DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
2521 CLARK STREET, SUITE 600
ARLINGTON, VIRGINIA 22202
(703) 699-2950

MEMORANDUM OF MEETING

DATE: June 3, 2005

TIME: 10:00 a.m.

MEETING WITH: Joe Sikes, Director, OSD Office of Competitive Sourcing and Privatization

SUBJECT: To discuss how BRAC will affect DOD's housing privatization initiative.

PARTICIPANTS:

Commission Staff:

Frank Cirillo, Director of Review & Analysis, (703) 699-2903
Jim Hanna, Navy Team Leader, (703) 699-2917
Bob Cook, Interagency Issues Team Leader (703) 699-2902
Kathleen Robertson, Deputy Joint Cross-Service Team Leader, (703) 699-2909
David Combs, Air Force Team Senior Analyst, (703) 699-2933
*Marilyn Wasleski, Interagency Deputy Team Leader/Senior Analyst, (703) 699-2925
Karl Gringrich, Interagency Team/COBRA, (703) 699-2923
Duke Tran, Interagency Team/Economist, (703) 699-2924
Rumu Sakar, BRAC Associate Counsel, (703) 699-2973

OSD Office of Competitive Sourcing and Privatization:

Joe Sikes, Director, (703) 602-3669
Bob Helwig, Deputy Director, (703) 602-9867
Robin Williams, Intern

MEETING SUMMARY:

Note: Prior and after the meeting the BRAC Associate Counsel provided the following information on the impact of BRAC on DoD's housing privatization project.

I regret that another meeting prevented me from attending the meeting with Mr. Sikes on Friday, but for the record, I just wanted to give you a summary of what I discovered re: potential legal, cost and other liabilities that may arise from terminating privatized AF and Army housing projects through the BRAC

closure process. The good news is that it is negligible. Mark Frazier, Deputy Chief Counsel at the AF Office of Housing Privatization in St. Antonio, TX, spoke to me at length about privatized housing projects, and there are two separate financing roles that the military can play. First, a (50-year) ground lease is entered into with the base and the private developer. If the developer can get 100% private commercial financing to build, own and operate the housing unit(s), then there's no financial role for the military to play. If a full construction loan is not available, the AF can provide a second mortgage for partial funding of the private project (e.g., 60% financing is made available by a private bank and 40% financing is made available by the AF). A second role for the military is to issue a loan guarantee, disfavored in principle, to enable the private developer to get the construction loan and at a lower interest rate, or better financial terms based on the USG guarantee. (The Army, for example, has outstanding guarantees, as I understand it, at Fort Carson and Fort Polk.)

If the occupancy of the leased facility drops below 95% occupancy for 90 consecutive days, this triggers a "tenant waterfall" arrangement whereby eight categories of persons may be approached to fill the unoccupied units, starting with members from other service branches and ending with members of the general public. If the privatized housing project fails for any reason (e.g., the fault or non-performance of the developer) and the mortgage of the private developer is foreclosed, the developer does NOT have recourse against the USG. The USG does not guarantee performance of the developer. If the USG or the developer wish to terminate the ground lease, then the first option will be to negotiate a purchase option with the developer (even if such a clause does not exists in the original lease) for the sale of the underlying land (at fair market value) to the developer by the military. Thus, the developer may continue to own, operate and profit from the facility for the full remaining term of the 50-year ground lease. Further, if the private developer does not conform to the terms of the ground lease, then the USG can terminate the lese at no cost or legal penalty to the AF or Army.

If the lease is terminated because a BRAC closure has been scheduled, this is considered to be a termination "without clause." So-called "BRAC termination clauses," at least for the most part as far as I could determine, do not exist in such ground leases. The underlying reason for this is that military installations would not be able to attract private developers if the lease can be terminated within a few years because of BRAC closure issues. The costs of building and operating privatized housing are high enough so that such costs can only be recouped over an extended period of time. Thus, should a military installation terminate the ground lease without cause, then this would expose the USG to liability under the lease and possibly under underlying financial agreements. However, as mentioned above, the installation will seek to enter into a purchase agreement with the developer so that the project can run the length of the lease and (hopefully) generate a profit for the developer/operator.

Speaking only to Army RCI projects the impact of BRAC is negligible - with the exception of Forts Carson and Polk, the Army has not guaranteed any element of an RCI Project's financial health - if a Project (other than Carson and Polk which have limited Base Closure guarantees) runs into financial difficulty because the population of soldiers is reduced due to BRAC (or any other reason), the Army has NO liability to either the developer or the lenders. In an Army RCI transaction, no agreement (to include the Ground Lease and Operating/Partnership Agreement) is terminated because of BRAC - in essence, the Project continues to operate by seeking other tenants - including, as a last resort, members of the general public. If the Project fails because it cannot attract enough tenants, the lender can foreclose the loan but has no recourse against the United States for any deficiency - the lender can then choose to operate the Project consistent with the terms of the Ground Lease - if the Lender either cannot or will not operate the Project consistent with the Ground Lease, the Army can terminate the Ground Lease for default and ownership of the improvements on the leasehold reverts to the United States at no cost.

Thus, in conclusion, there are no real anticipated costs or legal exposure from privatized housing projects in the AF and Army which explains why it was not factored into the BRAC analysis for those services. (This summary does not include the Navy.)

Just closing the loop on Navy/Marine Corps' position re: privatized housing. At the present time, the Navy (and Marine Corps) have about 15 privatized projects that are organized as either limited partnerships or limited liability companies. This means that the Navy is an investor in the private partnership, and any

liability is limited to the actual investment. The private developer takes out a construction loan that is securitized by the issuance of private taxable bonds that are purchased by institutional investors. In the event of the need to terminate the Navy's limited partnership (for BRAC or other reason), then the bonds are bought back before their maturity date without any penalty to the Navy. Moreover, the Navy/MC do not issue performance guarantees for the performance of the private builder/developer, and are not required to invest more money than the original amount. The limited partnerships also have a tenant waterfall arrangement, as described in the message below. However, the Navy is not required to provide tenants to the private developer. There are no BRAC "closure clauses" as such but, as described above, in the event of a facility closure (for BRAC or other reason), the Navy/MC will simply buy back the outstanding bonds before their respective maturity dates.

All such privatized facilities are subject to 50-year leases, and the Navy/MC does not necessarily sell the underlying land to the private developer in the event of a facility closure. The land may be sold, at the Navy's option, to third parties. The assets (i.e., the housing facility or improvements made to the land) are owned by the limited partnership, and the Navy/MC makes a determination on a case-by-case basis on whether to terminate their limited partnerships. In sum, there are no anticipated outstanding legal or other associated liability or costs in relation to privatized housing facilities that the Navy or MC may have a limited partnership interest in.

Without belaboring this issue this further, let me advise you of my further discussions re: the possibility of penalties, premiums or other percentage point changes when the bonds supporting privatized housing projects may be bought back before the maturity dates. First, and foremost, I have been advised that there is no anticipated need for the Navy/MC to exit the limited partnerships that support privatize housing, and there are no potential legal or other liabilities of the Navy/MC that stem from these financing arrangements.

If the private developer who is usually the managing member of the LLC (and please note that the Navy is NEVER the managing member) faces the possibility that the occupancy for the housing in questions may fall below the 50% rate, then a decision will be made on whether to buy back some of the bonds before maturity to lower the overall debt liability of the private developer. However, the Navy does not buy back the bonds, nor can the Navy be penalized in any way for an early buy-out. This arrangement differs from most bond finance structures insofar as the Navy does not actually purchase an equity position as a member of the limited partnership (i.e., invest funds), and no underlying construction loan is entered into by the private developer (so please disregard my earlier description of this particular sliver of the transaction). Most bond financings actually start with a bank loan, and institutional investors agree to purchase bonds as evidence of the borrowers' indebtedness. Here, the Navy's Northeast Project involving 8 installations in five states, including New London, Portsmouth, and Brunswick, all of whom are affected by the BRAC process, is currently under consideration by the private developer(s) to decide on whether early bond buy-backs will be initiated.

Please note that the fixed rate bond financing arrangement is entered into through one LLC with one operating agreement (i.e., one debt instrument). The private developer issues the bonds that are then bought by institutional investors. The cash is deposited in a construction escrow account managed by a trustee, and the income stream generated by existing housing being refurbished by the private developer is deposited into the escrow account. That income stream pays back principal and interest to the bondholders as well as to the construction contractor(s) for work performed on the housing units.

The "no penalty" clause is tied to the bond docs., and I have been assured that even if there were a penalty assessed, it would not be against or payable by the Navy. The Navy does give a 50-year lease to the private developer and, as discussed below, may decide to sell the underlying realty to a third party at its discretion. However, as mentioned above, there is no anticipated need for the Navy/MC to exit these private partnerships or the leaseholds that support privatized housing.

The following information was provided by Joe Sikes.

Housing on BRAC Closing Sites

Mr. Sikes confirmed what Ms.Sakar stated above that overall if a base closes where DoD has a housing privatization project there are legal issues for DoD. This is because DoD did not enter into any contracts with the developers. They entered into leases. The Army and the Navy operate under Limited Liability Corporations. There are no BRAC guarantees, except for a few bases that they did in the beginning of the program—Lackland, Carson, Robbins. In fact, Mr. Sikes said that these projects should continue to work well for the developer because they are financed at lower rates. (Note: Mr. Sikes provided paper that Standard & Poors issued on May 25, 2005 on the Economic Impact of the Defense Department's Base Closure Proposals.)

The government owns the ground while the developer owns the homes. If the developer cannot find favorable financing, the government can finance up to 20%.

If the developer cannot fill the housing units with military personnel there is list of people that he can then try and rent the houses to. This list is known as a "waterfall". The order is first military families, unaccompanied military member, retirees, DoD Civilians, lastly, the general public. However, leases to other than the military can only be for one year. This will allow them to open up again to a military family. For example, in Corpus Christi, Texas, the housing units were built before the military being assigned to the area arrived. Therefore, in the beginning only about half the units were occupied by military personnel.

Military essential housing, such as the base commander's home and other reserved housing units, are not allowed to be leased to others in the "waterfall". Further, historic properties must be maintained as such by the developer.

Mr. Sikes feels that that housing privatization program has been a good new story because it allows the developer the ability to rent to all parties, if necessary.

BRAC Gaining Sites

The issue for gaining sites it how much housing to build. The rule is to assume the percentage that currently lives on base. So, if 30% of the families currently live on base, the services will be allowed to be building 30% more homes on base. The rest will have to be handled through the local market or the housing privatization initiative. Mr. Sikes believes that the local market will build to meet the demand. However, if they see that the market is not meeting the demand, DoD will step in and build more houses. Each of the services for the BRAC process were tasked to do a market analysis for gaining sites to determine if the housing in the area will meet the increased demand. He said that the services contracted out this effort. Mr. Sikes said this is type of analysis is an art not a science. This is because you cannot predict with 100% accuracy where a service member will choose to live. The DoD policy of allowing for one bedroom per child was incorporated into the market analysis. However, Mr. Sikes does not believe that this is realistic standard today.

Mr. Sikes believes that the services are losing a good income stream as they currently only charge the basic housing allowance for homes. So, for example, a military service member can live in a three bedroom house but be charged only for a two bedroom apartment.

Mr. Sikes said that even if DoD leaves a site, they may choose to keep the housing project going. This is because the developer will then be allowed to charge market rates, which could provide an income stream to DoD that can be used elsewhere.

Joint Basing Housing Issues

Mr. Sikes said that a big issue for them will be how to handle the housing issue under joint bases. There was no discussion on this issue before he saw it in the BRAC recommendations. DoD is currently working to develop joint base operating support standards. There is a concern on how the joint basing will affect projects that are at different stages. In addition, the Air Force, at McChord is responsible for the housing projects at two other bases (Travis and Fairchild). McChord, however, is expected to go under the Army for base operations. The question is what happens to Travis and Fairchild under this arrangement? He does not know at this point how this will affect the McCord's housing projects. The Air Force does not do Limited Liability Corporations like the Army does. Further, the Air Force has been combining sites where they make money with sites where they do not, i.e. Bolling (makes money) and Barksdale (does not make money). The services plan to meet in the next few weeks to discuss this issue.

* Denotes individual responsible for completing the memorandum.

DCN: 3032

STANDARD & POOR'S

PUBLIC FINANCE

Publication date: 25-May-2005
Reprinted from RatingsDirect

Economic Impact Of The Defense Department's Base Closure Proposals

Primary Credit Analyst(s): Christopher P Moriarty, New York (1) 212-438-2063; chris_moriarty@standardandpoors.com
Secondary Credit Analyst(s): Richard J Marino, New York (1) 212-438-2058; richard_marino@standardandpoors.com
Jennifer L Rosso, New York (1) 212-438-7964; jennifer_rosso@standardandpoors.com
Ryan Fitzpatrick, New York (1) 212-438-2122; ryan_fitzpatrick@standardandpoors.com

Military base closure and realignments can have either a positive, negative or neutral economic impact on state and local governments throughout the country. In addition, Standard & Poor's Ratings Services now rates bond transactions secured by military housing on many U.S. military bases that depend on demand for the housing from armed forces members assigned to those bases, which can also be affected by closures and realignments.

This report will discuss the potential economic impact of the proposed base closures and realignments on the affected state and local governments, and privatized military housing projects. Because of the permanent transfer of tens of thousands of troops back to U.S. bases from overseas installations, many local communities will see positive economic benefits from the growth of military bases. Other U.S. bases will see positive benefits from transfers of active duty military and Department of Defense (DoD) civilian employees within the U.S. from closed or realigned bases. Standard & Poor's would like to make clear that this analysis is based solely on DoD base closure recommendations, which may be altered by the Base Closure Commission.

U.S. Secretary of Defense Donald Rumsfeld announced on May 13 the DoD's plan to reduce defense budget costs. In response to the statutorily mandated 2005 Base Realignment and Closure (BRAC) process, Secretary Rumsfeld announced that 33 major bases would be closed (the definition of major base is more than 400 DoD direct jobs affected); 29 major bases would be realigned (with 400 or more net direct job losses); and 775 minor bases would be closed or realigned. Forty-nine bases will see increases of 400 or more direct DoD jobs. (See tables 1 and 2 for list of major bases closed or realigned.) This BRAC recommendation is much larger in scope than all of the previous four BRAC rounds. (See table 3 for comparisons to previous BRAC rounds.) While much attention has been placed on the DoD's direct job losses as a result of base closures, base realignments will cost almost as many jobs as base closures (see table 4).

However, these base realignments are more likely to be spread throughout the country rather than concentrated in a geographic area because many of the realignments are of armed forces reserve centers and Air National Guard stations. In comparison, movements out of commercial leased space to military bases as a result of commercial office space not meeting current DoD force protection standards will cause substantial job losses primarily in the northern Virginia cities of Arlington and Alexandria as employees move to bases in other areas of Virginia, or those located in other states. However, this change is likely negligible in terms of credit impact.

A service-by-service analysis of the proposed major closures reveals that the Army would close mostly depots, three headquarters bases and one research and development base. No operating or training bases were proposed for closure. The Air Force would close mostly Air National Guard bases and two operating air bases. No training bases were recommended to be closed. The Navy's recommendations were more far-reaching with recommendations to close or mothball six operating naval bases or naval air stations comprising approximately 25% of naval operating bases, and one-third of naval air and air reserve bases in the U.S. This would leave the Navy with only two fleet concentrations on the East Coast, two on the West Coast and one in Hawaii. The Navy still must make determinations about decommissioning or moving aircraft carriers, a decision that will have substantial economic impacts on the areas affected, but which the DoD considers to be outside the BRAC process.

One more point to be noted in the DoD BRAC recommendations is that the resulting job changes listed in the report do not appear to reflect the movement of all of the troops back to the U.S. that are now stationed in Germany. Only one major unit appeared to be addressed in the direct job gains: two brigades of the First Armored Division were recommended to go to Ft. Bliss. A decision

on where to base all the other units and the associated job gains does not appear to be listed.

Under the base closure legislation the Secretary proposes a list of bases to be closed or realigned. The list now goes to the BRAC Commission for review and approval. (See table 5 for future BRAC action timetable.) Once approved by Congress, the Secretary must begin taking action to close or realign the bases. The definitive economic impact on state and local governments, and military-related bond transactions cannot be determined until Congress has its final say.

Congress authorized the 2005 BRAC by amending the Defense Base Closure And Realignment Act Of 1990 (as amended through the Fiscal year 2005 Authorization Act). The procedures for closing bases established by the 1990 Act are basically the same with a few modifications.

The 2005 BRAC round was established by Congress upon request from the Bush Administration, which had requested two additional BRAC rounds, but Congress authorized only one.

The BRAC round was requested by the Bush Administration as a means of adjusting the infrastructure needs of the DoD for a number of reasons:

- The DoD still has excess infrastructure inventory remaining from the Cold War when the armed forces were much larger;
- The U.S. is redeploying military units to geographic areas to reflect current threats, or to enable the armed forces to deploy much more quickly. Consequently the DoD is moving large numbers of U.S. forces out of Germany and Korea where they are permanently stationed, and returning them to the U.S. from where they could be more easily deployed;
- Weapons systems have changed dramatically in the 60 years since the end of World War II, and the way the DoD acquires weapons and materiel has also changed. The DoD relies more on private contractors to provide equipment and material than on manufacturing these items at DoD facilities;
- The global war on terrorism is forcing the DoD to consider homeland security issues now when determining where to station troops, and what facilities are needed in the U.S. to accommodate homeland security needs;
- The mix of the armed forces is changing. The Army and Marine Corps are getting larger in response to current needs in Iraq, Afghanistan and the global war on terrorism. The Navy and Air Force are shrinking, both in terms of personnel and quantity of equipment they operate as a result of strategic considerations, and continuing improvements in the productivity of the equipment they operate; and
- The armed forces are becoming more joint and more easily able to operate together and therefore are now able to share facilities, which they were unable, or reluctant to do in the past.

In March 2004, the DoD stated in its "Report Required by Section 2912 of the Defense Base Closure and Realignment Act of 1990, as amended by the National Defense Authorization Act for fiscal year 2003" that the DoD had 24% percent excess installation capacity. This number has been widely interpreted to mean that the DoD was going to recommend closure of 24% of the military bases in the U.S. in the 2005 BRAC round. Standard & Poor's believes that the 24% number was greatly overstated because of the announcement that the DoD was going to return tens of thousands of troops to the U.S. that are now stationed overseas, and by talking with base commanders in our site visits to more than 50 U.S. military bases. Secretary Rumsfeld indicated in a press conference on May 12 that as a result of the in-depth DoD installation review for the 2005 BRAC round, the actual DoD installation overcapacity number is closer to 5%-10%. This BRAC round should reduce that overcapacity figure significantly. Standard & Poor's believes that after the 2005 BRAC round is completed, state and local governments and military housing bond investors need not be concerned about additional major BRAC rounds for many years to come.

Standard & Poor's will continue to follow BRAC as it moves through its legislatively mandated process to determine the ultimate economic impact of this event.

Economic Impact On Affected State And Local Governments

Generally, previous base closures and realignments have had a minimal effect on the credit quality of cities and counties where they have occurred. The impact of base closures or realignments

affects municipalities in various ways depending mostly on both the net number of military and civilian jobs either eliminated or gained, and also on the size of the employment base within the Metropolitan Statistical Area (MSA).

What also needs to be taken into consideration when analyzing the effects of the DoD's BRAC recommendations on state and local government bonds, if they are accepted, is the implementation of reuse plans which is not clear at this time. These plans to switch from military to public or private use, while they can be effective, can be costly and lengthy. If a rated city or county has lost a military base that is vital to their economic base, coupled with having troubles implementing a reuse plan, then these difficulties could ultimately be reflected in the rating.

Nevertheless, many innovative communities have overcome the obstacles to more than recoup the jobs that were lost. Legislation that was put into place in April 1994 simplifies acquiring facilities for private use and can help the local economy obtain them at a discount. Under a mechanism called the Economic Development Conveyance (EDC), the DoD may transfer surplus property to local redevelopment authorities at or below fair market value. Thus, communities that want to attract private investors to replace the federal government have a distinct mechanism to acquire the property. This is in addition to existing transfer programs designed to further the public benefit.

Military bases are closely tied to local economies. The stable payrolls, known housing demands, and civilian personnel associated with bases have a powerful impact on local economies. Standard & Poor's understands this and carefully evaluates changes in military base status in a particular locality. In cases where the military downsizes or closes a base, the locality's credit quality depends primarily on its ability to reuse the facilities to replace that portion of the economy that is lost. Redevelopment of a closed base can happen either through reuse by the public sector, for instance a prison or airport, or the private sector, such as an office park or distribution center.

When a U.S. military base closes, service people and their families are uprooted and relocated to facilities elsewhere, leaving holes in the local businesses' customer base, and the targeted communities face a long fight to save their bases.

Conversely, with the losses tied to closures at some bases, there also comes a gain of direct DoD jobs at others, which can benefit a local economy through expansion of its economic base, and also lessening the possibility of that base being threatened by future base closures.

Potential Effect On State And Local Economies

New England may be scheduled to take significant losses if the proposed list is finalized, with Connecticut projected to suffer the biggest loss in terms of jobs due to the proposed closure of the submarine base in New London, Conn. Another facility that barely made it through the previous rounds, but has resurfaced again onto the latest 2005 list is the Portsmouth naval shipyard in Maine. Connecticut and Maine are slated to lose 8,586 and 6,938 jobs, respectively. The District of Columbia comes in at a close third on the list with a total direct job loss of 6,496.

Connecticut, with the potential for the single biggest loss of military jobs compared to any other base on the list, could be hit hardest due to the possible closing of the New London naval submarine base, which is located in Groton ('AA-'). Total direct job losses from this base alone of 8,460, makes up almost all or 99% of the state's total 8,586 direct loss. The direct payroll loss would also be substantial if this base closes totaling $285.6 million.

Aside from the local economic impacts within Connecticut and Maine, there could also be significant regional impacts. The Portsmouth naval shipyard located in Kittery, Me. will affect not just southern Maine, but Portsmouth, N.H. as well. Similarly the New London submarine base closure will impact areas in Rhode Island.

The possible closing of Otis Air Guard Base in Massachusetts should not be a significant impact on the Cape Cod area, and if that land opens up for development, the local area could realize a sizable positive tax base impact.

For Virginia, the closing and realigning of Ft. Monroe (located in Hampton, Va.) and leased space throughout the state (primarily in the northern portion) potentially represents a total direct loss of

jobs of 26,489. This could be partly offset by realignment to Ft. Belvoir, also located in the Washington-Arlington-Alexandria MSA, and proposed gains at Ft. Lee, located within the Richmond, Va. MSA will realize a total direct job gain of 19,202. Although the closing of Ft. Monroe ultimately impacts the Hampton area economy, the base does have waterfront access in an area where just up the James River there are high-end homes that are being constructed. However, even though the expected job loss of 3,564 will be felt, Ft. Eustis, which is in the area, will receive most of them.

As for other states with large military populations, California has 36 bases with proposed changes but emerged mostly unscathed with a proposed net job loss of only 2,000. San Diego has some bases with proposed big losses due to realignments but makes up the job losses with proposed gains. Texas is another state with a large military population. In Texas 28 bases have proposed changes with some proposed major job losses. The Brooks City sase in San Antonio; the Naval Station at Ingleside, and the Red River Army Depot in Texarkana are proposed to be closed. Several other bases, Shepphard Air Force Base, Lackland Air Force Base and Naval Air Station Corpus Christi, are proposed to have major job losses from realignments. However, statewide the job losses are offset by job gains totaling 20,000 at Ft. Bliss in El Paso and Ft. Sam Houston in San Antonio. Ft. Sam Houston is proposed to become the armed forces medical training center for the entire country, a major plus for San Antonio.

Other states with large military populations: Georgia, Florida, Washington, Kansas, South Carolina and Maryland are proposed to be net job gainers. South Dakota will see proposed large job losses from the closure of Ellsworth Air Force Base. Hawaii, another state with a very large military population, has a very small proposed net job loss.

Some MSA areas, such as Fayetteville, N.C., will see large proposed job outflows and inflows. Due to realignment the city may realize a negative 6,800 in proposed job changes with the realignment of Pope Air Force Base, with a change in employment of negative 3.5% on an employment base of 195,370. However, this is expected to be offset by a 7,420 gain in jobs at Ft. Bragg increasing employment there by 3.7%. When combined both potential actions would result in a 0.2% total net employment increase.

When examining the 2005 BRAC list and its impact on economic areas and how the possible scheduled closings will change overall employment in certain areas, Clovis, N.M. and Martin County, Ind. are expected to get hit the hardest in terms of economic area employment loss. If the Cannon Air Force Base in Clovis, N.M. is closed, it will cause a 20.5% negative change in employment to that area with an employment loss totaling 23,348. The realignment of the Naval Support Activity Crane in Martin County, Ind. will result in an 11.6% decline in that area's economic area employment, which totals 8,525. (See tables 6 and 7).

Conversely, the top two economic areas that could realize substantial gains in employment would be the submarine base, Kings Bay in St. Marys, Ga. with a 21.9% positive change in employment and Ft. Sill in Lawton, Okla. with a 9.0% gain.

Standard & Poor's will continue to follow this process closely and with the final list we will monitor its ultimate effects on state and local governments and their credit quality.

Impact On Military Bases With Privatized Housing

The effect of the DoD's BRAC recommendations, if they are accepted, on military housing bonds is generally positive:

- Most bases with privatized military housing financed with publicly rated bonds are not negatively affected by base closure/realignments;
- The transactions that are affected in a major way: Navy Region Northeast, Ft. Eustis/Story, Walter Reed Army Medical Center have credit strengths that should mitigate the impact of the proposed base changes;
- The BRAC process, once completed, will remove the uncertainty of the base closure process on transactions in the future;
- A review of the DOD BRAC recommendations will provide a new benchmark for evaluating future military base housing demand and essentiality; and

- Substantial amounts of new housing will be required on bases that are absorbing troops from Europe or from realignments from other bases in the U.S.

The BRAC list is important for military housing bond transactions located on the effected bases because a base closure or realignment may either reduce or increase demand for military housing on the base and also, collaterally, affect demand for housing off base also. At bases that are to be totally closed, demand from the military for military housing on base will obviously evaporate as members of the Armed Forces are transferred to other bases. The negative economic impacts of a base closure may negatively impact housing demand and prices off base as well. Standard & Poor's criteria for rating military related housing bonds tries to ensure that base closure risk is mitigated by rating only military housing bond transactions that, in Standard & Poor's opinion, have moderate to high military essentiality (as we have evaluated bases using the Secretary's 2005 Base Closure and Realignment Selection Criteria) if the projects do not have a DoD base closure loan guaranty or are not located in major metropolitan areas so that the housing has strong alternative use.

In its public rationales for rating privatized military housing bonds Standard & Poor's will always give its opinion of the essentiality of the base and the reasons for our opinions because base essentiality is such a strong driver of military housing demand. Standard & Poor's comes to these decisions by making site visits to each base, hearing presentations by senior military personnel at each base on the mission, military units, infrastructure and training facilities at each base. Standard & Poor's also reviews the individual services' recommendations to the 1995 BRAC commission, RAND Corp. base closure studies, the DoD papers on basing policy and base closures options and other independent sources. Our opinion of the base essentiality is obviously not as important a credit factor in rating bonds for bases located in large MSA's. (Standard & Poor's opinion of the essentiality of the bases of all its publicly rated military housing bond transactions is included in its "Public Finance Report Card: Military Housing", RatingsDirect, April 4, 2005).

In reviewing the impact of the BRAC recommendations on housing bonds Standard & Poor's looked not at total job gains or losses for each base but at net military job gains and losses since the housing is aimed at military tenants. Standard & Poor's reviewed the BRAC data for those bases most affected by military job gains or losses. (See tables 8 and 9).

With regard to existing military housing ratings only six out of the 25 bases with the most military job losses have publicly rated bond transactions for privatized military housing transactions: Navy Region Northeast (submarine base, New London and Naval Air Station, Brunswick, Maine), Ft. Eustis/Story, Walter Reed Army Medical Center/Ft. Detrick, Lackland Air Force Base and Elmendorf Air Force Base. (See table 10). Only four of the 74 bases included in Standard & Poor's rated bond transactions or credit assessments were proposed for closure. In one of those four bases, Standard & Poor's had ranked it as not essential and a likely closure candidate.

The two transactions with the biggest impact are the Navy Northeast (see table 11) and Ft. Eustis.

Navy Northeast has seen two bases recommended for closure and one with a large realignment, which transfers most military personnel. Total effected revenue for this transaction is 55% of total projected end state revenue. The single largest base recommended for closure by DoD, in terms of jobs, is the Naval submarine base at New London, which represents 42% of the housing in the Navy Region Northeast transaction.

Mitigating the economic risk of the base closures on the transaction is:

- The closures will take years to accomplish as it will take years to complete the move of the effected submarines and aircraft to other bases and the Naval shipyard most finishes up repairs in progress before closing;
- The housing at New London, Brunswick and Kittery is off base, for the most part, and can easily be absorbed in the community;
- Much of the housing at NAS Brunswick is newly constructed market rate quality housing. Brunswick is a very strong market and it is likely that the transfer of 100% of base personnel will not occur as reported in DoD's base closure report as the Navy will need to maintain some personnel to run the base; and

- Most of the bond proceeds earmarked for transaction have not been spent yet.

The developer is currently determining options for the project in the event that the BRAC commission upholds the base closure recommendation by DoD. Standard & Poor's will review plans from the developer on how to handle the closure when they are made available to determine if there will be any rating impact on the bonds.

Standard & Poor's has also rated a bond issue for a military housing privatization at Ft. Eustis and Ft. Story, which is a sub-installation of Eustis. Ft. Eustis, located in Newport News, Va., is the site of several proposed realignments that will result in an estimated net loss of 2,901 military jobs and net gain of 580 civilian jobs, according to the DoD. The proposed realignments at Ft. Story would reduce the active duty military population by 50%, from roughly 5,800 to roughly 2,900, resulting in a substantial downsizing of the target tenant base for the 874 units of privatized housing. This could pose significant lease-up and operating risk to the owner and manager of the privatized housing, potentially resulting in a shortfall in cash flow to cover operating expenses and debt service.

However, the risk is mitigated by several factors:

- The very strong demand for military housing both at Ft. Eustis and throughout the Hampton Roads area, home to multiple military installations with about 100,000 active duties military, the largest concentration of active duty military in any area of the country;
- The housing demand is driven by the shortage of decent affordable housing in the area, which has one of the country's tightest housing markets as indicated by an overall occupancy rate of more than 95% since 2000;
- Additionally, the proposed realignments to Ft. Eustis could result in a higher rank distribution of the active duty personnel, resulting in higher rent levels than presumed;
- The legal documents allow for the owner to rent units to military personnel from other installations and to civilian employees at Ft. Eustis, among other potential groups, which should help to minimize vacancy; and
- As with all proposed BRAC actions, the changes would take place gradually, allowing ample time for Standard & Poor's to monitor and analyze the effect on the rated bonds.

Walter Reed Army Medical Center is losing 2,650 military personnel, which are being transfer to Brook Army Medical Center, a new hospital at Bethesda Naval Medical Center or other sites. Walter Reed is bond insured by AMBAC so investors should have no credit concerns. In addition many of the Walter Reed personnel are being transferred to the Bethesda naval Hospital. The Walter Reed portion of the housing is actually closer to Bethesda Naval Hospital than Walter Reed so military personnel transferred out to Walter Reed should absorb the housing.

Lackland Air Force base, while losing net 2,254 military jobs is losing only 13% of its total military population and the project securing the bonds is small, only 420 units. This should have no effect on net demand the project.

Elmendorf Air Force Base, which is losing some F-15 squadrons, is losing 1,100 military personnel, approximate 18% of personnel assigned. This should have marginal effect on net demand at the project.

Joint Basing

One other item of note in the BRAC recommendations is the joint basing recommendations. The following bases with military housing bonds have been recommended for joint basing arrangements:

- Realign McChord Air Force Base (AFB), Wash., by relocating the installation management functions to Ft. Lewis, Wash., establishing Joint Base Lewis-McChord.
- Realign Ft. Dix, N.J., and Naval Air Engineering Station, Lakehurst, N.J., by relocating the installation management functions to McGuire AFB, N.J., establishing Joint Base McGuire-Dix-Lakehurst.
- Realign Ft. Richardson, Alaska by relocating the installation management functions to Elmendorf AFB, Alaska, establishing Joint Base Elmendorf-Richardson, Alaska.

- Realign Hickam AFB, Hawaii, by relocating the installation management functions to Naval Station Pearl Harbor, Hawaii, establishing Joint Base Pearl Harbor-Hickam, Hawaii.
- Realign Ft. Sam Houston, Texas, and Randolph AFB, Texas, by relocating the installation management functions to Lackland AFB, Texas.
- Realign Ft. Eustis, Va., by relocating the installation management functions to Langley AFB, Va.
- Realign Ft. Story, Va., by relocating the installation management functions to Commander Naval Mid-Atlantic Region at Naval Station Norfolk, Va.

This realignment should not affect the credit quality of the affected bonds.

Table 1 Major Military Base Closures (Proposed)

State	Installation	Total Direct Civilian And Military Job Losses
Connecticut	Submarine Base, New London	8,460
New Jersey	Fort Monmouth	5,272
Maine	Naval Shipyard, Portsmouth	4,510
Georgia	Fort McPherson	4,141
South Dakota	Ellsworth Air Force Base	3,852
Virginia	Fort Monroe	3,564
Texas	Brooks City Base	2,923
New Mexico	Cannon Air Force Base	2,824
Louisiana	Naval Support Activity, New Orleans	2,711
Texas	Red River Army Depot	2,500
Texas	Naval Station, Ingleside	2,218
Georgia	Naval Air Station, Atlanta	1,498
Pennsylvania	Naval Air Station, Willow Grove	1,232
Georgia	Fort Gillem	1,081
Mississippi	Naval Station, Pascagoula	963
California	Naval Support Activity, Corona	892
New York	Niagara Falls International Airport Air Guard Station	.642
Missouri	Defense Finance and Accounting Service, Kansas City	613
Indiana	Newport Chemical Depot	571
South Carolina	South Naval Facilities Engineering Command	543
Georgia	Naval Supply Corps School, Athens	513
Oregon	Umatilla Army Depot	512
Massachusetts	Otis Air Guard Base	505
Alaska	Kulis Air Guard Station	459

Source: U.S. Department of Defense

Table 2 Major Realignments (Proposed)

State	Installation	Total Direct Military And Civilian Job Losses
District of Columbia	Walter Reed Army Medical Center	5,630
North Carolina	Pope Air Force Base	4,145
Texas	Lackland Air Force Base	3,140
Kentucky	Fort Knox	2,944
Alaska	Eielson Air Force Base	2,940
North Dakota	Grand Forks Air Force Base	2,645
Texas	Sheppard Air Force Base	2,624
Maine	Naval Air Station Brunswick	2,420
Virginia	Fort Eustis	2,152
Illinois	Naval Station Great Lakes	2,022
California	Naval Medical Center San Diego	1,630
Florida	Naval Air Station Pensacola	1,579
California	Naval Base Ventura City	1,534
Illinois	Rock Island Arsenal	1,263
Alabama	Maxwell Air Force Base	1,251
Ohio	Defense Finance and Accounting Service, Cleveland	1,028
Texas	Naval Air Station Corpus Christi	1,025
Alaska	Elmendorf Air Force Base	934
Indiana	Naval Support Activity Crane	683
North Carolina	Marine Corps Air Station Cherry Point	628
Idaho	Mountain Home Air Force Base	569
Washington	McChord Air Force Base	567
Oregon	Portland International Airport Air Guard Station	564
Virginia	Naval Medical Center Portsmouth	461
California	Naval Base Coronado	460
California	Marine Corps Logistics Base Barstow	419
Virginia	Defense Finance and Accounting Service, Arlington	408
Mississippi	Keesler Air Force Base	402

Source: U.S. Department of Defense.

Table 3 History Of BRAC Actions

BRAC Actions	Major Base Closures	Major Base Realignments	Minor Closures And Realignments
BRAC 88	16	4	23
BRAC 91	26	17	32
BRAC 93	28	12	123
BRAC 95	27	22	57
Total	97	55	235
BRAC 2005	33	29	775

Source: U.S. Department of Defense

Table 4 2005 BRAC Job Gains And Losses (Proposed)

Base closures	(62,970)
Base realignments	(58,683)
Job losses (from movements out of leased space)	(26,018)
Base gains	134,842

Source: U.S. Department of Defense

Table 5 BRAC Timetable

Date	Action Required
Sept. 8, 2005	BRAC commission recommendations due to the President.
Sept. 23,2005	President either accepts BRAC commission recommendations and forwards to Congress or returns to BRAC Commission.
Oct. 20, 2005	BRAC revised recommendations due to President if President returns for further study.
Nov. 11,2005	President's approval or disapproval of revised BRAC commission recommendations. If accepted forwarded to Congress.

Forty-five days after receipt of approved BRAC Commission recommendations from the President, Congress must disapprove or the recommendations become law.

Source: U.S. Department of Defense

Table 6 MSAs (With Largest Net Employment Loss)

Economic Area Installation	Economic Area Employment	Changes As % Of Employment
Clovis, N.M.	23,348	(20.5)
Martin County, Ind.	8,525	(11.6)
Norwich-New London, Conn.	168,620	(9.4)
Fairbanks, Alaska	54,469	(8.6)
Rapid City, S.D.	79,970	(8.5)
Grand Forks, N.D.-Minn.	66,242	(7.4)
Texarkana, Texas - Texarkana, Ark.	67,895	(6.5)
Mountain Home, Idaho	14,441	(6.2)
King George County, Va.	14,171	(5.5)
Wichita Falls, Texas	93,033	(4.7)
Elizabethtown, Ky.	65,926	(4.5)
Portland-South Portland-Biddeford Me.	331,655	(4.0)

Source: U.S. Department of Defense

Table 7 MSAs With Largest Net Employment Gain

Economic Area Installation	Economic Area Employment	Changes As % Of Employment
St. Marys, Ga.	23,025	21.9
Lawton, Okla.	63,978	9.0
Columbus, Ga.	163,565	8.5
Enterprise-Ozark, Ala.	48,094	7.4
Manhattan, Kan.	72,434	6.5
El Paso, Texas	328,741	6.1

Source: U.S. Department of Defense

Table 8 Top Military Bases With Net Direct Job Gains

State	Base	Direct Military Job Gains
Texas	Fort Bliss	11,354
Georgia	Fort Benning	9,221
Texas	Fort Sam Houston	7,648
Virginia	Fort Lee	6,139
Colorado	Fort Carson	4,178
North Carolina	Fort Bragg	4,078
Virginia	Fort Belvoir	4,071
Arkansas	Little Rock Air Force Base	3,579
Virginia	Naval Station Norfolk	3,447
Oklahoma	Fort Sill	3,444
Georgia	Submarine Base Kings Bay	3,245
Kansas	Fort Riley	2,415
Florida	Eglin Air Force Base	2,140
Florida	Naval Air Station Jacksonville	1,902
Alabama	Fort Rucker	1,734
Louisiana	Naval Air Station New Orleans	1,407
Nevada	Nellis Air Force Base	1,149
California	Naval Station San Diego	1,084
Maryland	National Naval Medical Center Bethesda	982
South Carolina	Shaw Air Force Base	742
Virginia	Langley Air Force Base	727
Maryland	Fort Meade	682
Kansas	McConnell Air Force Base	677
Georgia	Moody Air Force Base	670
Ohio	Wright Patterson Air Force Base	589

Source: U.S. Deaprtment of Defense

Table 9 Top Military Bases With Net Direct Job Losses

State	Base	Proposed Action	Direct Military Job Loss
Connecticut	Submarine Base, New London	Close	7,096
Virginia	Leased Space - Va.	Close/realign	6,199
Kentucky	Fort Knox	Realign	4,867
North Carolina	Pope Air Force Base	Realign	4,821
Maryland	Aberdeen Proving Ground	Gain	3,411
South Dakota	Ellsworth Air Force Base	Close	3,315
Virginia	Fort Eustis	Realign	2,901
Alaska	Eielson Air Force Base	Realign	2,821
District of Columbia	Walter Reed Army Medical Center	Realign	2,651
Texas	Sheppard Air Force Base	Realign	2,468
New Mexico	Cannon Air Force Base	Close	2,385
Maine	Naval Air Station Brunswick	Realign	2,317
North Dakota	Grand Forks Air Force Base	Realign	2,290
Georgia	Fort McPherson	Close	2,260
Texas	Lackland Air Force Base	Realign	2,254
Louisiana	Naval Support Activity, New Orleans	Close	1,997
Illinois	Naval Station, Great Lakes	Realign	1,989
Texas	Naval Station, Ingleside	Close	1,901
California	Naval Medical Center, San Diego	Realign	1,596
Virginia	Fort Monroe	Close	1,393
Texas	Brooks City Base	Close	1,297
Georgia	Naval Air Station, Atlanta	Close	1,274
Alaska	Elmendorf Air Force Base	Realign	1,102
Alabama	Redstone Arsenal	Gain	986
Texas	Naval Air Station, Corpus Christi	Realign	926

Source: U.S. Department of Defense

Table 10 BRAC Impact On Rated Military Housing Bonds

Military Base	Published Name	Rating/Outlook	Analyst	Bond Insured	DoD Recommendation To BRAC Commission	DoD Recommendation Detail	Potential Economic Impact (As Military Housing)
Buckley Air Force Base	GMAC Commercial Military Housing Trust XIV (Buckley Air Force Base) project Certificates Series 2004A.	AAA/Stable	N.A.	Yes	Gain	Increase of 13 military jobs.	None
Camp Pendleton Marine Corps Base	GMAC Military Housing Trust III - Camp Pendleton Project Certificates Series 2002A.	AAA/Stable	N.A.	Yes	Realign	Lose 145 military jobs.	None
Camp Pendleton Marine Corps Base	GMAC Military Housing Trust XX Camp Pendleton Projects Certificates Series 2004A.	AAA/Stable	N.A.	Yes	Realign	Lose 145 military jobs.	None
Camp Pendleton Marine Corps Base/Quantico Marine Corps Base	Camp Pendleton & Quantico Hsg, LLC military Hsg rev oblig ser 2003 A dtd 09/01/2003 due 10/01/2043.	A+ /Stable SPUR	Moriarty	Yes	Realign	Camp Pendleton to lose 145 military jobs; Quantico to gain 446 military jobs.	Positive for Quantico; none for Camp Pendleton
Fort Belvoir	Belvoir Land LLC Military Housing Revenue Bonds (Fort Belvoir Family Housing Project) 2005 Series A Class I, II & III.	AA/Stable; AA/Stable; A/Stable	Fitzpatrick	No	realign	Fort Belvoir to gain 4,071 military jobs.	Positive
Fort Bragg	GMAC Commercial Military Housing Trust IX (Fort Bragg Proj) series 2003A.	AAA/Stable.	N.A.	Yes	Realign	Fort Bragg to gain one infantry brigade - net gain 4,078 military jobs.	Positive
Fort Campbell	GMAC Commercial Military Housing Trust XII (Fort Campbell Proj) certificates series 2003.	AAA/Stable	N.A.	Yes	Realign	Net loss of 360 military jobs - one aviation battalion.	None
Fort Carson	Fort Carson Family Housing LLC Taxable Housing Revenue Bonds series 1999.	AA- SPUR/Stable	Moriarty	Yes	Gain	Net gain of 4,178 military jobs - one armored brigade.	Positive
Fort Eustis & Fort Story	Fort Eustis/Fort Story Housing LLC Taxable Military Housing Revenue Bonds (Forts Eustis & Story, Virginia - Army RCI), Series 2005 A and B.	AA/Stable;A/Stable	Fitzpatrick	No	Realign	Loss of 2,901 military jobs at Fort Eustis - approximately 50% of total military jobs - Transportation School moved to Ft. Lee; Aviation Logistics School moved to Fort Rucker, Ala.; Army Surface Deployment and Distribution Command moves to	Minimal due to mitigating factors.

						Scott AFB, Ill.	
Fort Eustis & Fort Story	Fort Eustis/Fort Story Hsg LLC taxable military hsg rev bonds antic notes ser 2004 dtd 12/01/2004 due 09/15/2005.	AAA/NM	Fitzpatrick		Realign	N.A.	N.A. - bonds defeased
Fort Hamilton	New York City Housing Development Corp Military Housing Revenue Bonds Series A Class I & II(Fort Hamilton Housing LLC Project).	AA-/Stable;A-/Stable	Fitzpatrick	No	None	None	None
Fort Hood	Fort Hood Family Housing Trust No. 1 taxable military housing revenue bonds Tranche 2001A (Fort Hood Family Housing Project)	AA-/Stable SPUR	Fitzpatrick	Yes	Realign	Net loss of 73 military jobs - Fort Hood is both gaining and losing a combat brigade.	None
Fort Hood	Fort Hood Family Housing Trust No. 1 taxable military housing revenue bonds Tranche 2001A (Fort Hood Family Housing Project) due 6/15/2035	AA-/Stable	Fitzpatrick	No	Realign	Net loss of 73 military jobs - Fort Hood is both gaining and losing a combat brigade.	None
Fort Irwin	Fort Irwin Land LLC Military Housing Revenue Bonds, 2005 Series A Class I, II and III bonds	AA/Stable; A/Stable	Moriarty	No	Moffet field - gain; Camp Parks - realign; Fort Irwin - no change.	Net gain of 62 military jobs between Moffet and Parks.	None
Fort Lewis	GMAC Commercial Military Housing Trust I (Fort Lewis Mil Hsg Proj) certificates series 2002	AAA/Stable	N.A.	Yes	Gain	Net gain of 185 military jobs.	None
Fort Lewis	GMAC Commercial Military Housing Trust XVI (Fort Lewis Hsg Proj) certificates series 2004	AAA/Stable	N.A.	Yes	Gain	Net gain of 185 military jobs.	None
Fort Meade	GMAC Commercial Military Housing Trust II (Fort Meade Proj) certs ser 2002A dtd 05/01/2002	AAA/Stable	N.A.	Yes	Gain	Net gain of 682 military jobs.	Positive
Fort Polk	GMAC Commercial Military Housing Trust XVII project certificates (Polk Community LLC) series 2004 A1, 2004 A2, and 2004 A3	AAA/Stable	N.A.	Yes	None	No change in military jobs.	None
Fort Sam Houston	Fort Sam Houston Family Housing LP taxable military housing revenue	AA/Stable; A/Stable	Fitzgerald	No	Gain	Net gain of 7,648 military jobs. Installation management functions	Positive

	class I & class II bonds series 2005					transfer to Lackland AFB, Texas	
Fort Stewart	GMAC Commercial Military Housing Trust XI (Stewart Hunter Housing Project) certificates series 2003	AAA/Stable	N.A.	Yes	None	None	None
Hanscom Air Force Base	Hanscom Family Housing LLC military housing revenue bonds series 2004A	AA/Stable	Fitzpatrick	No	Gain	Net gain of 499 military jobs.	Positive
Hanscom Air Force Base	Hanscom Family Housing LLC taxable military housing revenue bonds series 2004B	A/Stable	Fitzpatrick	No	Gain	Net gain of 499 military jobs.	Positive
Hickam Air force Base	GMAC Commercial Military Housing Trust XVIII (Hickam Air force Base) project certificates Series 2005A1-A2	AAA/Stable	N.A.	Yes	Realign	Net loss of 152 military jobs. Installation management functions transferred to Naval Station Pearl Harbor to create Joint Base Pearl Harbor-Hickam, HI.	None
Kirtland Air Force Base	GMAC Commercial Military Housing Trust VII certs (Kirtland Proj) ser 2003 dtd 05/01/2003 due 12/10/2036	AAA/Stable	N.A.	Yes	Gain	Net gain of 30 military jobs.	None
Lackland Air Force Base	Lackland Military Housing Corp Taxable Housing Revenue Bonds (Frank Tejeda Military Housing Proj) 1998	AAA/Stable	N.A.	Yes	Realign	Net loss 2,254 military jobs.	Minimal
Little Rock Air Force Base	Little Rock Family Housing LLC taxable military housing revenue bonds series 2004 A & B	AA-/Stable; A-/Stable	Borbon	No	Gain	Net gain of 3,579 military jobs.	Positive
Navy Ford Island Project	GMAC Commercial Military Housing Trust VIII (Ford Island Project) Certificates Series 2003A	AAA/Stable	N.A.	Yes	Gain	Net loss of 29 Navy military jobs.	None
Navy Region Northeast	GMH Military Housing - Navy Northeast LLC (Navy Family Housing Northeast LLC) military housing revenue bonds Series 2004A & B	AA/Stable; A+/Stable	Moriarty	No	See table 11	See table 11	See table 11
Navy Region Northwest	American Eagle Northwest, LLC taxable military housing revenue bonds (Navy Northwest Housing Privatization Project) Series	AA/Stable; A/Stable	Moriarty	No	Two bases gained; one base realigned; one no change.	Net loss of 34 military jobs at Whidbey Island NAS.	None

	2005-A & B							
Navy Region Hawaii	Ohana Military Communities LLC Military Housing Revenue Bonds (Navy Housing Privatization Project) series 2004A Class I, II & III	AA/Stable; A/Stable; BBB/Stable	Moriarty	No	Gain	Net loss of 29 Navy military jobs.	None
Presidio of Monterey/Naval Postgraduate School Monterey	GMAC Commercial Military Housing Trust X (Presidio of Monterey/Naval Postgraduate School Proj) certificates series 2003A	AAA/Stable	N.A.	Yes	None	No change in military jobs.	None
San Diego Naval Base	San Diego Family Housing LLC Military Housing Revenue Obligations(San Diego Family Housing Project) series 2001A & series 2003A&B	AAA/A SPUR/Stable	Moriarty	Yes	One base in San Diego close; two bases gain; two bases realigned.	Net loss of 286 Navy military jobs in San Diego area.	None
Parris Island Marine Corps Recruit Depot, Marine Corps Air Station Beaufort & Beaufort Naval Hospital	Tri Command Housing LLC taxable military housing bonds (Tri Command Family Housing Project) Series 2003	A-/Stable	Moriarty	No	Gain	No change in military jobs.	None
Walter Reed Army Medical Center/Fort Detrick	GMAC Commercial Military Housing Trust XV (Fort Detrick/Walter Reed Army Medical Center) Project Certificates Series 2004A	AAA/Stable	N.A.	Yes	Walter Reed Army Medical center - realign; Fort Detrick - gain.	Net loss of 2651 military jobs as at Walter Reed approximately 57%; net gain of 76 jobs at Fort Detrick. Some of the Walter Reed jobs will go to nearby Bethesda Navy Medical Center in Maryland.	Minimal due to mitigating factors.
Wright Patterson Air Force Base	GMAC Commercial Military Housing Trust IV certs (Wright Field Prop) dtd 08/01/2002 due 08/10/2036	AAA/Stable	N.A.	Yes	Gain	Net gain of 589 jobs.	Positive
Yuma Marine Corps Air Station	Camp Pendleton and Quantico Housing LLC military housing revenue obligations series 2004A	A+/Stable (SPUR)	Moriarty	Yes	Gain	No change in military jobs.	None
Elmendorf Air Force Base	Alaska Housing Finance Corp. (Elmendorf Air Force Base) military housing development bonds Series 2004D	AA/Stable	Witte	No	Realign	Base to lose approximately 1,103 military jobs approximately 18% of military jobs.	Minimal
Fort Bragg, Fort Irwin, Hunter	BHI Army Guesthouses, LLC Army Guesthouse Hotel Senior Revenue Bonds (Military	AAA/Stable	N.A.	Yes	Fort Bragg - gain; Fort Irwin - no change; Fort	See comments for those bases.	None

Army Airfield	Guesthouse Privatization Projects) Senior Series 1999A				Stewart - no change		
Patrick AFB	Patrick Family Housing LLC taxable military housing revenue bonds series 2005A, B, and C,	AA/Stable; A/Stable; BBB/Stable	Fitzpatrick	No	Realign	Net loss of 136 military jobs.	None
Fort Leonard Wood	Leonard Wood Family Communities LLC, military housing revenue bonds series 2005 class I, II and III	AA-/Stable; A-/Stable; BBB/Stable	Moriarty	No	Realign	Net loss of 100 military jobs.	None
Army Region Hawaii	Army Hawaii Family Housing Trust Certificates Series 2005	AA/Stable; A+/Stable	Moriarty	Yes/No	None	No change in military jobs.	None
Fort Drum	GMAC Commercial military Hsg Tr XIX Fort Drum proj certs ser 2005 A	AAA/Stable	N.A.	Yes	None	No change in military jobs.	None

N.A. - Not applicable.

Table 11 Navy Northeast BRAC Impact

Base	Location	End State % Revenue	DoD Recommendations	DoD Recommendations Detail	Potential Economic Impact (As Military Housing)
Naval Air Station Brunswick	Brunswick, Me.	13.3	Realign	Loss of 2,317 military jobs, 100% of military assigned. All aircraft squadrons assigned to the base are being moved to NAS Jacksonville, Fla. The base will become a naval air facility.	Severe
Naval Shipyard Portsmouth	Kittery, Me.	5.4	Close	Loss of 201 military jobs - 100% of military personnel assigned.	None
Naval Station Newport	Newport, R.I.	27.6	Gain	Gain of 525 military jobs. Base is to become the main officer training base in the Navy. Receiving functions from Pensacola, Fla. and Athens, Ga.	Positive
Naval Submarine Base New London	Groton, Conn.	36.3	Close	Loss of 7,096 military jobs - 100% of military personnel assigned.	Severe
Naval Weapons Station Eagle	Saratoga Springs, N.Y.	3.8	None	None	None
Naval Weapons Station Earle	Colts Neck, N.J.	2.6	None	Gain of two military jobs	None
Naval Air Station Lakehurst	Lakehurst, N.J.	2.7	Realign	Loss of 132 military jobs - approximately 25% of military assigned; miligated by gains at Fort Dix and McGuire AFB. Merged into Fort Dix and McGuire AFB to become Joint Base McGuire-Dix-Lakehurst.	None
Mitchell Complex	Long Island, N.Y.	8.4	Realign	None	None

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingsDirect Web site at www.standardandpoors.com/ratingsdirect.

Published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. Executive offices: 1221 Avenue of the Americas, New York, NY 10020. Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280. Copyright 2005 by The McGraw-Hill Companies, Inc. Reproduction in whole or in part prohibited except by permission. All rights reserved. Information has been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

The McGraw-Hill Companies