dated date of the Bonds to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. Each rate of interest specified for any annual maturity shall not be less than a rate of interest specified for any earlier maturity. Rates must be level or in ascending order.

## RECEIPT OF BIDS

No bid will be accepted after the time specified in the Notice of Sale as published in this Preliminary Official Statement. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Form of Bids: Bids for the Bonds must be submitted on or in substantial compliance with the Official Bid Forms provided by the City or through the Internet Bid System as defined below. The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Director of Finance, City Hall, 515 Clark Avenue, Ames, Iowa 50010.

Electronic Internet Bidding: Electronic internet bids will be received at the office of the Director of Finance, City Hall, Ames, Iowa, or at the office of Public Financial Management, Inc. The bids must be submitted through the PARITY<sup>®</sup> competitive bidding system (the "Internet Bid System").

Each prospective bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The City is permitting prospective bidders to use the services of Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the Terms of Offering shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at the office of the Director of Finance, Ames, Iowa (facsimile number: (515) 239-5320) or at the office of the City's Financial Advisor, Public Financial Management, Inc. (facsimile number: (515) 243-6994). Electronic facsimile bids will be sealed and treated as sealed bids. Transmissions received after the deadline will be rejected. Bidders electing to submit bids via electronic facsimile transmission bear full responsibility for the transmission of such bid. Neither the City nor its agents shall be responsible for malfunction or mistake made by any person, or as a result of the use of the electronic facsimile facilities or any other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the bidder who shall be bound by the terms of the bid as received. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator receiving the bids.

#### BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser.

#### DELIVERY

The Bonds will be delivered to the Purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw his bid and thereafter his interest in and liability for the Bonds will cease. When the Bonds are ready for delivery, the City may give the successful bidder five working days notice of the delivery date and the City will expect payment in full on that date, otherwise reserving the right of its option to determine that the bidder has failed to comply with the offer of purchase.

## INFORMATION FROM PURCHASER

The Purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser will also be required to provide a certificate at closing confirming the information required by this paragraph.

## OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds. The Preliminary Official Statement when further supplemented with maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 40 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

## CONTINUING DISCLOSURE

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolutions for the Bonds and Continuing Disclosure Certificates, to provide certain annual financial information and notices of certain events. The details of these undertakings are set forth in Appendix C of the Preliminary Official Statement. The City will deliver the Continuing Disclosure Certificates at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser of its obligation to purchase the Bonds. The City has complied in all material respects with any undertaking previously entered into by it under the Rule.

## CUSIP NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Financial Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

BY ORDER OF THE CITY COUNCIL  
515 Clark Avenue  
Ames, Iowa 50010

## SCHEDULE OF BOND YEARS

**\$11,165,000\***  
**City of Ames, Iowa**

### **General Obligation Corporate Purpose Bonds, Series 2009B**

Bonds Dated: October 29, 2009  
Interest Due: June 1, 2010 and each December 1 and June 1 to maturity  
Principal Due: June 1, 2010-2021

<u>Year</u>	<u>Principal</u> *	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2010	\$500,000	294.44	294.44
2011	860,000	1,366.44	1,660.89
2012	870,000	2,252.33	3,913.22
2013	885,000	3,176.17	7,089.39
2014	905,000	4,152.94	11,242.33
2015	925,000	5,169.72	16,412.06
2016	955,000	6,292.39	22,704.44
2017	980,000	7,437.11	30,141.56
2018	1,015,000	8,717.72	38,859.28
2019	1,050,000	10,068.33	48,927.61
2020	1,090,000	11,541.89	60,469.50
2021	1,130,000	13,095.44	73,564.94

Average Maturity (dated date): 6.589 Years

\* Preliminary; subject to change.

# OFFICIAL STATEMENT

## CITY OF AMES, IOWA

### **\$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B**

#### INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Ames, Iowa (the "City") and its issuance of \$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B (the "Bonds"). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be made to Public Financial Management, Inc., Terrace Place, Suite 214, 2600 Grand Avenue, Des Moines, Iowa, or by telephoning (515) 243-2600. Information can also be obtained from Mr. Duane Pitcher, Director of Finance, City of Ames, 515 Clark Avenue, Ames, Iowa 50010, or by telephoning (515) 239-5101.

#### AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Chapter 384 of the Code of Iowa and resolutions to be adopted by the City Council of the City for the purpose of providing funds to pay costs of the Bonds are being issued for the purpose of paying the cost for the construction of improvements to streets, storm sewers, sanitary sewers, municipal waterworks system and municipal electric system.

The estimated Sources and Uses of the Bonds are as follows:

#### Sources of Funds

Par Amount of Bonds	\$11,165,000.00*
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#### Uses of Funds

Deposit to Project Fund	\$11,032,573.00
Underwriter's Discount	78,155.00
Costs of Issuance and Contingency	<u>54,272.00</u>
Total Uses	\$11,165,000.00 *

#### PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds constitute valid and binding general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds. If the amount credited to the debt service fund for payment of the Bonds is insufficient to pay principal and interest, whether from transfers or from original levies, the City must use funds in its treasury and is required to levy ad valorem taxes upon all taxable property in the City sufficient to pay the debt service deficiency without limit as to rate or amount.

#### BOOK-ENTRY-ONLY SYSTEM

The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

\* Preliminary; subject to change.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

## **FUTURE FINANCING**

The City anticipates no additional general obligation borrowing within 90 days of the date of this Preliminary Official Statement. However, the City Water Department is considering issuing an SRF loan in the winter of 2009. The SRF loan would be secured and payable solely from the net revenues of the Water Department.

## **LITIGATION**

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

## **DEBT PAYMENT HISTORY**

The City knows of no instance in which they have defaulted in the payment of principal and interest on its debt.



## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt or taxable status of the interest thereon (see “TAX EXEMPTION AND RELATED TAX CONSIDERATIONS” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX A. A signed copy of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Purchaser at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

The legal opinion to be delivered will express the professional judgment of Bond Counsel and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy of the Official Statement, including but not limited to financial or statistical information of the City, except Bond Counsel has reviewed and/or prepared the information and statements contained in the Official Statement under “INTRODUCTORY STATEMENT,” “PAYMENT OF AND SECURITY FOR THE BONDS”, “TAX EXEMPTION AND RELATED CONSIDERATIONS” and “CONTINUING DISCLOSURE” insofar as such statements contained under such captions purport to summarize certain provisions of the Internal Revenue Code of 1986, the Bonds and any opinion rendered by Bond Counsel and Bond Counsel has prepared the documents contained in Appendix A and Appendix C.

## TAX EXEMPTION AND RELATED CONSIDERATIONS

**Federal Income Tax Exemption** – The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the “Code”), and such interest need not be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinion set forth in the preceding sentence will be subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the City will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of such bonds should consult with their tax advisors as to such matters.

**Bank Qualification** - In the resolution authorizing the issuance of the Bonds, the City will designate such bonds as “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations.

## **RATING**

The City has requested a rating on the Bonds from Moody's Investors Service, Inc. ("Moody's"). The City's long-term General Obligation debt is currently rated 'Aaa' by Moody's. The existing rating on long-term debt reflects only the view of the rating agency and with any explanation of the significance of such rating may only be obtained from Moody's. There is no assurance that such rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

## **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Des Moines, Iowa as Financial Advisor in connection with the preparation of the issuance of the Bonds. In preparing the Preliminary Official Statement, the Financial Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **CONTINUING DISCLOSURE**

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in its disclosure certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The City is the only "obligated person" in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and the other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in the Form of Continuing Disclosure Certificate attached hereto as Appendix C to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

Currently, the City is compliant with its Disclosure Covenants.

## **CERTIFICATION**

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within the Preliminary Official Statement prepared on behalf of the City of Ames, Iowa, by Public Financial Management, Des Moines, Iowa, and said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B.

CITY OF AMES, IOWA  
/s/ Duane Pitcher, Director of Finance

\* Preliminary; subject to change.

## CITY PROPERTY VALUATIONS

### IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs the county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The 2008 final Actual Values were adjusted by the Story County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2008, the taxable value rollback rate was 45.5893% of Actual Value for residential property; 93.8568% of Actual Value for agricultural property; and 100% of Actual Value for commercial, industrial, railroad and utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for the specific classes of property to 4% annually. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

### 1/1/2008 VALUATIONS (Taxes Payable July 1, 2009 through June 30, 2010)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$2,372,161,712	\$1,081,452,054
Commercial	825,225,818	825,225,818
Industrial	110,467,400	110,467,400
Railroads	2,750,650	2,750,650
Utilities w/o Gas & Electric	<u>6,723,421</u>	<u>6,723,421</u>
Gross valuation	\$3,317,329,001	\$2,026,619,343
Less military exemption	<u>(2,927,086)</u>	<u>(2,927,086)</u>
Net valuation	\$3,314,401,915	\$2,023,692,257
Taxed separately		
Ag. Land & Building	\$1,261,090	\$1,183,621
Gas & Electric Utilities	\$13,450,778	\$7,083,459

### 2008 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY<sup>1)</sup>

	<u>Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$1,081,452,054	53.18%
Gas & Electric Utilities	7,083,459	0.35%
Commercial, Industrial, Railroads and Utility	<u>945,167,289</u>	<u>46.47%</u>
Total Gross Taxable Valuation	\$2,033,702,802	100.00%

<sup>1)</sup> Excludes Taxable TIF Increment and Ag. Land & Buildings.

## TREND OF VALUATIONS

<u>Assessment Year</u>	<u>Payable Fiscal Year</u>	<u>100% Actual Valuation</u>	<u>Taxable Valuation (With Rollback)</u>	<u>Taxable TIF Increment</u>
2004	2005-06	\$2,748,457,657	\$1,804,026,691	\$0
2005	2006-07	3,005,042,777	1,896,589,910	0
2006	2007-08	3,121,234,289	1,933,311,422	0
2007	2008-09	3,225,950,114	1,941,794,882	0
2008	2009-10	3,329,113,783	2,030,775,716	0

The 100% Actual Valuation, before rollback and after the reduction of military exemption, includes Ag. Land & Buildings, TIF Increment and Gas & Electric Utilities. The Taxable Valuation, with the rollback and after the reduction of military exemption, includes Gas & Electric Utilities and excludes Ag. Land & Buildings and Taxable TIF Increment. Iowa cities certify operating levies against Taxable Valuation excluding Taxable TIF Increment and debt service levies are certified against Taxable Valuation including the Taxable TIF Increment.

## LARGER TAXPAYERS

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>1/1/2008 Taxable Valuation</u>
Barilla America Inc.	Industrial	\$32,077,400
North Grand Mall Partners LLC	Commercial	24,402,600
Wal-Mart Stores, Inc Store 4256-00	Commercial	22,468,000
Clinic Building Company Inc.	Commercial	15,981,000
Midwest Centers	Commercial	14,252,000
Cycloneball LLC	Industrial	13,698,200
Ball Plastic Container Corp.	Industrial	10,024,000
Campus Investors IS LLC	Commercial	9,979,900
Grand Center Partners LLC	Commercial	9,262,800
Susa Holding of Story County Inc.	Industrial	8,775,000

## LEGISLATION

From time to time, legislative proposals are pending in the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds that: "The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full."

## CITY INDEBTEDNESS

### DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the Actual Value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2008 Actual Valuation currently applicable to the fiscal year 2009-10, is as follows:

2008 Gross Actual Valuation of Property	\$3,332,040,869
Less: Military Exemption	<u>(2,927,086)</u>
Subtotal	\$3,329,113,783
Legal Debt Limit of 5%	<u>0.05</u>
Legal Debt Limit	\$166,455,689
Less: G.O. Debt Subject to Debt Limit	<u>(53,865,000) *</u>
Net Debt Limit	\$112,590,689

### DIRECT DEBT

#### General Obligation Debt Paid by Taxes (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 9/22/09</u>
5/02A	\$3,475,000	Capital Improvement Projects	6/21	\$2,500,000
10/02B	5,885,000	Capital Improvement Plan	6/14	2,685,000
10/02C	7,580,000	Refunding Series 1994, 1995A and 1995B	6/10	425,000
9/03	6,555,000	Capital Improvement Projects	6/15	3,270,000
10/04	6,030,000	Capital Improvement Plan	6/14	3,210,000
9/05	5,495,000	Street Improvements, Fire Equipment and Refunding Series 1997A	6/17	2,670,000
10/06	5,285,000	Street and Storm Sewer Improvements	6/18	4,265,000
11/07A	9,630,000	Street Improvements & Aquatic Center	6/19	8,700,000
10/08A	8,355,000	Street Improvements & Aquatic Center	6/20	7,980,000
4/09A	7,215,000	Refunding Series 1998A, 1999, 2000, 2001A and 2001B	6/13	6,995,000
10/09B	11,165,000 *	Capital Improvement Projects	6/21	<u>11,165,000 *</u>
<b>Total G.O. Debt Subject to Debt Limit</b>				<b>\$53,865,000</b>

\* Preliminary; subject to change.

**Annual Fiscal Year Debt Service Payments**

**G.O. Debt Paid by Property Taxes (Includes the Bonds)**

Fiscal Year	<u>Outstanding Debt</u>		<u>The Bonds</u>		<u>Total Outstanding</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal*</u>	<u>Principal and Interest*</u>	<u>Principal*</u>	<u>Principal and Interest*</u>
2009-10	\$6,630,000	\$8,179,414	\$500,000	\$690,943	\$7,130,000	\$8,870,357
2010-11	5,960,000	7,281,345	860,000	1,178,493	6,820,000	8,459,838
2011-12	5,660,000	6,790,147	870,000	1,175,593	6,530,000	7,965,740
2012-13	5,175,000	6,111,304	885,000	1,175,977	6,060,000	7,287,281
2013-14	4,345,000	5,099,244	905,000	1,177,569	5,250,000	6,276,813
2014-15	3,180,000	3,774,504	925,000	1,174,763	4,105,000	4,949,267
2015-16	2,755,000	3,227,579	955,000	1,178,956	3,710,000	4,406,535
2016-17	2,870,000	3,235,759	980,000	1,174,828	3,850,000	4,410,587
2017-18	2,595,000	2,847,489	1,015,000	1,177,292	3,610,000	4,024,781
2018-19	2,135,000	2,283,901	1,050,000	1,176,564	3,185,000	3,460,465
2019-20	1,130,000	1,192,899	1,090,000	1,177,609	2,220,000	2,370,508
2020-21	<u>265,000</u>	278,581	<u>1,130,000</u>	1,175,426	<u>1,395,000</u>	1,454,007
Total	\$42,700,000		\$11,165,000*		\$53,865,000*	

\* Preliminary; subject to change.

**OTHER DEBT**

The City has outstanding revenue debt payable from hospital revenues as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 9/22/09</u>
6/03	\$29,385,000	Mary Greeley Medical Center	6/22	\$21,495,000

**OVERLAPPING DEBT**

<u>Taxing District</u>	<u>1/1/2008 Taxable Valuation</u> <sup>1)</sup>	<u>Percent In City</u>	<u>G.O. Debt</u>	<u>City's Proportionate Share</u>
Story County	\$3,283,173,597	62.02%	\$7,270,000	\$4,508,854
Ames Community School District	1,939,398,484	98.02%	7,515,000	7,366,203
Gilbert Community School District	288,581,466	45.83%	8,275,000	3,792,433
Nevada Community School District	322,162,761	0.15%	3,865,000	5,798
United Community School District	202,567,954	1.21%	0	0
Des Moines Area Community College	33,610,813,667	6.06%	80,065,000	<u>4,851,939</u>
City's share of total overlapping debt:				\$20,525,227

<sup>1)</sup> Taxable Valuation includes Ag. Land & Buildings, all Utilities and Taxable TIF Increment.

**DEBT RATIOS**

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value (\$3,329,113,783)</u> <sup>1)</sup>	<u>Debt/50,731 Population</u>
Total General Obligation Debt	\$53,865,000	1.62%	\$1,061.78
City's Share of Overlapping Debt	\$20,525,227	0.62%	\$404.59

<sup>1)</sup> Based on the City's 2008 Actual Valuation; includes Ag. Land & Buildings, all Utilities and Taxable TIF Increment.

**LEVIES AND TAX COLLECTIONS**

<u>Fiscal Year</u>	<u>Levy</u>	<u>Collected During Collection Year</u>	<u>Percent Collected</u>
2005/06	\$18,339,910	\$18,450,076	100.60%
2006/07	19,443,653	19,290,940	99.21%
2007/08	20,175,738	20,147,655	99.86%
2008/09	21,480,892	21,317,823	99.24%
2008/09	22,050,530	-----In Process of Collection-----	

Collections include delinquent taxes from all prior years. Taxes in Iowa are delinquent each October 1 and April 1 and a late payment penalty of 1% per month of delinquency is enforced as of those dates. If delinquent taxes are not paid, the property may be offered at the regular tax sale on the third Monday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property and funds so received are applied to taxes. A property owner may redeem from the regular tax sale but, failing redemption within three years, the tax sale purchaser is entitled to a deed, which in general conveys the title free and clear of all liens except future tax installments.

## TAX RATES

	FY 2005/06	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10
	<u>/\$1,000</u>	<u>/\$1,000</u>	<u>/\$1,000</u>	<u>/\$1,000</u>	<u>/\$1,000</u>
Story County	5.55841	5.63175	5.53799	5.59701	5.81536
Story County Hospital	0.36002	0.42049	0.42063	0.42050	0.42050
County Ag. Extension	0.08354	0.08904	0.09118	0.08904	0.09053
City of Ames	10.16610	10.25190	10.43585	11.06239	10.85819
City Assessor	0.32243	0.32266	0.37197	0.41661	0.34391
Ames Comm. School District	13.72848	13.74398	13.27297	13.62557	13.58764
Gilbert Comm. School District	19.93797	20.00344	19.98071	19.79131	19.83048
Nevada Comm. School District	17.76519	17.76119	17.75500	16.43213	16.45943
United Comm. School District	12.35711	11.40784	10.52057	10.06277	9.68981
Des Moines Area Comm. College	0.68408	0.68688	0.60276	0.56386	0.56778
State of Iowa	0.00400	0.00400	0.00350	0.00350	0.00300
<b>Total Tax Rate:</b>					
Ames CSD Resident	30.90706	31.1507	30.73685	31.77848	31.68691
Gilbert CSD Resident	37.11655	37.41016	37.44459	37.94422	37.92975
Nevada CSD Resident	34.94377	35.16791	35.21888	34.58504	34.55870
United CSD Resident	29.53569	28.81456	27.98445	28.21568	27.78908

## LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$5.81420 for FY 2009/10, and the City has levied no emergency levy. The City has certified special purpose levies outside of the above described levy limits as follows: \$0.47270 for police and fire retirement and \$0.62580 for the operation and maintenance of a public transit system. Debt service levies are not limited.



**GENERAL FUND BUDGETS - ACCRUAL BASIS**

	<u>2008/09 Adopted</u>	<u>2008/09 Actual <sup>1)</sup></u>	<u>2009/10 Adopted</u>
<b>Revenues:</b>			
Taxes	\$12,477,588	\$12,431,218	\$13,101,741
General Services	2,454,424	2,856,314	2,650,067
Streets	467,077	695,696	686,156
Police and Fire	2,655,508	2,508,986	2,667,736
Other	1,638,751	1,582,125	1,846,307
Operating Transfers In	<u>6,437,286</u>	<u>6,682,836</u>	<u>6,624,386</u>
Total Revenues:	\$26,130,634	\$26,757,175	\$27,576,393
<b>Expenditures:</b>			
Public Safety	\$13,515,557	\$13,216,755	\$13,984,430
Transportation	125,733	143,491	131,586
Community Enrichment	6,522,610	6,449,595	6,962,441
General Government	3,258,434	3,278,014	4,232,141
Operating Transfers Out	<u>2,708,300</u>	<u>3,182,915</u>	<u>2,865,795</u>
Total Expenditures	\$26,130,634	\$26,270,770	\$28,176,393
Excess (deficiency) of Revenues Over (under) Expenditures	\$0	\$486,405	(\$600,000)
Fund Balance at Beginning of year	\$5,874,344	\$5,874,344	\$6,360,749
Fund Balance at End of Year	\$5,874,344	\$6,360,749	\$5,760,749

<sup>1)</sup> Unaudited actual results.

**FUNDS ON HAND – CASH BASIS (Cash and Investments as of June 30, 2009)**

**Governmental**

General Fund	\$5,803,349
Debt Service Fund	1,901,246
Capital Projects Fund	4,489,635
Other Governmental Funds	16,297,901

**Business-type**

Mary Greeley Medical Center	\$82,329,147
Electric Utility	29,514,047
Sewer Utility	5,558,532
Water Utility	6,005,930
Other Enterprise Funds	5,244,041
Internal Service Funds	12,914,644

**Total All Funds** \$170,058,472

## THE CITY

### CITY GOVERNMENT

The City is governed under and operates under a Mayor-Council form of government with a City Manager. The principle of this type of government is that the Council sets policy and the City Manager carries it out. The six members of the Council are elected for staggered four-year terms. One member is elected from each of the four wards and two are elected at large. The Council appoints the City Manager as well as the City Attorney. The City Manager is the chief administrative officer of the City. The Mayor is elected for a four-year term, presides at council meetings and appoints members of various City boards, commissions and committees with the approval of the Council.

### EMPLOYEES; PENSIONS

The City has 1,325 full-time employees of which 488 are governmental employees and 837 are employees of the Mary Greeley Medical Center and 988 part-time employees (including seasonal employees) of which 416 are governmental employees and 572 are employees of the Mary Greeley Medical Center. Included in the City's full-time employees are 50 sworn police officers and 38 firefighters.

The City contributes to the Iowa Public Employees Retirement System (IPERS), a cost sharing multiple-employer public employees' retirement system designed as a supplement to Social Security. The pension plan provides retirement and death benefits, which are established by State statute. The City is current in its obligation to IPERS, which has been as follows: \$3,680,401 in FY 2006/07, \$4,137,527 in FY 2007/08 and \$4,807,938 in FY 2008-09.

The City also contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI), a benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits that are established by State statute to plan members and beneficiaries. Plan members are required to contribute 9.35% of their earnable compensation and the City's contribution rate is 18.75% of earnable compensation. The City is current in its obligation to MFPRSI, which has been as follows: \$1,467,354 in FY 2006/07, \$1,412,973 in FY 2007/08 and \$1,641,527 in FY 2008-09.

### UNION CONTRACTS

City employees are represented by the following five bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
International Association of Firefighters	June 30, 2011
Public, Professional and Maintenance Employees	June 30, 2010
International Brotherhood of Electrical Workers	June 30, 2010
International Union of Operating Engineers (Local 234C)	June 30, 2011
International Union of Operating Engineers (Local 234D)	June 30, 2011

### OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City and Mary Greeley Medical Center (the "Medical Center") offers medical and prescription drug coverage to its retirees and their eligible dependants. Retirees can purchase health insurance at the group rate cost. In addition, the Medical Center provides a flat \$2,500 life insurance benefit to its retirees. Employees must be a minimum of 55 years old, have been employed for the preceding four years, and currently be enrolled in a sponsored health insurance plan at the time of retirement. Benefits terminate upon attaining Medicare eligibility.

Health insurance for these retirees, while at the individual's own expense, is included within the City's overall insurance package. Therefore, a portion of the coverage is being subsidized by the City and its current employees. Based on the results of the City's July 1, 2006 and July 1, 2007 actuarial studies, it has been estimated that the City's accrued liability is \$7,995,306 with an annual required contribution for FY 2008 of \$1,050,185.

## INSURANCE

The City's insurance coverage is as follows:

<u>Type of Insurance</u>	<u>All Limits</u>
General Liability	\$6,000,000
Auto Liability	\$6,000,000
Wrongful Acts	\$6,000,000
Excess (over all other coverage except Iowa liquor liability)	\$6,000,000
Law Enforcement	\$6,000,000
Public Official	\$6,000,000
Employee Benefit	\$1,000,000
Medical Malpractice	\$6,000,000
Underinsured Motorist	\$1,000,000
Uninsured Motorist	\$1,000,000
Commercial Property	
Commercial Property & Boiler and Machinery	\$364,071,000
Terrorism – TRIA	
Airport Liability	\$3,000,000

## GENERAL INFORMATION

### LOCATION AND TRANSPORTATION

The City is located in Story County in central Iowa. It is approximately thirty miles north of Des Moines, Iowa, the State capital and largest city. The City is located on Interstate Highway 35. The City was incorporated in 1869 under the laws of the State of Iowa, later amended in July, 1975 under the Home Rule City Act.

The City, with a United States Census estimated 2008 population of 56,510, is known for its excellent quality of life which includes a relatively crime-free environment, an extensive park system, superior cultural/recreations facilities and a nationally recognized school system. Ames is the home of Iowa State University (“ISU”). ISU was established in 1859 and is an integral part of the community.

The City operates a mass transit system to provide efficient and economical transportation to all members of the community. A fixed routing service is available on a daily basis to most residents and a Dial-A-Ride service is available for elderly or handicapped residents. The City operates a municipal airport, which handles primarily charter services. National air service is available at the Des Moines International Airport, approximately thirty miles south of the City. The City is also provided freight services through the Union Pacific Railroad line.

### LARGER EMPLOYERS

A representative list of larger employers in the City is as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u> <sup>1)</sup>
Iowa State University	Higher Education	14,374
Mary Greeley Medical Center	Health Care	1,409
Iowa Department of Transportation	Public Transportation	1,062
City of Ames	Municipal Government	904
Hy-Vee Food Stores	Grocery	733
Ames Community School District	Education	650
Sauer-Danfoss Company	Hydro-Transmissions	650 <sup>2)</sup>
McFarland Clinic, P.C.	Health Care	520
Ames Laboratories	Research	466
3M Company	Manufacturing	430
National Animal Disease Center	USDA Research	250
Hach Company	Water Analysis Equipment	250
National Veterinary Service Lab	Veterinary Research	233
Wal-Mart	Retail	230
Cub Foods	Grocery	200
J.C. Penney	Retail	190
Ball Corporation	Plastics Manufacturing	180
Target Stores	Retail	175
Access Direct Telemarketing	Research	150
Iowa Newspapers, Inc.	Print Journalism	137
K-Mart	Retail	130
Barilla	Food Distribution	129
Sam’s Club	Retail	125

<sup>1)</sup> Includes full-time, part-time and seasonal employees.

<sup>2)</sup> Updated total includes the elimination of 145 positions in June 2009.

Source: The City, the Ames Economic Development Commission and LocationOne Information System website.

## BUILDING PERMITS

City officials reported the following construction activity as of June 30, 2009. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Residential Construction:</u>					
Number of units:	388	494	492	462	222
Valuation:	\$94,241,981	\$38,109,326	\$ 37,789,219	\$25,656,078	\$8,792,959
<u>Commercial Construction:</u>					
Number of units:	162	180	163	175	81
Valuation:	\$25,859,461	\$34,072,512	\$66,353,738	\$61,157,671	\$9,589,316
Total Permits	550	674	655	637	303
Total Valuations	\$120,101,442	\$72,181,838	\$104,142,957	\$86,813,749	\$18,382,275

## U.S. CENSUS DATA

### Population Trend

1980 U.S. Census	43,775
1990 U.S. Census	47,198
2000 U.S. Census	50,731
2008 U.S. Census Estimate	56,510

Source: U.S. Census Bureau website.

## UNEMPLOYMENT RATES

	<u>City of Ames</u>	<u>Story County</u>	<u>State of Iowa</u>
Annual Averages:			
2005	2.8%	3.1%	4.0%
2006	2.4%	2.7%	3.8%
2007	2.5%	2.8%	3.7%
2008	2.7%	3.0%	4.1%
2009 (Jan-July only)	3.4%	4.0%	5.5%

Source: Iowa Workforce Development Center website.

## EDUCATION

Public education is provided by the Ames Community School District, with an enrollment for the 2008/09 school year of 4,340. The district, with approximately 680 employees, owns and operates one early childhood center, seven elementary schools, one middle school and one high school. Nevada Community School District, Gilbert Community School District and United Community School District all lie partially within the City and provide public education to portions of the City.

The Iowa State University ("ISU") 2008 fall term enrollment was 26,856. ISU is the City's largest employer with faculty and staff totaling approximately 14,374, including teaching assistants and hourly part-time employees. The University, in addition to its educational function, is a leading agricultural research and experimental institution.

The Iowa State Center, which is the cultural and athletic center of the University and City, is a complex of five structures, all completed since 1969. It consists of two theaters, a football stadium, a coliseum and a continuing education building which attract to Ames major athletic, dramatic and musical events, as well as seminars and conferences.

In addition to ISU located in the City, the following institutions provide higher education within 30 miles of the City: Des Moines Area Community College, Upper Iowa University, Simpson College, Hamilton College, Grand View College and Drake University.

## **FINANCIAL SERVICES**

Financial services for the residents of the City are provided by First National Bank Ames, Iowa. In addition, the City is served by branch offices of Bank of the West, Bankers Trust Company, N.A., City State Bank<sup>1)</sup>, CoBank ACB, Exchange State Bank, F&M Bank-Iowa, First American Bank, First Federal Savings Bank of Iowa, Midwest Heritage Bank, F.S.B., US Bank, N.A., Valley Bank and Wells Fargo Bank, N.A., as well as by several credit unions.

First National Bank reports the following deposits as of December 31<sup>st</sup> for each year:

<u>Year</u>	<u>First National Bank</u>
2004	\$343,352,000
2005	355,057,000
2006	358,077,000
2007	388,924,000
2008	362,394,000

<sup>1)</sup> Ames Community Bank was acquired by City State Bank in January 2009.

Source: Federal Deposit Insurance Corporation (FDIC) website.

## **FINANCIAL STATEMENTS**

The City's June 30, 2008 Comprehensive Annual Financial Report, as prepared by City Management and audited by a certified public accountant, is reproduced as Appendix B. The City's certified public accountant has not consented to distribution of the audited financial statements and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Comprehensive Annual Financial Report may be obtained from Public Financial Management.

**APPENDIX A**

**FORM OF LEGAL OPINION**

**APPENDIX B**

JUNE 30, 2008 COMPREHENSIVE ANNUAL FINANCIAL REPORT



## **APPENDIX C**

### **FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**OFFICIAL BID FORM**

To: City Council of  
City of Ames, Iowa

Sale Date: September 22, 2009  
11:00 AM, CT

RE: \$11,165,000\* General Obligation Corporate Purpose Bonds, Series 2009B (the "Bonds")

For all or none of the above Bonds, in accordance with the Terms of Offering, we will pay you \$\_\_\_\_\_ (not less than \$11,086,845) plus accrued interest to date of delivery for fully registered bonds bearing interest rates and maturing in the stated years as follows:

<u>Coupon</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Maturity</u>
_____	2010	_____	2016
_____	2011	_____	2017
_____	2012	_____	2018
_____	2013	_____	2019
_____	2014	_____	2020
_____	2015	_____	2021

In making this offer we accept all of the terms and conditions of the Terms of Offering published in the Preliminary Official Statement dated September 14, 2009. In the event of failure to deliver these Bonds in accordance with the Terms of Offering as printed in the Preliminary Official Statement and made a part hereof, we reserve the right to withdraw our offer. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST COST: \_\_\_\_\_% (Based on dated date of October 29, 2009)

Account Manager: \_\_\_\_\_ By: \_\_\_\_\_

Account Members:  
\_\_\_\_\_

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Ames, Iowa this 22<sup>nd</sup> day of September, 2009.

Attest: \_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_