

Summary of COP Financing Proposals and
Recommendation for Pueblo City-County Library COPs

Four underwriting firms and one direct purchase candidate responded to the District's Request for Proposals. Proposals were reviewed on behalf of the District by the District's Financial Advisor, Executive Director, Finance Director, and Board President (the "Review Panel").

Direct Purchase Proposal

A request for direct purchase proposals produced a single proposal from Wells Fargo Bank. The lack of proposals is attributed to the combination of the annual-appropriation risk which will underlies COPs and the District's need for 20-year, fixed-rate financing. 20-year, fixed rate financing does not conform to the preferences of as many bank lenders as does a 10-year financing, for example.

To its credit, Wells Fargo was able to deliver a proposal to purchase the COPs. In order to meet the 20-year fixed-rate requirement, however, the Wells proposal relied on the issuance of variable-rate COPs and the use of a variable-to-fixed rate interest rate swap agreement. After several conversations with Wells and a full interview with the Bank's representatives, an interest rate indication of 4.16% was delivered.

The Review Panel expressed concern about the relative complexity of the variable rate lease and the swap arrangement, and asked Wells Fargo to provide references for clients with financial backgrounds and staffing levels similar to the District's which had entered into similar swap arrangements for COPs. Citing confidentiality concerns with respect to its proprietary agreements, the Bank declined to provide references.

Although the Wells Fargo proposal included several structural advantages such as the "drawdown" of construction proceeds and the waiver of a reserve fund requirement, the actual interest rate indication is significantly higher than those received from underwriting firms. As a result, the overall cost to the District is projected to be higher under the Wells Fargo proposal than for the underwriting proposals.

Underwriting Proposals

The underwriting proposals were received from:

George K. Baum & Company
Piper Jaffray
RBC Capital
Stifel, Nicolaus & Company

Interviews were conducted with all four of the firms. In each interview, the underwriting firms were represented in person by members of their public finance departments. In addition, members of the firm's underwriting department participated either in person or

by telephone. It was further noted that Stifel, Nicolaus and RBC have local offices in Pueblo.

A review of underwriting credentials and performance over the years with COP's in Colorado confirmed the many capabilities, experience levels, and strengths of these firms.

The Review Panel sought to determine which firm created the highest level of confidence in its ability to deliver a low borrowing cost when marketing the COPs. Based on its review of the proposals and the interviews, the Review Panel recommends that Stifel Nicolaus be selected as the underwriter of the COPs. Stifels's perceived advantages are based on several observations:

1. Most aggressive interest rate and fee proposal. Total repayment costs of the Stifel proposal were \$80,000 - \$90,000 less than under the next-lowest interest rate indications. Stifel's TIC% (true interest cost) was 3.58% for 20-year COPs rate "A-" by Standard & Poor's. RBC's TIC% proposal was next-lowest at 3.65%.

The Review Panel has a high level of confidence that Stifel will be able to deliver on this pricing expectation, based on the experience of the assigned individuals and fact that part of the cost advantage comes from Stifel's low-fee proposal of \$4.00 per \$1,000 issued. (Other fee proposals were \$4.50, \$5.00, and \$5.75.)

2. High underwriting activity for Colorado COPs. Stifel and RBC reported the highest level of underwriting activity, with 25 issues each since 2008.
3. Experience with similar Library Districts. Stifel's references include Rangeview, High Plains, Garfield, and Arapahoe Library Districts. George K. Baum also had experience Library District COPs, including with PCCLD.

Recommendation

The Review Panel recommends proceeding with the firm of Stifel Nicolaus as the underwriter for the 2012 COPs. In doing so, it once again recognizes the outstanding qualifications of all the underwriting candidates which made proposals to the District during this process, as well as the efforts of Wells Fargo Bank to deliver an attractive direct purchase proposal.

June 4, 2012

Pueblo City-County Library District

5/14/2012

Summary of Underwriters' Projected Interest Rates and Resulting Debt Service
COPS - "A-" Rating by S&P - Non Bank-Qualified

	TIC %	Par Amount	DSRF / Annual Pmt	Total Net Payments @ 0%	Total Net Payments @ 1%
Wells Fargo No dsrf; swap	4.16	10,110,000	0 / 764,000	15,242,920	15,242,920
Stifel Nicolau:	3.58	10,570,000	781,125	14,799,140	14,664,868
RBC	3.65	10,930,000	785,931	14,970,045	14,751,823
GK Baum	3.72	10,370,000	791,450	15,011,787	14,855,476
Piper Jaffray	3.92	10,870,000	807,700	15,320,234	15,160,713