

ANN ARBOR PUBLIC SCHOOLS
Business Services Division
MEMORANDUM

TO: George Fornero, Superintendent
Trustees, Board of Education

FROM: Ormeela Lapp, Deputy Superintendent

DATE: August 5, 2004

SUBJECT: *Sale Of Building & Site Bonds- Update*

I am pleased to announce that the first series of the 2004 Building and Site Bonds (totaling some \$123,405,000) were sold on August 3, 2004 at an average interest rate of 4.68%. Once again, the district received very high ratings of 'Aa2' from Moody's and 'AA' from Standard & Poors. This is especially noteworthy in light of the State's present financial situation. In stating their rationale for this highly favorable assessment, Moody's noted that the Ann Arbor district exhibits a "Sound financial position characterized by strong balances and solid financial management". Standard & Poors noted that, "The district's financial operations are strong, buoyed by prudent management policies." and noted the district's "Solid financial performance bolstered by conservative management practices and long range planning".

Paul Stauder of Stauder Barch & Associates commented, "Bond insurance is used on almost every bond issue sold to produce a triple-A (AAA) credit rating. . ." However, the reputation of the Ann Arbor community along with the strong ratings resulted in the sale being completed without the need to purchase municipal bond insurance. This avoided the cost of insurance on the bond issuance of about \$260,000. The average 4.68% interest rate was lower than the prior estimate of 5.00%, producing an additional interest savings of approximately \$9.5 million for the taxpayers of the district.

On Wednesday, August 4th, we executed and delivered several documents; the Order Approving the Sale, the Bond Purchase Agreement, the Final Qualification Application and the Application Waiver (both to the Department of Treasury). Over the next several days, we will be receiving the balance of the closing documents. Final closing is scheduled for August 24th, 2004, at which time we will receive the proceeds from the sale of the bonds.

I would like to take this opportunity to thank my staff, Ed Light, Donna Welch and Sandy Elka for their help in providing information and data for the completion of the Official Statement and for their participation in the many meetings and conference calls during this process.

Many thanks to Bond Counsel, Amanda VanDusen, Financial Advisor, Paul Stauder, and Senior Underwriter, Suzanne Shank for their professional expertise in conducting and finalizing the sale of the bonds.