

Thus, under paragraph (b)(2)(ii)(B) of this section, A may treat the amount of private business use of the 2007 bonds as 1 percent (5 percent of 1/5th of the 25-year measurement period for the 2007 bonds). The 2007 bonds do not satisfy the private business use test.

Example 2. Combined issue yield computation. (i) On January 1, 2000, County B issues 20-year bonds with an interest rate of 8% and an issue price of \$100 million. The debt service payments on the 2000 bonds are as follows:

Date	Debt service
1/1/01	\$10,306,800
1/1/02	10,306,800
1/1/03	10,306,800
1/1/04	10,306,800
1/1/05	10,306,800
1/1/06	10,306,800
1/1/07	10,306,800
1/1/08	10,306,800
1/1/09	10,306,800
1/1/10	10,306,800
1/1/11	10,306,800
1/1/12	10,306,800

Date	Debt service
1/1/13	10,306,800
1/1/14	10,306,800
1/1/15	10,306,800
1/1/16	10,306,800
1/1/17	10,306,800
1/1/18	10,306,800
1/1/19	10,306,800
1/1/20	10,306,800
	\$206,136,000

(ii) On January 1, 2005, B issues 15-year bonds to refund all of the outstanding 2000 bonds. The 2005 bonds have an interest rate of 6% and an issue price of \$93,250,000. The debt service payments on the 2005 bonds are as follows:

Date	Debt service
1/1/06	\$9,657,800
1/1/07	9,657,800
1/1/08	9,657,800

Date	Debt service
1/1/09	9,657,800
1/1/10	9,657,800
1/1/11	9,657,800
1/1/12	9,657,800
1/1/13	9,657,800
1/1/14	9,657,800
1/1/15	9,657,800
1/1/16	9,657,800
1/1/17	9,657,800
1/1/18	9,657,800
1/1/19	9,657,800
1/1/20	9,657,800
	\$144,867,000

(iii) For purposes of determining the amount of private security and private payments with respect to the 2005 bonds, the 2005 bonds and the 2000 bonds are treated as a combined issue under paragraph (c)(2) of this section. The yield on the combined issue is 7.5036 percent per year compounded semiannually, computed as follows:

Date	Unrefunded new money debt service	Refunding debt service	Total debt service	Present value on 1/1/00
1/1/00				(\$100,000,000.00)
1/1/01	\$10,306,800		\$10,306,800	9,574,857.71
1/1/02	10,306,800		10,306,800	8,894,894.64
1/1/03	10,306,800		10,306,800	8,263,219.48
1/1/04	10,306,800		10,306,800	7,676,403.02
1/1/05	10,306,800		10,306,800	7,131,259.62
1/1/06		\$9,657,800	9,657,800	6,207,676.64
1/1/07		9,657,800	9,657,800	5,766,835.53
1/1/08		9,657,800	9,657,800	5,357,300.97
1/1/09		9,657,800	9,657,800	4,976,849.70
1/1/10		9,657,800	9,657,800	4,623,416.36
1/1/11		9,657,800	9,657,800	4,295,082.25
1/1/12		9,657,800	9,657,800	3,990,064.95
1/1/13		9,657,800	9,657,800	3,706,708.59
1/1/14		9,657,800	9,657,800	3,443,474.92
1/1/15		9,657,800	9,657,800	3,198,934.91
1/1/16		9,657,800	9,657,800	2,971,761.03
1/1/17		9,657,800	9,657,800	2,760,720.01
1/1/18		9,657,800	9,657,800	2,564,666.17
1/1/19		9,657,800	9,657,800	2,382,535.18
1/1/20		9,657,800	9,657,800	2,213,338.32
	\$51,534,000	\$144,867,000	\$196,401,000	0.00

Example 3. Refunding taxable bonds and qualified bonds. (i) In 1999, City C issues taxable bonds to finance the construction of a facility for the furnishing of water. The bonds are secured by revenues from the facility. The facility is managed pursuant to a management contract with a nongovernmental person that gives rise to private business use. In 2007, C terminates the management contract and takes over the operation of the facility. In 2009, C issues bonds to refund the 1999 bonds. On the issue date of the 2009 bonds, C reasonably expects that the facility will not be used for a private business use during the term of the 2009 bonds. In addition, during the term of the 2009 bonds, the facility is not used for a private business use. Under paragraph

(b)(2)(i) of this section, the 2009 bonds do not satisfy the private business use test because the amount of private business use is based on the measurement period for those bonds and therefore does not take into account any private business use that occurred pursuant to the management contract.

(ii) The facts are the same as in paragraph (i) of this *Example 3*, except that the 1999 bonds are issued as exempt facility bonds under section 142(a)(4). The 2009 bonds do not satisfy the private business use test.

Example 4. Multipurpose issue. In 2001, State D issues bonds to finance the construction of two office buildings, Building 1 and Building 2. D expends an equal amount of the proceeds on each building. D enters into arrangements that result in 8 percent of

Building 1 and 12 percent of Building 2 being used for a private business use during the measurement period under § 1.141-3(g). These arrangements result in a total of 10 percent of the proceeds of the 2001 bonds being used for a private business use. In 2006, D purports to allocate, under paragraph (d) of this section, an equal amount of the outstanding 2001 bonds to Building 1 and Building 2. D also enters into another private business use arrangement with respect to Building 1 that results in 10 percent of Building 1 being used for a private business use during the measurement period. An allocation is not reasonable under paragraph (d) of this section if it achieves more favorable results under section 141 than could be achieved with actual separate