

**Clean Renewable Energy Bonds (CREBs)**  
December 2008

CREBs were initially authorized by the Energy Policy Act of 2005 (“EPACT”) and are codified in Section 54 of the Internal Revenue Code of 1986, as amended (the “Code”). With the enactment of the Tax Relief and Health Care Act of 2006, allocation for the CREBs program was increased from \$800 million to \$1.2 billion, and the deadline for issuance of all CREBs allocations, including reallocations of the initial \$800 million, was extended through December 31, 2008. The Energy Improvement and Extension Act of 2008 further extended the deadline for CREB issuance to December 31, 2009.

**\*\*Note:** There are no new allocations available for these CREBs. Entities who have already received an allocation in 2006 or 2007 have until December 31, 2009 to issue their CREBs.

Type of Debt. A CREB is a tax credit bond. Issuers repay principal on a regular schedule, but generally do not pay interest. Instead, the holder of a CREB receives a federal tax credit in lieu of interest. The tax credit accrues quarterly and may be applied against the holder’s regular and alternative minimum tax liability; however, the tax credit amount is treated as taxable interest income to the holder of the CREBs. For example, if the tax credit amount is \$100 and the holder is in the 35% tax bracket, the credit provides a \$65 benefit to the holder.

Amount of Tax Credit. The tax credit amount is set by the Treasury on a daily basis and can be found on-line at [www.treasurydirect.gov/SZ/SPESRates?type=CREBS](http://www.treasurydirect.gov/SZ/SPESRates?type=CREBS). In theory, the tax credit rate is designed to provide the borrower with a 0% financing rate, but a purchaser may require a discount on the CREB or a supplemental interest payment. Any supplemental interest earned on a CREB is federally taxable.

Here are the CREBs rates set by Treasury for CREBs priced on December 11, 2008:

| Term to Maturity | CREBs Credit Rate |
|------------------|-------------------|
| 1-year           | 3.84%             |
| 2-year           | 4.27%             |
| 3-year           | 4.70%             |
| 4-year           | 4.93%             |
| 5-year           | 4.96%             |
| 6-year           | 5.11%             |
| 7-year           | 5.27%             |
| 8-year           | 5.28%             |
| 9-year           | 5.48%             |
| 10-year          | 5.70%             |
| 11-year          | 5.91%             |
| 12-year          | 6.13%             |

Maturity and Debt Service. Each month the Treasury sets the maximum maturity for CREBs priced during that month. The maturity has historically been 12-16 years. Principal payments on CREBs are required to be equal, annual payments during each calendar year.

Payments are generally scheduled for mid-December each year to maximize the tax credit available to the holder

Qualified Issuers. Governmental bodies (including states, U.S. territories and possessions, the District of Columbia, Indian tribal governments, and political subdivisions thereof), cooperative electric companies and clean renewable energy bond lenders may issue CREBs.

Qualified Projects. Qualified projects are facilities described in Section 45(d) of the Code, including: wind energy facilities, open-loop and closed-loop biomass facilities, geothermal energy facilities, solar energy facilities, small irrigation power facilities, landfill gas facilities, trash combustion facilities, refined coal production facilities and certain hydropower facilities. The project must be owned by a governmental body or a mutual or cooperative electric company.

Costs of Issuance. Costs of issuance to be paid from CREB proceeds are limited to 5% of the proceeds of the CREBs. In some instances, issuers may need to fund the costs of issuance from other sources.

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