



Building what you value.

MEMORANDUM

Date: July 13, 2010

To: Amanda Dotson
College Station Independent School District

From: Victor Quiroga, Jr.
Southwest Securities

Re: Agenda Language and Financing Plan Presentation for the July 20, 2010 Board of Trustees Meeting

On July 20, 2010, the Board of Trustees will consider and act upon a Financing Plan to issue \$65,000,000 Unlimited Tax School Building Bonds, Series 2010. Please use the following agenda language:

“Consideration and possible approval of a Financing Plan to issue \$65,000,000 Unlimited Tax School Building Bonds, Series 2010; authorizing staff and consultants to proceed with document preparation.”

For your review, please find our Financing Plan presentation for this respective meeting summarizing the terms, parameters and bond sale method. By considering and acting on the respective Financing Plan, the Board of Trustees is simply allowing us to move forward with document preparation for a bond sale. Interest rates will be locked-in on the bond sale date scheduled for August 17, 2009.

Please note that with respect to a competitive sale method, the District does have the option of structuring the bonds to purposefully produce a premium to recapture the cost of issuance related to the bond sale. We are conservatively estimating that the cost of issuance will be in the range of \$235,000 to \$240,000. The net effect of producing a premium to recapture the cost of issuance is to maximize the bond proceeds delivered to the District's construction fund.

For instance, instead of subtracting the cost of issuance from the bond par amount of \$65,000,000, and receiving \$64,760,000 in the construction fund, many Texas school districts generate a premium to recapture the cost of issuance. The premium generated is essentially amortized over the life of the bond issue. The Texas Attorney General began allowing school districts to use this bond structuring method in 2004 and has been widely used since that time. However, please note that as your Financial Advisors, we are only listing the bond structuring options available to the District and not recommending a particular option. In 2007 and 2009, when the District sold bonds, the choice was made to generate a premium to recapture the cost of issuance and maximize the construction fund.

If you have any questions, please do not hesitate to call at (800) 292-0237.