To All Bond Counsel:

Re: Put Option Contracts and Similar Agreements

We do not think that school districts and other issuers that do not qualify as issuers under art. 717q, Tex. Rev. Civ. Stat. Ann., have the authority to structure refundings involving contracts which purport to authorize selling a right to tender bonds purchased on the secondary market, to place on a third party the obligation to purchase or repurchase securities from the escrow, or to do anything similar. We have agreed to approve one financing involving this type of contract, where the bonds were sold based on a misunderstanding of this office’s position (DeSoto Independent School District). **We will not approve any other bonds for refundings structured in this manner**, unless we are persuaded in the future, by written legal argument, of the legal authority for such financings. Because of time constraints caused by the extremely large number of transcripts being received, we will be unable to respond to any such legal argument in the foreseeable future.

Thank you for your cooperation in distributing this information to your colleagues and clients. Additionally, to the extent possible, please delay questions regarding novel or otherwise complex financing structures until after the current wave of bond issues has receded.

Very truly yours,

Jim Thomassen
Assistant Attorney General
Chief, Public Finance Division

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