



Warren C. Evans Wayne County Executive

September 9, 2015

The Wayne County Building Authority (the "Authority") issued the \$200,000,000 Building Authority Bonds (Jail Facilities) Series 2010 (General Obligation Limited Tax) (Federally Taxable – Recovery Zone Economic Development Bonds) (the "Bonds") on December 22, 2010 for the purpose of constructing a new jail facility on behalf of the County of Wayne (the "County"). The County is responsible for paying debt service on the Bonds, and pursuant to pertinent provisions of the Internal Revenue Code, the Authority receives tax credit payments from the federal government equal to 45% of the amount of interest paid on the Bonds (the "Tax Credits"), subject to reductions for applicable sequestration. To date, the Authority has received \$36,883,777 of Tax Credits. By notice received July 28, 2015, the Internal Revenue Service informed the Authority that the Bonds have been selected for examination "because of information we received from external sources or developed internally that causes a concern that the debt issuance may fail one or more provisions of sections 103, 141-150 of the Internal Revenue Code." A determination that the Bonds do not qualify under the foregoing provisions of the Internal Revenue Code could result in a loss of the Tax Credits to the Authority in whole or in part, either retroactively to the issue date of the Bonds, or prospectively, or both. The Authority and the County are unable to determine at this time whether the examination will result in such a loss of the Tax Credits. Such a loss of the Tax Credits could materially adversely impact the County's ability to pay debt service with respect to the Series 2010 Jail Facilities Bonds or other obligations of the County.

DEPARTMENT OF MANAGEMENT AND BUDGET

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