ALEDO ISD BOARD MEETING TEMPLATE

MEETING DATE: August 15th, 2011

AGENDA ITEM: *Consider Adoption of an Order Authorizing the Execution and Delivery of a Substitute Standby Bond Purchase Agreement for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-A, Delegating Authority to Execute and Deliver Such Substitution, Authorizing Amendments to the Series 2006-A Bond Order, and Enacting Provisions Related Thereto*

PRESENTER: Earl Husfeld

ALIGNS TO BOARD GOAL(S):

6. *Provide resources and facilities consistent with the growth of the District.*

BACKGROUND INFORMATION:

- Detailed information/explanation provided by BOSC, Inc., the District's Financial Advisor, in the following memorandum.

ADMINISTRATIVE CONSIDERATIONS:

- Issuing a portion of the District's bond debt in a variable rate mode has saved the District's taxpayer's more than $2,195,000 since the bonds were issued five years ago.
- Although the cost of the Standby Bond Purchase Agreement Provider will increase for the next three years, the District's total interest rate cost for the variable rate bonds will still be substantially lower than fixed interest rate costs.

FISCAL NOTE:

Cost differential of $79,795 per year to be paid from budgeted Debt Service Funds.

ADMINISTRATIVE RECOMMENDATION:

The Administration recommends the adoption of an order authorizing the execution and delivery of a substitute standby bond purchase agreement for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-A, delegating authority to execute and deliver such substitution, authorizing amendments to the Series 2006-A bond order, and enacting provisions related thereto as presented.

BOSC, Inc.

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August 10, 2011

Mr. Dan Manning
Superintendent of Schools
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Mr. Earl Husfeld
Chief Financial Officer
Aledo Independent School District
1008 Bailey Ranch Road
Aledo, Texas 76008

Re: Variable Rate Unlimited Tax School Building Bonds, Series 2006-A – Replacement of Existing Standby Bond Purchase Agreement Provider

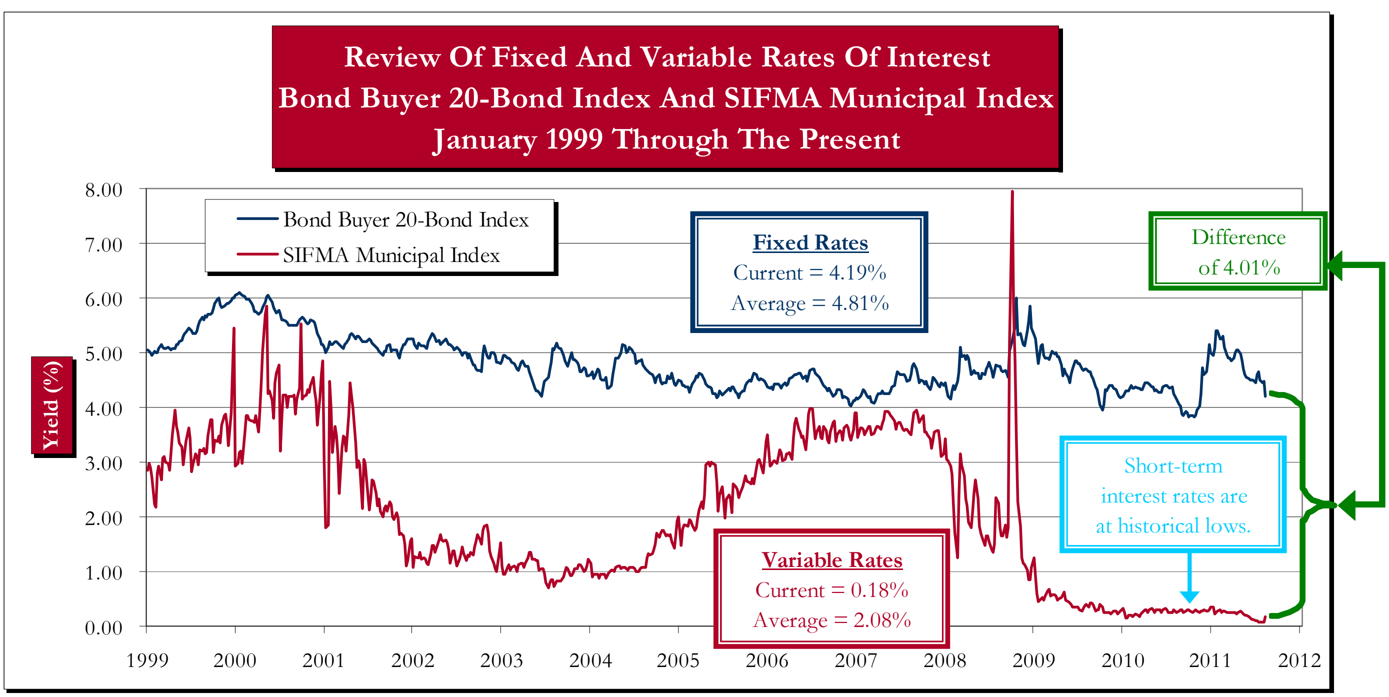
Dear Mr. Manning and Mr. Husfeld:

Introduction

On March 11, 2011, Bank of America, N.A., the Standby Bond Purchase Agreement Provider for Aledo Independent School District's (the "District") Variable Rate Unlimited Tax School Building Bonds, Series 2006-A (the "Bonds"), elected to terminate the existing Standby Bond Purchase Agreement associated with the District's Bonds, effective September 21, 2011. This memorandum summarizes our recommendation for the appointment of a new Standby Bond Purchase Agreement ("SBPA") Provider and the required actions related thereto.

Fixed Versus Variable Rate Bonds

As illustrated by the graph below, variable rate bonds have historically provided a lower interest rate than fixed rate bonds. As shown, fixed rates have averaged 4.81% and variable rates have averaged 2.08% since year 1999.



District's Historical Savings from Variable Rate Unlimited Tax School Building Bonds, Series 2006-A

In order to lower its overall borrowing cost and to provide flexibility to repay bonds prior to scheduled maturity, the District issued its $16,910,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-A on September 21, 2006. At the time of the sale, fixed rates of interest were approximately 5.0%. Since inception, the Bonds have had an average interest rate of **2.20%** and since the Bonds were converted to a Weekly Rate (i.e. the interest rate resets every 7 days) on August 1, 2010, the Bonds have had an average interest rate of **0.24%. Based upon the lower interest rate achieved through the use of variable rate bonds, the District has reduced the cost of taxpayers by more than $2,195,000 over the last 5-years as summarized below.**

Aledo ISD's Series 2006-A Variable Rate Bonds – Summary of Historical Interest Rates And Interest Cost Savings

Rate Mode	Rate Period	Interest Rate	Estimated Savings Versus 5% Fixed Rate
Initial Rate	09/21/06 – 07/31/07	**3.62%**	**$ 200,947**
1-Year Term	08/01/07 – 07/31/08	**3.75%**	**204,688**
1-Year Term	08/01/08 – 07/31/09	**1.75%**	**522,763**
1-Year Term	08/01/09 – 07/31/10	**1.90%**	**491,350**
Weekly	08/01/10 – Present	**0.24%**	**777,511**
Total	**09/21/06 – Present**	**2.20%**	**$ 2,197,258**

Role of the Standby Bond Purchase Agreement Provider

Pursuant to the structure of traditional variable rate financings, at the time a new interest rate is set and at certain other times, the owners of the Bonds may elect to "tender" their bonds for sale to new investors and "demand" the full repayment at such time. When a bond is "tendered" for sale to a new investor, the Standby Bond Purchase Agreement Provider is responsible for purchasing the Bonds from the existing owners in the event they cannot immediately be resold to another investor. As such, the SBPA Provider provides "liquidity" to current bondholders by ensuring a bondholder will receive repayment of the Bonds at the time it is "tendered."

Pursuant to the original financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors, the District is required to maintain a Standby Bond Purchase Agreement Provider for the Bonds. Given Bank of America, N.A. has elected to terminate its position as the current SBPA Provider for the Bonds, the District must take the necessary steps to appoint a new SBPA Provider by September 21, 2011.

Recommendation

At this time, BOSC, Inc. believes it is prudent for the District to maintain the Bonds in a variable rate mode. However, with the ongoing financial crisis, global credit crunch and the proposed new banking regulations (i.e. Basel III, etc.), Bank of America's decision to "opt out" of the existing SBPA was not a surprise. In an effort to obtain a new SBPA Provider, we have had preliminary discussions with other qualified SBPA Providers over the last 2-months, including BBVA, JPMorgan Chase Bank and Wells Fargo Bank. The lowest proposed cost was received by JPMorgan Chase Bank at 0.575%/year and the agreement would be for a 3-year period. The District is currently paying 0.105%/year to Bank of America, N.A. Based upon the lowest quote received, the cost differential associated with a new SBPA Provider is $79,795/year. It is important to note, given the capital constraints of financial institutions and the costs associated with the proposed new banking regulations, we believe the 0.575% fee is representative of the current market for Standby Bond Purchase Agreements. The table below summarizes the District's projected total initial interest rate once a new SPBA Provider is appointed.

Summary of Projected Total Interest Rate – Series 2006-A Variable Rate Bonds	
Description	**Rate**
Weekly Variable Interest Rate	0.180%
Standby Bond Purchase	0.575%
Remarketing Fee:	0.100%
Total Interest Rate	**0.855%**

Given the historical benefits provided by the District's variable rate bonds and the current savings associated with the projected initial interest rate of 0.855% in comparison to fixed rates of interest, we recommend the District approve an "Order to authorize the substitution of a new Standby Bond Purchase Agreement" and delegate the authority to the District's Administration to approve the final terms and conditions, upon consultation with BOSC, Inc. and McCall, Parkhurst & Horton L.L.P., the District's bond counsel. It is currently anticipated the SBPA will be finalized by the end of August 2011.

Closing

We hope this information is helpful as you manage the District's current and future financial position. Should any questions arise or additional information is needed, please do not hesitate to contact us. Hope all is well and we look forward to visiting with you soon.

Sincerely,

William J. Gumbert
Managing Director

Joshua M. McLaughlin
Investment Banker

AN ORDER AUTHORIZING THE EXECUTION AND DELIVERY OF A SUBSTITUTE BOND PURCHASE AGREEMENT FOR THE DISTRICT'S VARIABLE RATE UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2006-A; APPROVING A TERM SHEET FOR THE SUBSTITUTE STANDBY BOND PURCHASE AGREEMENT; APPROVING AMENDMENTS TO THE SERIES 2006-A BOND ORDER; DELEGATING AUTHORITY TO EXECUTE AND DELIVER SUCH SUBSTITUTE STANDBY BOND PURCHASE AGREEMENT; AND ENACTING PROVISIONS RELATED THERETO.

WHEREAS, Aledo Independent school District (the "District") has issued its Variable Rate Unlimited Tax School Building Bonds, Series 2006-A (the "Bonds") pursuant to an Order adopted by the Board of Trustees of the District (the "Board") on August 21, 2006 (the "Bond Order");

WHEREAS, in connection with the issuance of the Bonds, the District entered into a Standby Bond Purchase Agreement, dated August 21, 2006 (the "Prior Liquidity Agreement"), with Bank of America, N.A.;

WHEREAS, pursuant to its terms, the Prior Liquidity Agreement expires September 21, 2011 and the District and Bank of America, N.A. will not extend the Prior Liquidity Agreement;

WHEREAS, JPMorgan Chase Bank, National Association Bank (the "Bank") and the District desire to enter into a Standby Bond Purchase Agreement (the "Liquidity Agreement") to replace and supersede the Prior Liquidity Agreement to provide liquidity support for the Bonds;

WHEREAS, the Bank has provided the District with its Proposal for Standby Bond Purchase Agreement dated May 25, 2011 (the “Term Sheet”) setting forth the terms and conditions for the Liquidity Agreement, and this Board has found and determined that it is in the best interest of the District to agree to enter into the Liquidity Agreement with the Bank in accordance with the Term Sheet;

WHEREAS, the District is an "Issuer" under Section 1371.001(4)(P), Texas Government Code, having (i) a principal amount of at least $100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or a combination of outstanding or proposed longterm indebtedness and (ii) some amount of long-term indebtedness outstanding or proposed to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation;

WHEREAS, the District is authorized by Section 1371.056, Texas Government Code, to delegate to an officer or employee of the District the authority, under the terms and for the period approved by the Board, to enter into the Liquidity Agreement;

WHEREAS, the Board desires to amend certain provisions of the Bond Order in connection with the substitution of the Prior Liquidity Agreement with the Liquidity Agreement; and

WHEREAS, any capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Order;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF TRUSTEES OF THE ALEDO INDEPENDENT SCHOOL DISTRICT:

Section 1. Recitals. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

Section 2. Term Sheet. The Term Sheet presented to the Board at this meeting and attached hereto as Exhibit A is hereby approved and adopted by the Board for and on behalf of the District as the terms and conditions with respect to the Liquidity Agreement.

Section 3. Approval of Liquidity Agreement; Delegation of Authority. The Liquidity Agreement with the Bank, substantially in the form and substance submitted to the Board at the meeting at which this Order is adopted, is hereby approved, and the Superintendent of School or the Chief Financial Officer (each an "Authorized Officer"), acting for and on behalf of the Board, are authorized to enter into and carry out the Liquidity Agreement incorporating the terms and conditions in the Term Sheet and such other changes the Authorized Officer determines to be necessary or acceptable in connection therewith, subject to the parameters set forth in Exhibit B.

Section 4. Amendments to the Bond Order. Pursuant to Section 15.01(f) of the Bond Order, the Bond Order is amended as follows in this Section 4. The amendments shall be effective upon the effective date of the Liquidity Agreement.

The following defined terms in Section 1.01 of the Bond Order are hereby amended and restated in their entirety as follows:

> "Amortization End Date" shall mean with respect to any Purchased Bonds the fifth anniversary of the Date of Purchase with respect to such Purchased Bonds.
>
> "Amortization Start Date" shall mean, with respect to any Purchased Bonds, the earlier to occur of (i) the date that is ninety (90) days after the Date of Purchase for such Purchased Bonds, and (ii) the date of termination of the Liquidity Agreement pursuant to Section 7.1 or 7.2 of the Liquidity Agreement.

Section 5. Amendments to Tender Agent Agreement and Remarketing Agreement. An Authorized Officer, acting for and on behalf of the Board, is authorized to enter into and carry out any amendments to the Tender Agent Agreement or the Remarketing Agreement, as defined in the Bond Order, that the Authorized Officer determines to be necessary or acceptable in connection with the execution and delivery of the Liquidity Agreement or the amendments to the Bond Order.

Section 6. Further Procedures. The President and Secretary of the Board and the officers of the District are each hereby authorized to take or cause to be taken such other actions and to execute and deliver such documents and certificates as necessary or appropriate to consummate the transactions authorized by this Order, including without limitation, to retain legal counsel in connection with the matters addressed herein or to obtain a rating or rating confirmation from any nationally recognized statistical rating organization, and payment of related fees, such notices as may be required by the proceedings that authorized the issuance of the Bonds, and the preparation and distribution of a supplement to the Remarketing Memorandum for the Bonds dated July 28, 2010 or other disclosure document related to such transactions. Prior to the execution and delivery of the Liquidity Agreement, an Authorized Officer and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Order in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Order, (ii) obtain a rating from any of the national recognized statistical rating organizations, (iii) make changes to this Order deemed reasonable and necessary by an Authorized Officer, with the advice of Bond Counsel, to conform this Order to the requirements set forth in the Term Sheet or the Liquidity Agreement, or (iv) obtain the approval of the Bonds by the Texas Attorney General's office.

Section 7. Open Meeting. It is hereby officially found and determined that the meeting at which this Order was adopted was open to the public, and public notice of the time, place and purpose of the meeting was given, all as required by the Texas Open Meetings Act.

Section 8. Effective Date. This Order shall be in full force and effect from and upon its adoption.

FINALLY PASSED, APPROVED AND EFFECTIVE the 15th day of August, 2011.

____

President, Board of Trustees
Aledo Independent School District

ATTEST:

____

Secretary, Board of Trustees
Aledo Independent School District

(DISTRICT SEAL)

EXHIBIT A

TERM SHEET FOR STANDBY BOND PURCHASE AGREEMENT

Attached hereto.

MAY 25, 2011

ALEDO INDEPENDENT SCHOOL DISTRICT

Proposal for Standby Bond Purchase Agreement

J.P.Morgan

Aledo Independent School District
$15,520,000
Standby Bond Purchase Agreement

All terms and conditions of this Term Sheet are subject to final credit approval of JPMorgan Chase Bank, National Association (“JPMorgan”). This Term Sheet is not intended to be exhaustive or all-inclusive, and the final documentation may include additional terms and conditions required by JPMorgan that are not included in this Term Sheet. This Term Sheet is confidential, and, as such, should not be shared with any other parties besides Aledo Independent School District, its financial and legal advisors, and JPMorgan.

SECTION I. DESCRIPTION OF THE BONDS:

Issuer: Aledo Independent School District (the “District”).

Bonds: Aledo Independent School District Variable Rate Unlimited Tax School Building Bonds, Series 2006A (the “Bonds”).

Security: The Bonds, as well as the District’s obligations to JPMorgan under the Facility, constitute direct and voted obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without legal limitation as to rate or amount. Additionally, the payment of the Bonds (as well as Bank Bonds) is guaranteed by the corpus of the Permanent School Fund of the State of Texas.

SECTION II. SUMMARY OF TERMS AND CONDITIONS:

Facility: Standby Bond Purchase Agreement (the “Facility”) to provide liquidity support only for the Bonds.

Facility Term: The District may choose a 364-day, two (2) year or three (3) year tenor for the Facility.

Facility Amount: $15,520,000 (plus required interest coverage).

Upfront Fee: None.

Facility Fee: The District agrees to pay JPMorgan a nonrefundable Facility Fee (the “Facility Fee”) from and including the effective date of the Facility through and including the expiration date or termination date of the Facility at a rate per annum equal to the applicable Facility Fee Rate set forth in the pricing grid below on the Facility Amount (whether used or unused). The Facility Fee shall be payable quarterly in arrears and on the expiration date or termination date of the Facility.

Base Facility Fee Rate: The Facility Fee Rate will initially be 52.5 bps p.a. (364-day), 55.0 bps p.a. (two-year) or 57.5 bps p.a. (three-year) (each, a “Base Facility Fee Rate”).

Pricing Grid: The Facility Fee Rate shall adjust from time to time based upon the then-applicable unenhanced, underlying long-term rating (each, a “Rating”) assigned by S&P or Fitch to the Bonds or the District’s outstanding long-term parity indebtedness, as specified in the Pricing Grid below. In the event of split ratings (e.g., A+ by S&P and AA- by Fitch), the lower of the two ratings shall govern for purposes of establishing the applicable Facility Fee Rate.

LEVEL	S&P RATING	FITCH RATING	FACILITY FEE RATE
I	A+ or above	A+ or above	Base Facility Fee Rate
II	A	A	Base Facility Fee Rate + 10 bps p.a.
III	A-	A-	Base Facility Fee Rate + 25 bps p.a.
IV	BBB+	BBB+	Base Facility Fee Rate + 40 bps p.a.
V	BBB	BBB	Base Facility Fee Rate + 55 bps p.a.
VI	BBB- or below	BBB- or below	Base Facility Fee Rate + 75 bps p.a.

Any change in the Facility Fee Rate resulting from a change in a rating shall be and become effective as of and on the date of the announcement of the change in such rating. References to ratings above are references to rating categories as presently determined by the rating agencies and in the event of adoption of any new or changed rating system by any such rating agency, each of the ratings from the rating agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect.

In the event that the rating assigned by S&P or Fitch is withdrawn, suspended or otherwise unavailable, the Facility Fee Rate shall be increased by an additional 1.00% p.a. over the then-existing Facility Fee Rate.

If at any time an Event of Default shall have occurred and be continuing under the Agreement, the Facility Fee Rate shall be immediately increased, without notice to the District, by 1.00% p.a. above the Facility Fee Rate in effect immediately prior to the occurrence of such Event of Default for so long as such Event of Default is continuing.

Upfront Fee: None.

Termination Fee: In the event that the District elects to terminate or permanently reduce the Facility Amount prior to its stated expiration date (other than as a result of mandatory sinking fund redemptions), the District will be required to pay JPMorgan a termination fee equal to the Facility Fee that would have accrued from the date of termination or reduction through the stated expiration date, computed on the amount by which the Facility Amount is decreased (the entire Facility Amount in the case of termination). The District will not be required to pay the termination fee if (i) the Facility is terminated due to a downgrade of JPMorgan's short-term ratings below A-1 by S&P or F1 by Fitch; or (ii) the District elects to refinance the Bonds in full from a source of (fixed rate) funds which does not involve the issuance by a bank or other financial institution of a letter of credit, liquidity facility, or credit facility. All Facility Fees and any other amounts owed to JPMorgan will be due and payable prior to termination.

Interest Rate on Bank Bonds: Bank Bonds will bear interest at a rate per annum equal to: (A) for the period from and including the date of the related Purchase Date through and including the ninetieth (90^{th}) day following such date, the Base Rate; and (B) Days 91 and thereafter, the Base Rate plus 1.0%.

"Base Rate" means, for any day, the highest of (i) JPMorgan Prime + 1.5% p.a.; (ii) the Federal Funds Rate plus 2.0% p.a.; and (iii) 7.5% p.a.

Default Rate: Base Rate plus 3.00% p.a.

Repayment of Bank Bonds:	In the event that any Bank Bond(s) remain outstanding on the 91st day following the date such purchase(s) is made by JPMorgan (the "Amortization Start Date"), such Bank Bonds will be subject to mandatory repayment over a five (5) year period in level semi-annual principal installments, commencing ninety (90) days after the Amortization Start Date (i.e. six months after the related Purchase Date) and ending on the fifth (5th) anniversary of the related Purchase Date.
Purchase Fee:	$250 per Purchase under the Facility.
Amendment Fee:	$2,500, plus reasonable fees and expenses of counsel, for each amendment, supplement or modification to the Facility (or any related transaction document requiring the consent of JPMorgan). Extensions to the term of the Facility alone will not require payment of the Amendment Fee.
Documentation:	Documentation will include, inter alia, (i) a Standby Bond Purchase Agreement and (ii) a corresponding Fee Letter between the District and JPMorgan. The Agreement will include, but not be limited to, the terms and conditions outlined herein as well as JPMorgan's standard provisions with respect to financial reporting requirements, representations and warranties, increased costs, events of default, remedies, indemnification, waiver of sovereign immunity, and waiver of jury trial as permitted by law. Remedies upon default shall include the suspension or termination of JPMorgan's commitment under the Facility without notice, to the extent permitted under the guidelines published by the rating agencies. Termination events and suspension events shall be consistent with those specified in the guidelines published by the rating agencies.
Most Favored Nations Clause:	JPMorgan will not require a most favored nations clause.
Conditions Precedent To Issuance of Facility:	Those customary and usual for a transaction of this nature to include, but not be limited to, completion of satisfactory legal documentation, delivery of Bank Bond CUSIP number(s), and delivery of satisfactory opinions of counsel.
Costs and Expenses:	All legal fees, disbursements, and JPMorgan out-of-pocket expenses will be for the District's account and payable on the date of closing. Legal fees for Andrews Kurth LLP will not exceed $35,000 plus disbursements. JPMorgan out-of-pocket expenses will not exceed $2,500, and primarily relate to travel costs incurred, if any.
Participations:	JPMorgan reserves the right to sell participations to other banks and to make assignments to the Federal Reserve Bank, with any costs associated with the sale to be borne by the Bank. The District will not have to deal with any bank other than JPMorgan.
Governing Law:	The Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Texas.

SECTION III. JPMORGAN INFORMATION:

Ratings:

JPMorgan Chase Bank Current Public Ratings			
	Long-Term	Short-Term	Outlook
Moody's	Aa1	P-1	Negative
S&P	AA-	A-1+	Stable
Fitch	AA-	F1+	Stable

Bank Description: Upon request, JPMorgan will provide to the District, for inclusion in offering documents prepared prior to and after issuance of the Facility, then-current disclosure information customarily provided by JPMorgan for similar purposes, together with certificates to the effect that the information contained therein is true and accurate in all material respects. Bank Counsel will not opine with respect to JPMorgan's disclosure information.

Bank Contacts: David Bayer, Executive Director
Phone: (212) 270-4186
Email: david.m.bayer@jpmchase.com

Public Finance Credit Origination
JPMorgan Chase Bank, N.A.
383 Madison Avenue, 8th Floor
Mail Code: NY1-M076
New York, NY 10179

Bank Counsel: Tanya Fischer
Andrews Kurth LLP
600 Travis, Suite 4200
Houston, TX 77002
Phone: (713) 220-3915
Email: tanyafischer@andrewskurth.com

Credit Approval: The terms and conditions contained herein have received preliminary credit approval. Final credit approval is subject to agreement on such terms and can reasonably be obtained within ten (10) business days of agreement and acceptance of this Term Sheet. JPMorgan anticipates no problem issuing a commitment letter at least thirty (30) days prior to the expiration date of the existing facility.

Expiry of Offer: June 15, 2011, unless otherwise extended by JPMorgan. Upon request, JPMorgan will consider such extensions as needed by the District.

EXHIBIT B

PARAMETERS FOR STANDBY BOND PURCHASE AGREEMENT

1. The maximum Available Commitment shall be as set forth in the Term Sheet.

2. The initial term of the Liquidity Facility, notwithstanding any subsequent extensions agreed to by the District and the Bank, shall not exceed three years.

3. The rates to be paid pursuant to the Liquidity Agreement shall be as set forth in the Term Sheet.

4. The security and source of payment of the District's obligations under the Liquidity Agreement shall be as set forth in the Bond Order.

5. The delegation made hereby shall expire if not exercised by the Authorized Officer on or prior to February 15, 2012.