



**Independent
Bankers
Association
of Texas**

March 17, 2024

The Honorable J. Bruce Bugg, Jr.
Chair, Texas Transportation Commission
125 E. 11th St.
Austin, TX 78701

Re: Notice of Redemption; CUSIPs 88283LKV7, 88283LKU9, 882830AD4, 882830AE2, 882830AF9, 882830AG7, 882830AH5, 882830AJ1, 882830AK8, 882830AL6, 882830AM4, and 882830AN2

Dear Chairman Bugg:

I write you today on behalf of the Independent Bankers Association of Texas, a trade association that exclusively represents more than 300 community banks that are headquartered in our great State.

As you are no doubt aware, Notices of Redemption have been issued indicating that the bonds referenced above are being called on March 28, 2024 and April 1, 2024 using a 'make whole call provision.' The Independent Bankers Association of Texas ("IBAT") is very concerned about the serious negative ramifications of this action on both the state in regard to future bond issues and for Texas community banks that purchased these bonds.

Over the past 15 or so years, declining interest rates that fell to historically low levels, and remained low, made calls using a make whole provision a rarity. Community banks invested in these bonds at a significant premium when rates were low, and their value has since dropped substantially in the current rising rate environment. However, there was very little risk that the banks would ever have to realize these losses if the bonds were held to maturity and the purchase premiums amortized to the full term. Additionally, the make-whole provision as written is not reflective of the high premiums paid given the above market coupon of the bonds at issuance and does not make investors whole in the event of an early call. This unprecedented and extremely early call ensures Texas community banks will face a real and substantial loss.

This is happening despite the state having received almost \$200 million in premiums when the bonds were issued that investors in large part will have to write-off. This early call date will result in the state reaping a windfall of the unamortized premiums associated with those bonds. In other words, the state wins, and investors, and community banks in particular, are left facing a real and substantial loss. This is occurring with the backdrop of the state having a \$20 billion surplus.

Christopher C. Doyle
IBAT Chairman
Texas First Bank, Texas City

Tracy Harris
IBAT Chairman-Elect
Texas

Michael Scaief
IBAT Secretary-Treasurer
Texas Regional Bank, Harlingen

K. Kyle Irwin
IBAT Immediate Past Chairman
Western Bank, Gruver

Matthew A. Crable
Chairman
IBAT Leadership Division
Texas First Bank, Pearland

Bradley H. Tidwell
Chairman
IBAT PAC Committee
VeraBank, Henderson

Kevin W. Monk
Chairman
IBAT Education Foundation
Alliance Bank, Sulphur Springs

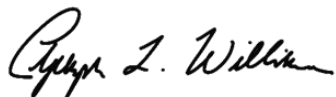
Christopher L. Williston VI, CAE
President and CEO
IBAT, Austin

Additionally, this will have a deleterious effect on future state bond issues making those bonds less attractive to investors resulting in both fewer investors and potentially higher costs for the state.

Community banks are proud partners of our local communities and the State government as they issue bonds to support actions for the public good. Any action that sacrifices that good will for temporary gain will have negative ramifications on the State of Texas and its ability to fund public projects in the future.

We implore the Commission to reconsider this bond call at such an early date.

Sincerely,

A handwritten signature in black ink, reading "Chris L. Williston". The signature is written in a cursive, flowing style.

Christopher L. Williston, CAE
President and CEO