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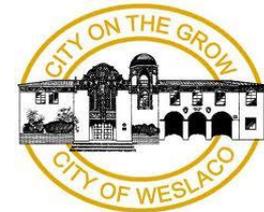
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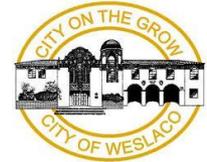


Tax and Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2012 Transaction Summary

January 17, 2012

City of Weslaco, Texas

Market Update



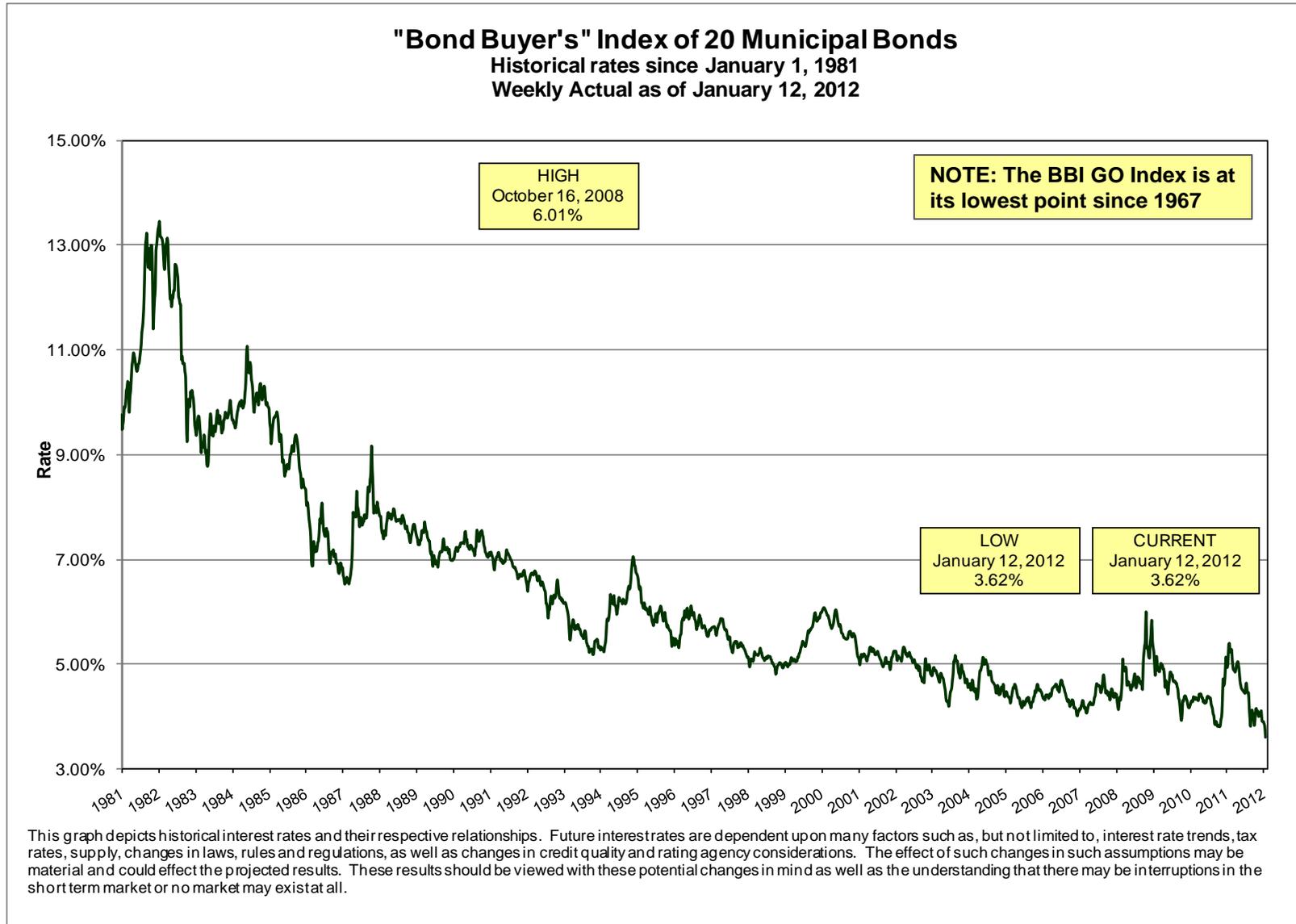
Bond Buyer's Index of 20 Municipal Bonds

"Bond Buyer's" Index of 20 Municipal Bonds
5-Year History
Weekly Actual as of January 12, 2012



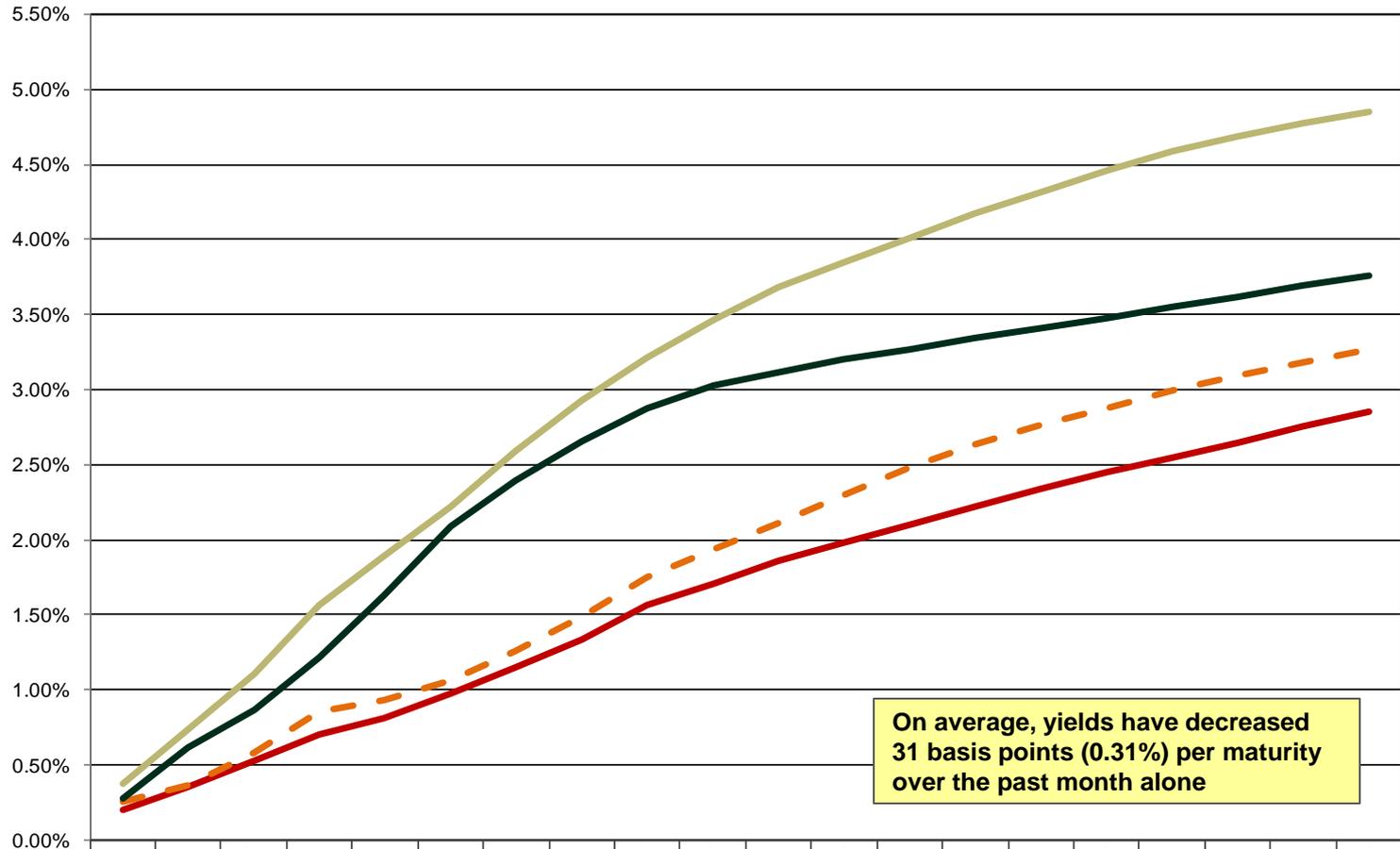
This graph depicts historical interest rates and their respective relationships. Future interest rates are dependent upon many factors such as, but not limited to, interest rate trends, tax rates, supply, changes in laws, rules and regulations, as well as changes in credit quality and rating agency considerations. The effect of such changes in such assumptions may be material and could effect the projected results. These results should be viewed with these potential changes in mind as well as the understanding that there may be interruptions in the short term market or no market may exist at all.

Bond Buyer's Index of 20 Municipal Bonds



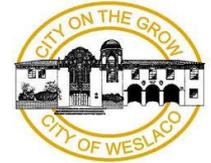
Municipal Yield Curve

AAA Municipal Yield Curve
Rates as of January 17, 2012



	1yr	2yr	3yr	4yr	5yr	6yr	7yr	8yr	9yr	10yr	11yr	12yr	13yr	14yr	15yr	16yr	17yr	18yr	19yr	20yr
1/17/2012	0.20%	0.35%	0.53%	0.70%	0.81%	0.98%	1.15%	1.34%	1.56%	1.71%	1.86%	1.98%	2.10%	2.22%	2.34%	2.45%	2.55%	2.65%	2.75%	2.85%
12/15/2011	0.25%	0.36%	0.58%	0.85%	0.93%	1.06%	1.26%	1.49%	1.75%	1.94%	2.11%	2.30%	2.48%	2.64%	2.77%	2.88%	2.99%	3.09%	3.18%	3.27%
1/18/2011	0.37%	0.74%	1.11%	1.57%	1.89%	2.22%	2.59%	2.93%	3.21%	3.46%	3.68%	3.85%	4.01%	4.17%	4.32%	4.46%	4.59%	4.69%	4.78%	4.85%
1/15/2010	0.28%	0.61%	0.87%	1.21%	1.63%	2.09%	2.39%	2.66%	2.88%	3.03%	3.12%	3.20%	3.27%	3.34%	3.41%	3.48%	3.55%	3.62%	3.69%	3.76%

Plan of Finance Update



Plan of Finance

- The proposed Plan of Finance has a combined projected par amount of \$43,300,000 as projected by Camp Dresser & McKee (“CDM”)

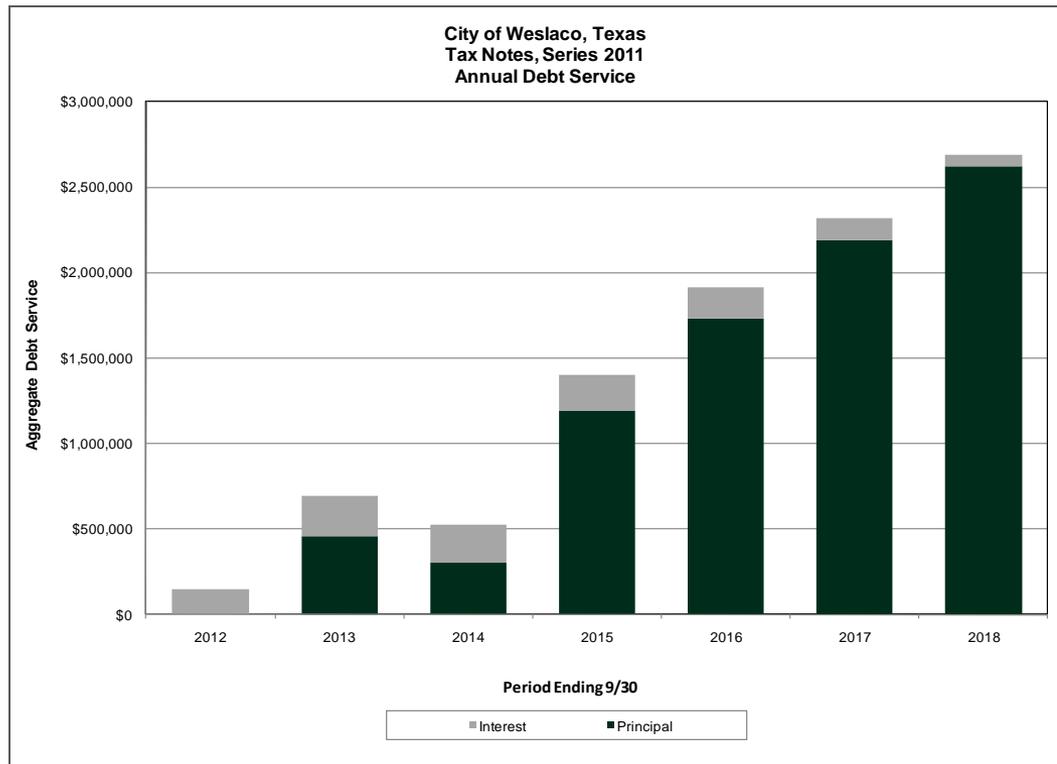
- By allocating the total par amount into three issues over the next 14 months, approximately \$18,300,000 of the proposed \$43,300,000, or 42% of the total par amount, will be Bank Qualified
 - \$8,500,000 Tax Notes, Series 2011 **Bank Qualified**
 - \$25,000,000* Certificates of Obligation, Series 2012 *Non-Bank Qualified*
 - \$9,800,000* Certificates of Obligation, Series 2013 **Bank Qualified**

- This strategy lowers the overall cost of funds, all other factors being equal

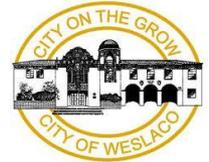
- Issuance of the Series 2012 Certificates of Obligation represents the second step of the three-step Plan of Finance

Tax Notes, Series 2011

- \$8,500,000 Par Amount
 - 2.750% fixed rate private placement with Frost Bank
 - The City was saved approximately \$250,758 in interest cost and \$158,999 in costs of issuance for a combined \$409,757 savings



Tax and Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2012



Financing Team

- Financial Advisor - FirstSouthwest

- Co-Bond Counsel - Shelton & Valadez, P.C. / Winstead P.C.

- Underwriters
 - Senior Manager: Cabrera Capital Markets, LLC
 - Co-Manager: Southwest Securities
 - Co-Manager: Estrada Hinojosa & Company, Inc.

- Underwriter's Counsel - Muñoz & Frankel

- Bond Insurer - Assured Guaranty Municipal Corp.

Ratings Summary

“WESLACO, TX OUTLOOK REVISED TO STABLE FROM NEGATIVE ON IMPROVED FINANCES”

Standard & Poor’s	Existing BBB+ (Negative)	Revised To BBB+ (Stable)
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“Standard & Poor’s Ratings Services revised its outlook on Weslaco, Texas general obligation (GO) debt to stable from negative based on the city’s improved financial performance and return to structurally balanced operations.”

“Following years of structural imbalances under a previous administration, which placed significant budgetary pressure on the city’s finances, current management, which consists of several members with less than three years’ experience with the city, outlined a plan to build reserves to \$5 million by the end of fiscal 2015, which would be roughly 25% of expenditures.”

“Under new management, the city has developed a long-term financial plan to rebuild the unreserved general fund balance.”

Bond Sale Results

	Actual 1/17/2011	Projected 11/16/2011
Par Amount of Bonds	\$24,335,000	\$25,000,000
Deposit to Construction Fund	\$25,000,000	\$23,864,087
True Interest Cost ⁽¹⁾	4.145%	5.323%
Average Annual Debt Service ⁽²⁾	\$2,398,910	\$2,540,396
Interest-Only Annual Debt Service ⁽³⁾	\$1,053,781	\$1,225,235
Call Date	2/15/2021	2/15/2022

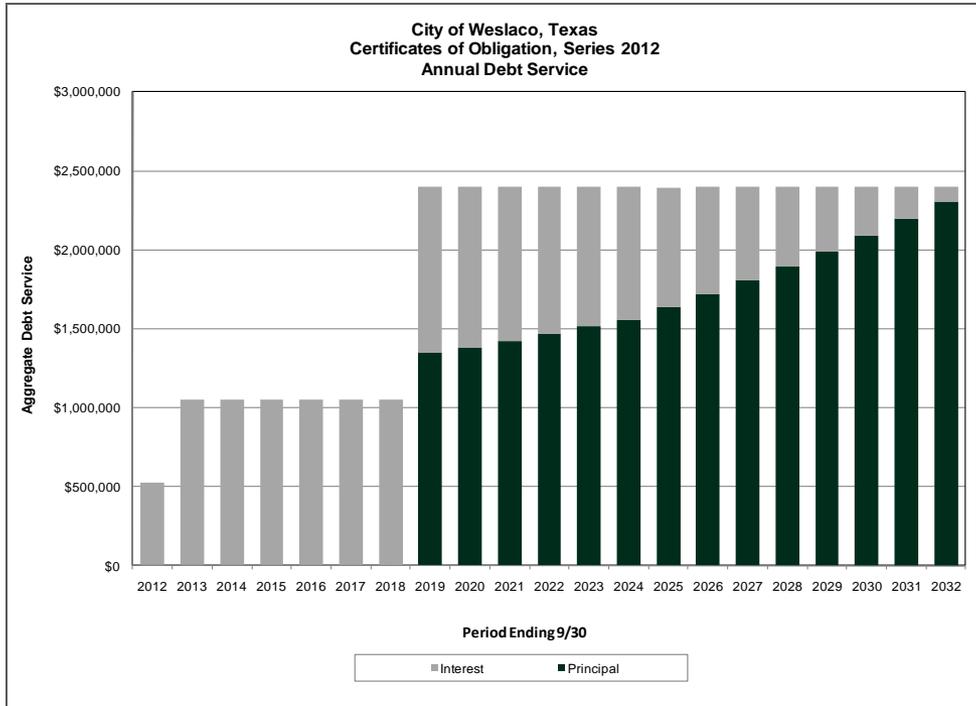
- True Interest Cost is approximately 117 basis points (1.178%) lower than initial projections
- This results in debt service savings from original projections of \$3,094,782 on the Certificates

(1) Original projections assumed market interest rates as of November 2011 plus 25 basis points.

(2) Includes annual debt service for fiscal years 2019 to 2032.

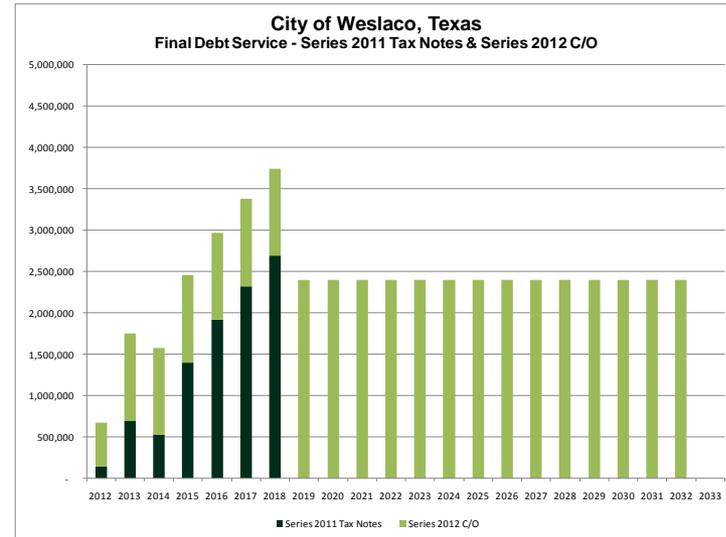
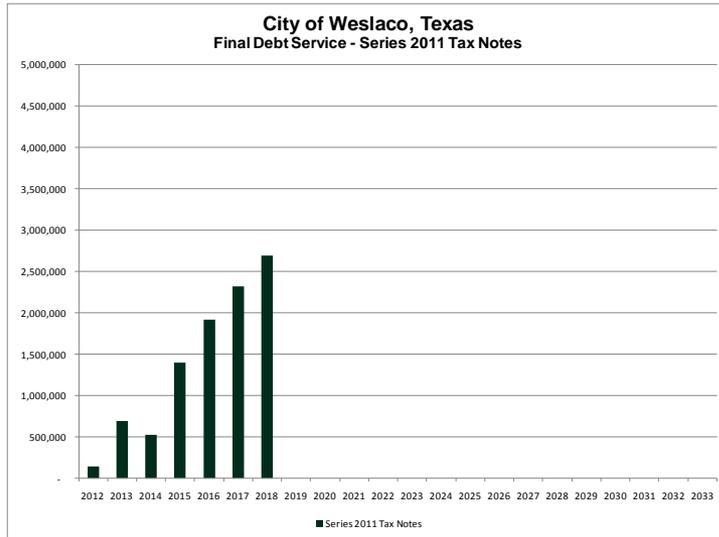
(3) Includes annual debt service for fiscal years 2013 to 2018.

Projected Debt Service



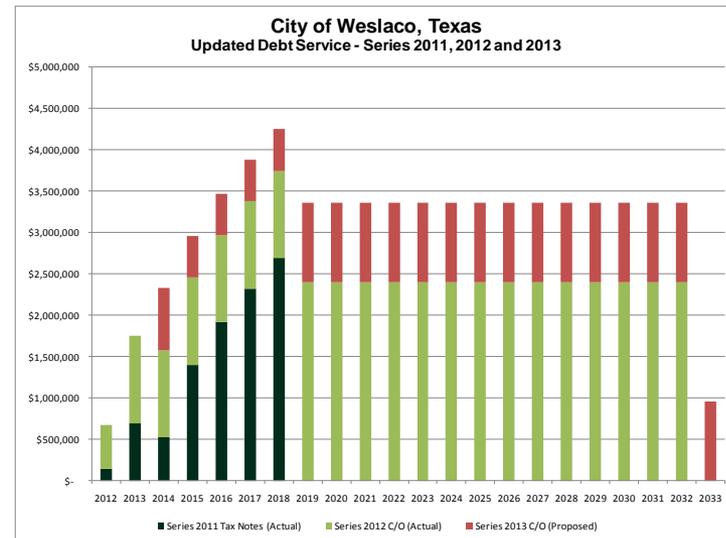
Period Ending	Principal	Interest	Debt Service
9/30/2012		523,963.45	523,963.45
9/30/2013		1,053,781.26	1,053,781.26
9/30/2014		1,053,781.26	1,053,781.26
9/30/2015		1,053,781.26	1,053,781.26
9/30/2016		1,053,781.26	1,053,781.26
9/30/2017		1,053,781.26	1,053,781.26
9/30/2018		1,053,781.26	1,053,781.26
9/30/2019	1,345,000	1,053,781.26	2,398,781.26
9/30/2020	1,385,000	1,013,431.26	2,398,431.26
9/30/2021	1,425,000	971,881.26	2,396,881.26
9/30/2022	1,470,000	929,131.26	2,399,131.26
9/30/2023	1,515,000	885,031.26	2,400,031.26
9/30/2024	1,560,000	839,581.26	2,399,581.26
9/30/2025	1,635,000	761,581.26	2,396,581.26
9/30/2026	1,720,000	679,831.26	2,399,831.26
9/30/2027	1,805,000	593,831.26	2,398,831.26
9/30/2028	1,895,000	503,581.26	2,398,581.26
9/30/2029	1,990,000	408,831.26	2,398,831.26
9/30/2030	2,090,000	309,331.26	2,399,331.26
9/30/2031	2,195,000	204,831.26	2,399,831.26
9/30/2032	2,305,000	95,081.26	2,400,081.26
	24,335,000	16,096,388.65	40,431,388.65

Plan of Finance Progress



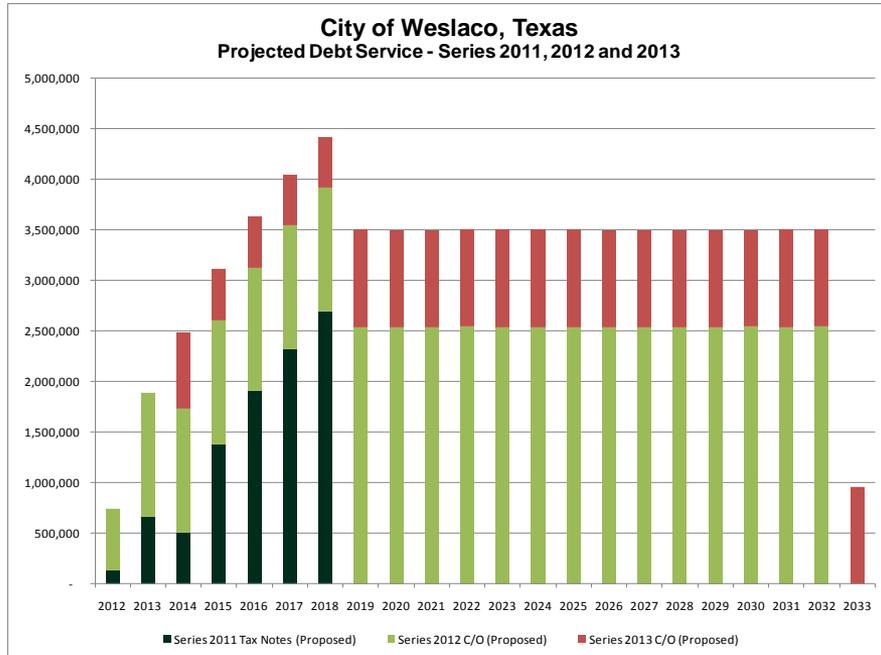
Project Fund Amounts

- Series 2011 Tax Notes: \$ 8,400,000
- Series 2012 C/O: \$25,000,000
- Series 2013 C/O*: \$ 9,328,041
- Total Project Fund** **\$42,146,364**

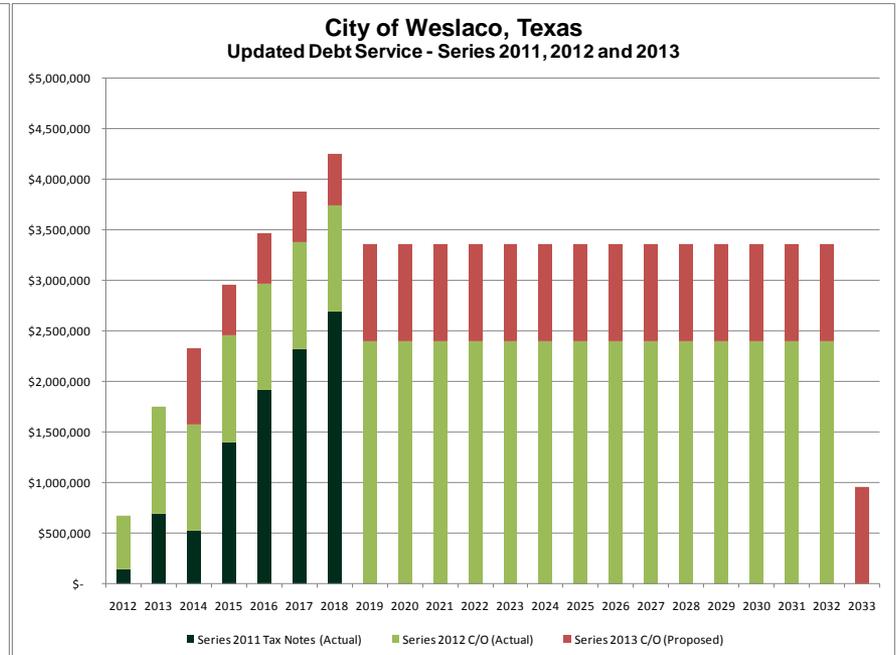


Plan of Finance

Projected



Actual

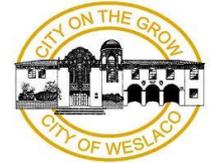


- Debt Service is approximately \$3,094,782 lower than initially projected for the Series 2012 Certificates of Obligation

Summary

- Interest rates on tax supported municipal bonds have not been this low since 1967
 - *Bond Buyer GO Index = 3.62% (45-year low)*
- The City was able to optimize this financing opportunity by selling in a historically low interest rate environment and achieving a 4.145% True Interest Cost
- Additionally, by implementing the Plan of Finance, which includes the Series 2011 Tax Notes and the Series 2012 Certificates, the City was able to achieve a combined True Interest Cost of 3.970% for \$32,835,000 par
- For comparison, the Series 2007 Certificates of Obligation, an issue of roughly the same size (\$28,175,000) and term (20 Years), had a TIC of 4.944% when issued in August 2007

Rating Report



Final Numbers

