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Briefing on Refunding Transactions and Discussion on a Loan Agreement

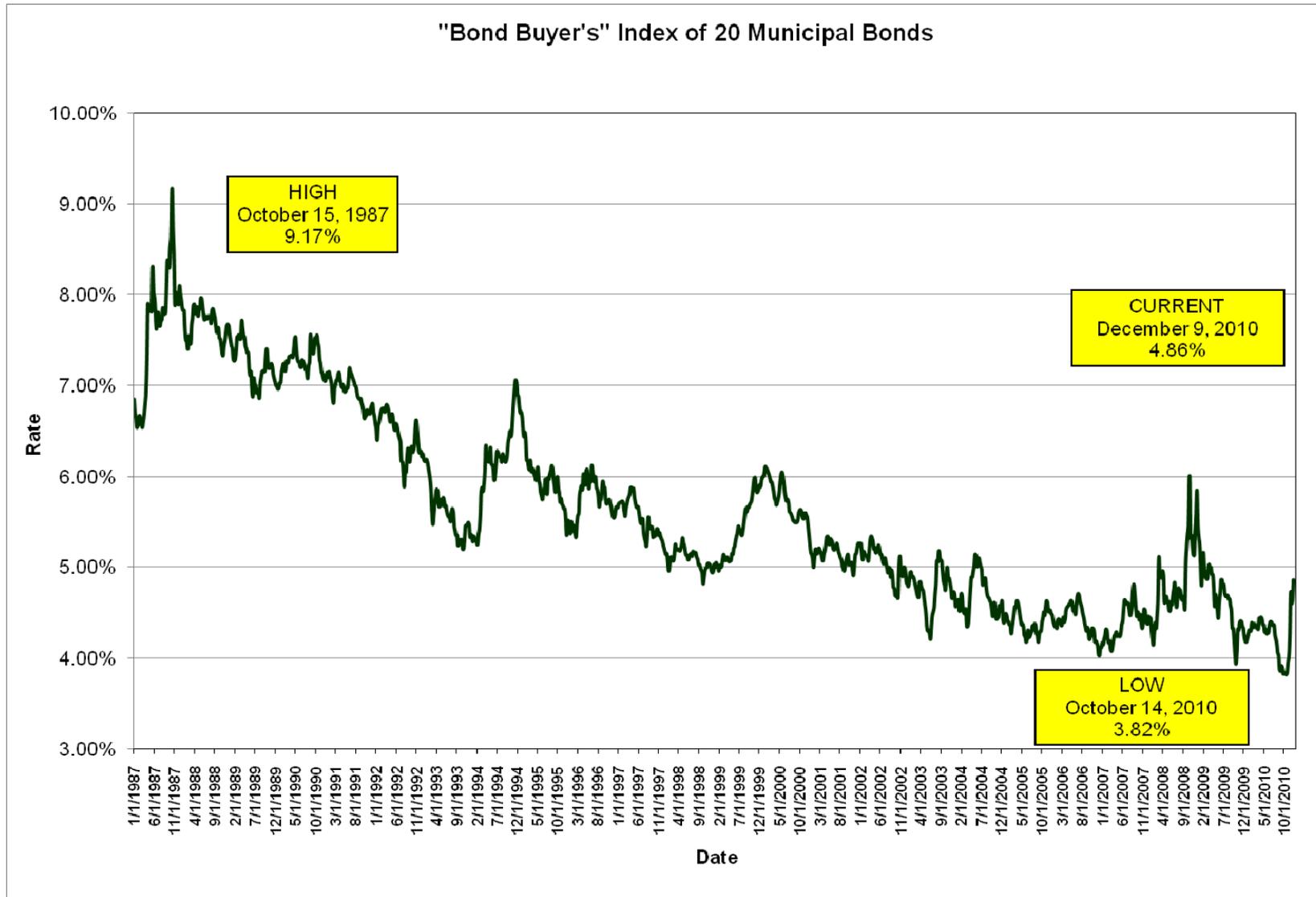
December 16, 2010

City of Weslaco, Texas

MARKET UPDATE
AS OF DECEMBER 16, 2010

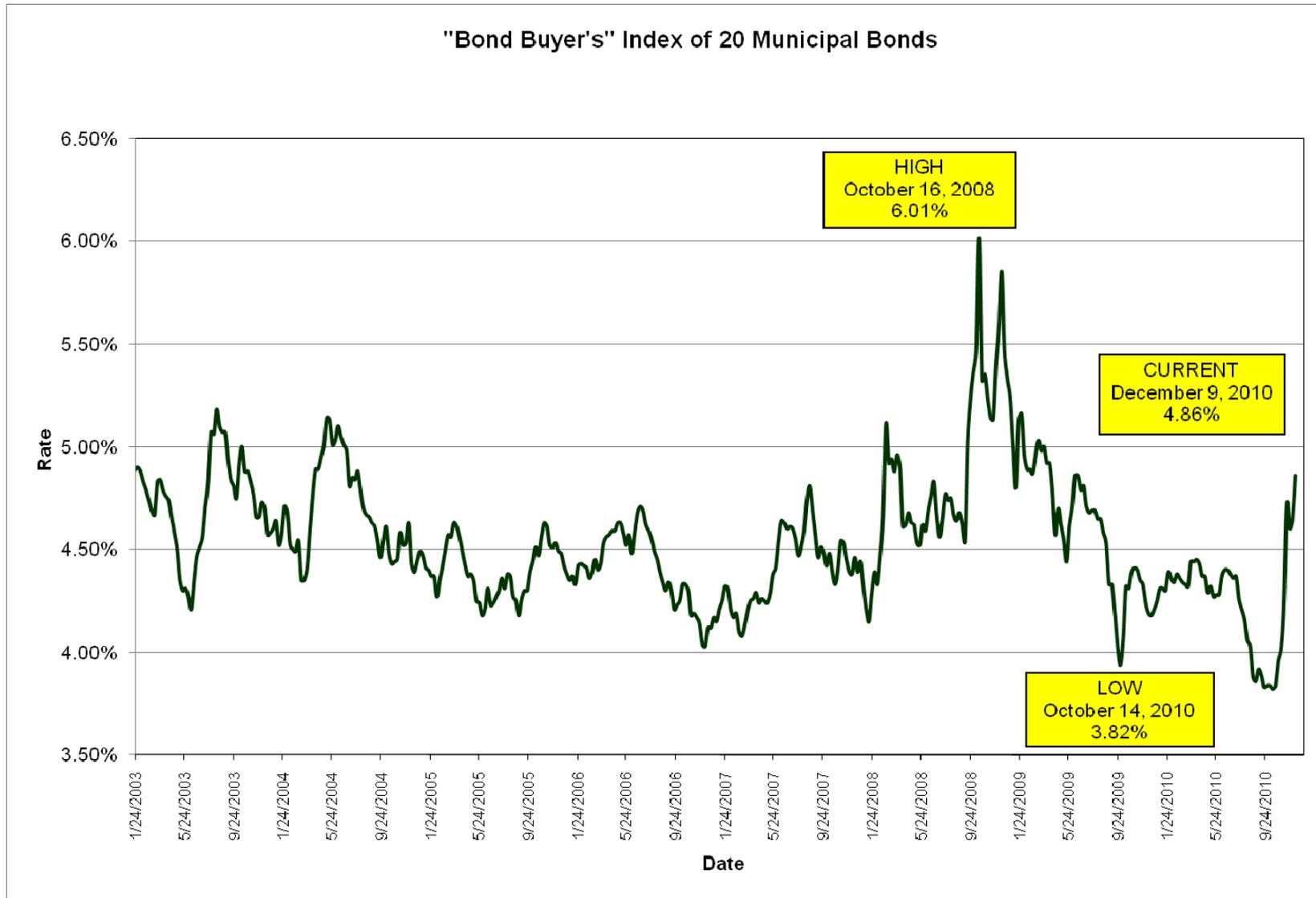


Market Update



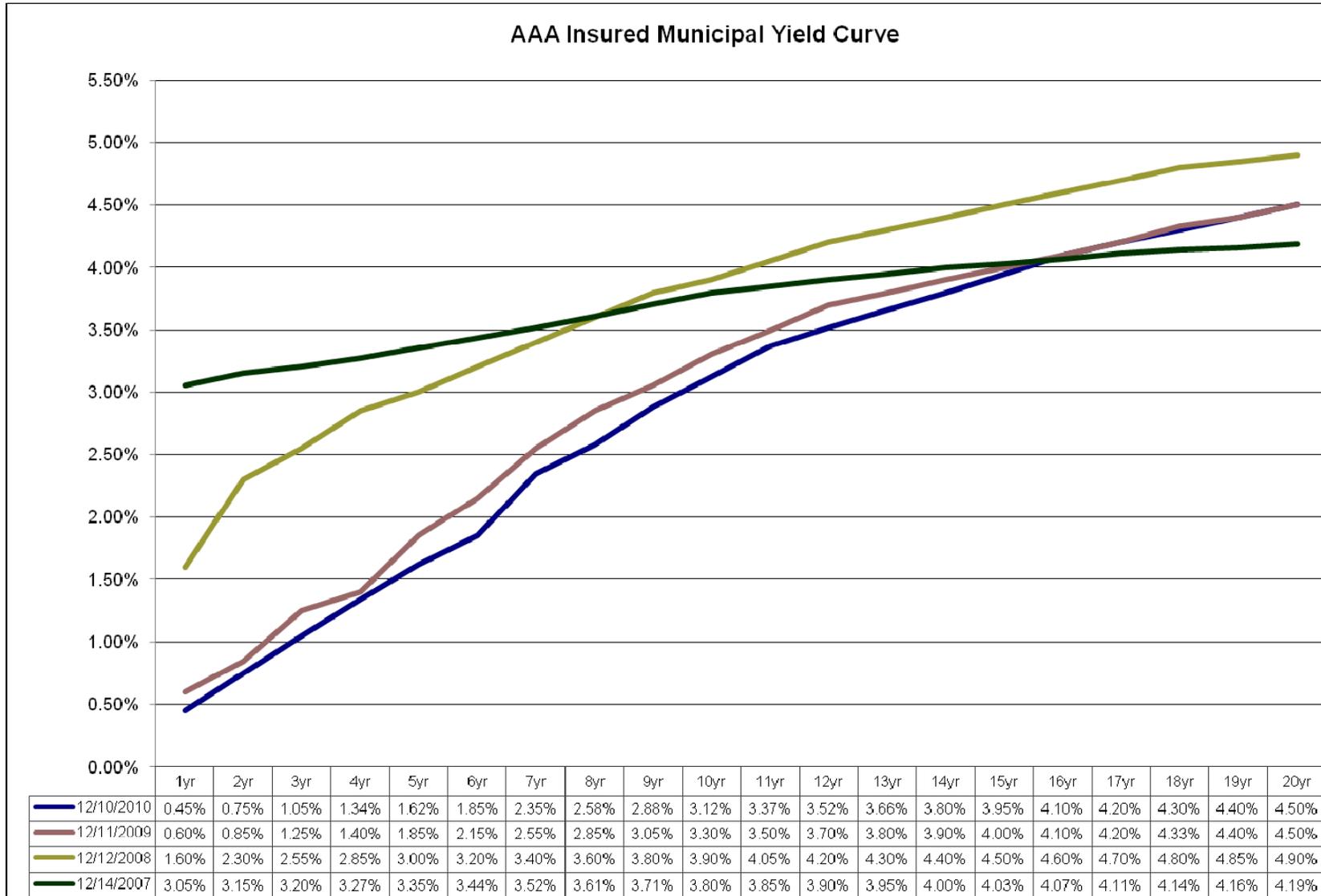
CITY OF WESLACO, TEXAS

Market Update



CITY OF WESLACO, TEXAS

Market Update



CITY OF WESLACO, TEXAS

GENERAL OBLIGATION REFUNDING ANALYSIS





Tax & Waterworks & Sewer System Revenue Certificates of Obligation, Series 1999

Private Placement with BBVA Compass Bank

Projected

- Original Principal Amount \$8,290,000
- Proposed Principal Refunded \$4,955,000
- Proposed Refunded Maturities 2011 – 2019
- Projected Interest Rate – 3.17%
- *Projected Gross Savings - \$224,395.84*
- *Projected Net Present Value Savings - \$211,551.82*
- *Projected Net Present Value Benefit as a Percent – 4.269%*

Actual

- Original Principal Amount \$8,290,000
- Principal Refunded \$4,955,000
- Refunded Maturities 2011 – 2019
- Interest Rate – 3.10%
- *Gross Savings - \$239,019.06*
- *Projected Net Present Value Savings - \$219,741.98*
- *Net Present Value Benefit as a Percent – 4.435%*

UTILITY REFUNDING ANALYSIS





Waterworks and Sewer System Revenue Bonds, Series 1998

Private Placement with BBVA Compass Bank

Projected

- Original Principal Amount \$5,930,000
- Proposed Principal Refunded \$2,795,000
- Proposed Refunded Maturities
2011 – 2017
- Projected Interest Rate – 3.00%
- *Projected Gross Savings - \$99,127.50*
- *Projected Net Present Value Savings - \$89,127.50*
- *Projected Net Present Value Benefit as a Percent – 3.189%*

Actual

- Original Principal Amount \$5,930,000
- Principal Refunded \$2,795,000
- Refunded Maturities
2011 – 2017
- Interest Rate – 3.19%
- *Gross Savings - \$78,690.75*
- *Net Present Value Savings - \$70,527.97*
- *Net Present Value Benefit as a Percent – 2.523%*

LOAN AGREEMENT



Loan Agreement



- The Voluntary Separation Program (“VSP”) requires certain expense obligations for the City
- The timing of these expenses is outlined within the VSP’s
- Weslaco, and cities in general, receives ad valorem tax revenues primarily in February and March
- The timing related to some of the expenses is prior to when the City receives ad valorem taxes
- This Loan Agreement is intended to provide short-term financing to be used to fund VSP expenses and to be repaid with ad valorem taxes

Loan Agreement



- The City has the opportunity to acquire short term financing to fund VSP related expenses with BBVA Compass Bank
- A not-to-exceed amount of \$ 1,500,000 anticipated to be drawn in two installments
 - The City would only draw the amounts needed
- 50% of the amount drawn plus accrued interest due February 28, 2011
- 50% of the amount drawn plus accrued interest due March 31, 2011
- Rate is set on the 15th of each month calculated at 1 Month LIBOR plus 300 basis points
 - Floor of 3.265%
- BBVA Compass Bank has requested an up-front fee of \$7,500 plus bank counsel's fees