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August 8, 2013

Dr. Jamie Wilson
Superintendent of Schools
Denton Independent School District
1307 North Locust
Denton, Texas 76201

Ms. Debbie Monschke
Assistant Superintendent of Administrative Services
Denton Independent School District
1307 North Locust
Denton, Texas 76201

Re: Denton Independent School District – Updated Financing Plan – $45 Million Bond Sale – 2007 Bond Program

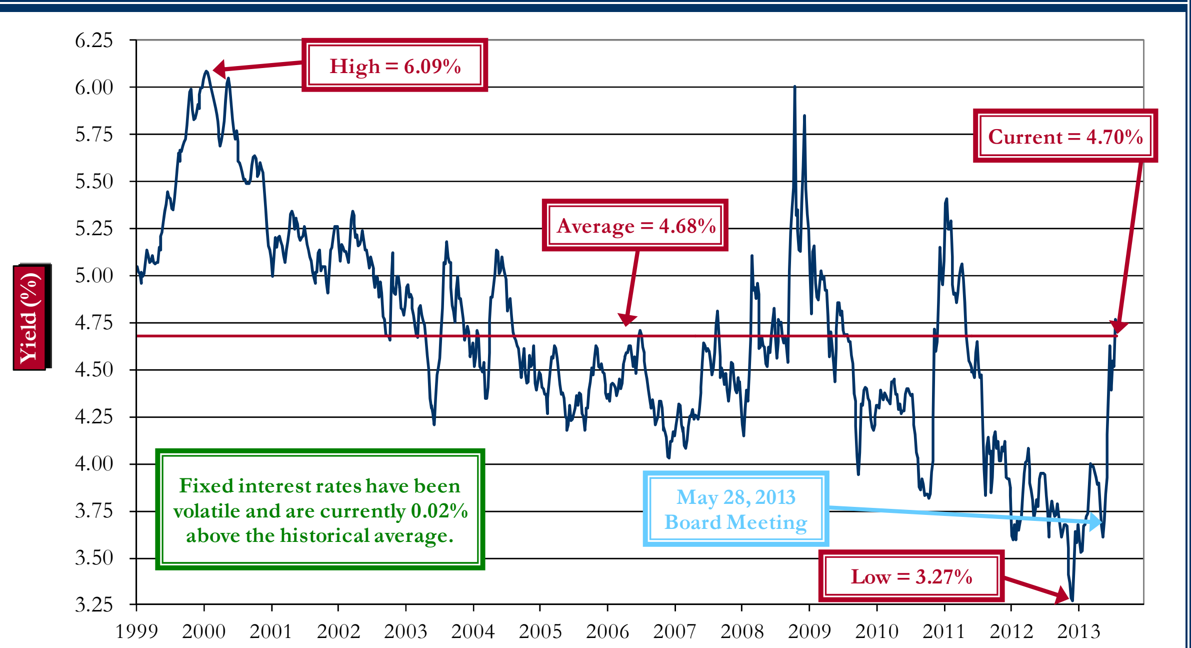
Dear Dr. Wilson and Ms. Monschke:

On May 28, 2013, Denton Independent School District (the "District") approved a "Parameters Bond Order" authorizing the sale $45.0 million of bonds from the 2007 Bond Program (the "Series 2013 Bonds"). Since fixed interest rates were near historical lows at the time of approval, a fixed rate bond sale for the Series 2013 Bonds was recommended to be the most prudent financing plan. However, given the dramatic increase of fixed interest rates that has been experienced since the end of May 2013, we believe it is more prudent for the District to use a variable rate structure for the Series 2013 Bonds in order to lower the long-term borrowing cost for taxpayers. This memorandum reviews the financing plan for the sale of the District's Series 2013 Bonds given the recent interest rate increases in the municipal market.

Recent Increase in Interest Rates

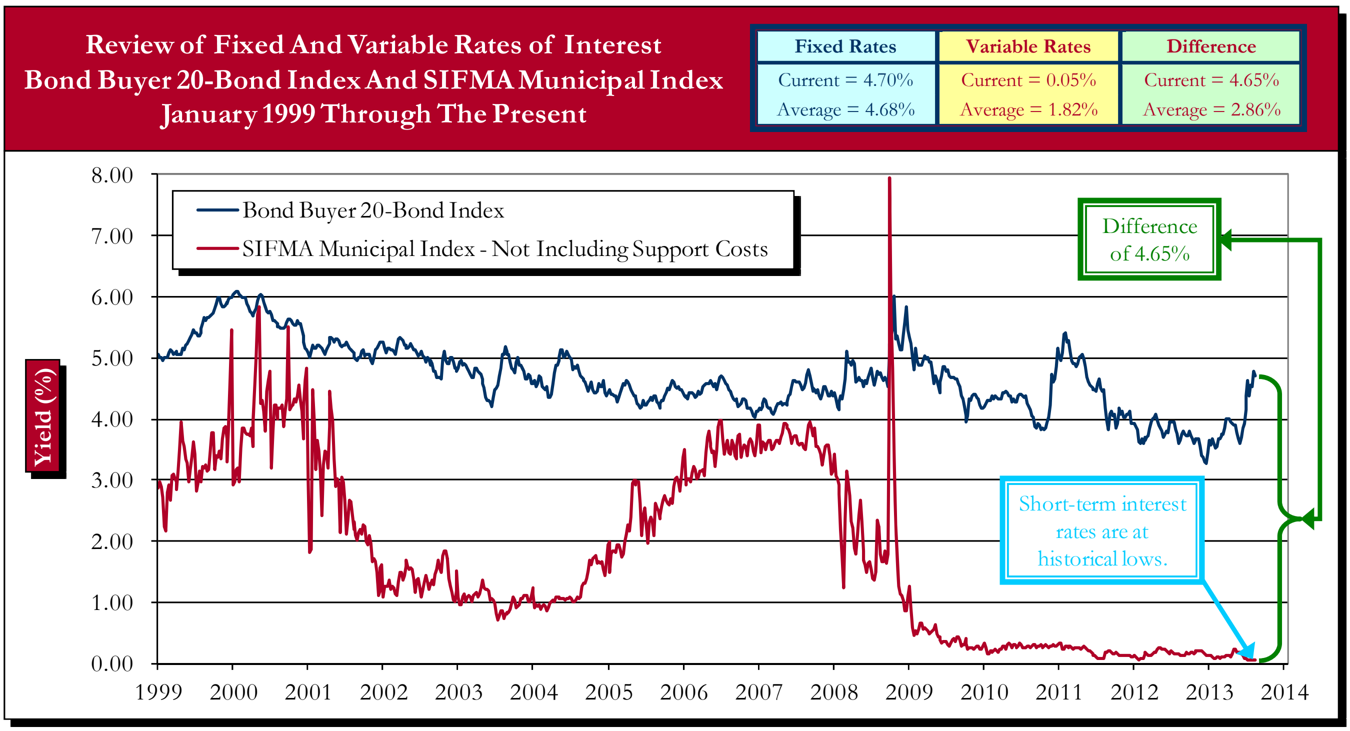
Over the last two-months, fixed rates of interest have increased due to the expectation that the Federal Reserve will begin to taper its $85 billion per month bond purchasing program, also known as the "Quantitative Easing" or "QE Program". The QE Program is employed by the Federal Reserve to help maintain lower interest rates in order to stimulate the economy. As evidenced by the Bond Buyer 20-Bond Index below, interest rates have increased by 1.00%, from 3.70% on May 28, 2013 (i.e. the date the District adopted a "Parameters Bond Order" to sell fixed rate bonds) to 4.70% – Making fixed rate bonds less attractive.

The Bond Buyer 20-Bond Index – A Tax-Exempt General Obligation Bond Yield Index – January 1, 1999 To The Present



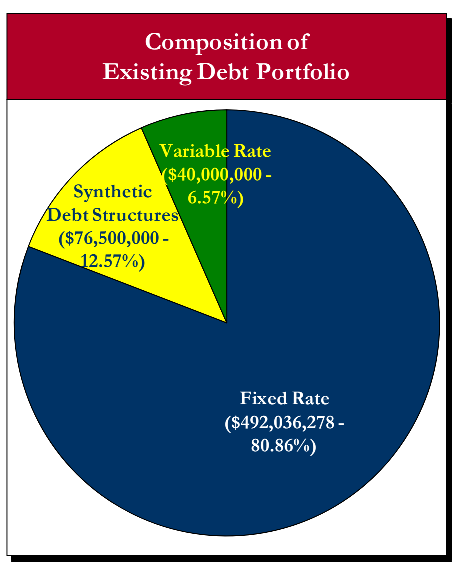
Comparison of Interest Rates – Fixed and Variable Rate Bonds

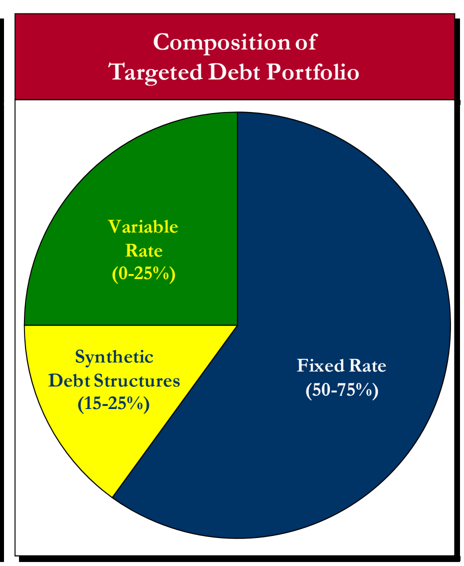
Although fixed interest rates have recently increased, variable interest rates have remained near historical lows as demonstrated within the graph below. In addition, the difference between variable and long-term fixed rates has continued to widen since May 28, 2013, making a variable rate bond structure more attractive than a fixed rate bond sale. Based upon the historically low variable interest rates and given the recent increase of fixed interest rates, we believe it is prudent for the District to use a variable rate structure for its Series 2013 Bonds and to use an initial 5-year interest rate term (i.e. interest rate on Series 2013 Bonds will be fixed for the first 5-years). Based upon current market conditions, we estimate the District's initial variable interest rate to be 2.00%, which compares favorably with the fixed rate alternative of 4.75%. Based upon the current difference between these variable and fixed rates of interest, the use of variable rate bonds for the sale of the Series 2013 Bonds will lower the District's borrowing cost by approximately $5.2 million over the next 5-years (average of $1,040,000 per year).



Composition of District's Existing and Targeted Debt Portfolio

Variable rate bonds currently comprise only 6.57% of the District's existing debt portfolio and, pursuant to the District's Debt Management Policy, variable rate bonds are targeted to comprise up to 25% of the District's debt portfolio. As such, given the recent interest rate increase of fixed rate bonds, the use of a variable rate structure for the Series 2013 Bonds will also provide a unique opportunity for the District to increase its variable rate debt position to more closely reflect its targeted debt portfolio – Upon the sale of the Series 2013 Bonds, variable rate bonds will comprise 13.01% of the District's debt portfolio.





"Parameters" For Variable Rate Structure – Series 2013 Bonds

The following is a representative listing of parameters we recommend be used for the sale of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2013.

1.) A maximum of $45,000,000 (principal amount) may be issued;

2.) The initial interest rate on the Series 2013 Bonds does not exceed the highest lawful rate;

3.) The final maturity of the Series 2013 Bonds must not exceed August 1, 2043; and

4.) The District must complete the sale on or prior to February 9, 2014 (i.e. six-months after the "Parameters Bond Order" is adopted).

Unless the parameters detailed above can be achieved, additional direction from the Board of Trustees must be received.

Preliminary Timetable

Although the District will consider the approval of new "Parameters Bond Order" to permit the Series 2013 Bonds to be sold with a variable rate structure, the sale of the District's Series 2013 Bonds will not be delayed – As all items required to sell the Series 2013 Bonds have or will be completed no later than August 16, 2013 (see "Preliminary Timetable" below).

Preliminary Timetable

Date	Action Necessary
August 13, 2013	Board Meeting – Discuss Updated Financing Plan And Consider "Parameters Bond Order" Authorizing Issuance Of The Series 2013 Bonds.
August 16, 2013	**Completion Of All Items Necessary To Sell The Series 2013 Bonds (i.e. Preliminary Official Statement Completed, Ratings Received, Permanent School Fund Guarantee Received, etc.).**
TBD	Pricing – Negotiated Sale Of The Series 2013 Bonds Within The Specified Parameters – Interest Rate Locked-In.
1-Business Day After Pricing	The District's Administration Approves Sale Of Series 2013 Bonds.
On or Prior to February 9, 2014	Closing – Proceeds Of Series 2013 Bonds Are Delivered To District.

Closing

We hope this information is helpful as you manage the District's financial and debt position. Should any questions arise, additional material is preferred or we may be of any assistance, please let us know. We look forward to visiting with you soon and hope all is well!

Sincerely,

William J. Gumbert
Managing Director

Joshua M. McLaughlin
Investment Banker