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March 13, 2014

Dr. James Monaco  
Chief Financial Officer  
Aubrey Independent School District  
415 Tisdell Lane  
Aubrey, Texas 76227

**Re: Aubrey Independent School District – Update of Refunding Program**

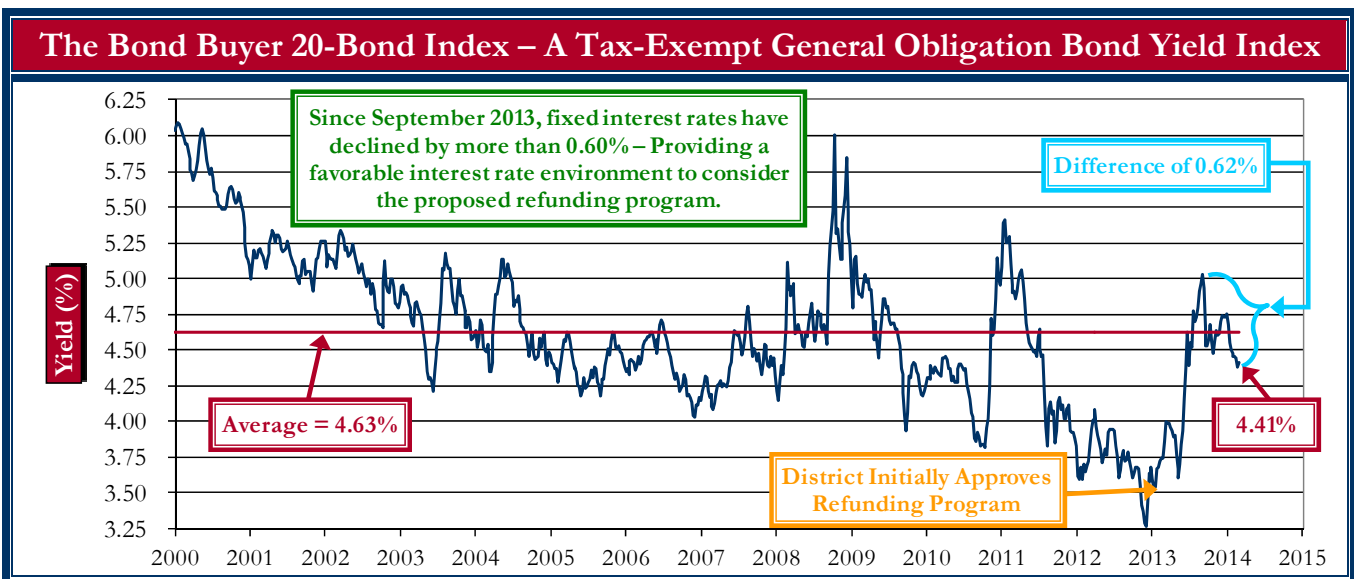
Dear Dr. Monaco:

This letter updates the savings potentially available to Aubrey Independent School District (the “District”) by completing a refunding of its Unlimited Tax School Building and Refunding Bonds, Series 2007 (the “Series 2007 Bonds”) at a lower interest rate. Given the recent decline of interest rates, we have also included a preliminary timetable to allow the District to potentially realize such savings for taxpayers for your review.

**Proposed Refunding Program – Review and Update**

Based upon interest rates reaching historical lows in late December 2012, the District proactively approved the flexibility to refund a portion of its existing Series 2007 Bonds at a lower interest rate in January 2013. Although outside of the District’s direct control, before each required step could be completed for the refunding program (i.e. securing Permanent School Fund Guarantee, bond rating, offering document preparation, etc.), interest rates sharply increased. This increase was primarily attributable to the anticipated termination of the Federal Reserve’s “Quantitative Easing Program” that had been deployed to keep interest rates low to encourage economic growth. As a result and similar to the refinancing of a home mortgage, the District’s savings were correspondingly diminished and the refunding program was temporarily delayed. It is important to note, the District has not incurred any of pocket expenses for the refunding program at this time.

As financial advisor to the District, we have continued to monitor the District’s potential savings from the refunding program and based upon the decline of interest rates experienced since the September 2013 (see graph below), we are pleased to report the District’s refunding program has once again become cost-effective.



**Savings Currently Available**

Based upon current market conditions, the table below summarizes the savings potentially available to the District. Please note, the savings are net of all costs associated with the refunding program.

<b>Summary of Savings Available</b>	
<b>Description</b>	<b>Summary of Potential Results</b>
<b>Principal Amount of the Series 2007 Bonds to be Refunded</b>	<b>\$ 7,427,571</b>
<b>Maturity Amount of the Series 2007 Bonds to be Refunded</b>	<b>9,845,000</b>
<b>Interest Rate on the Series 2007 Bonds to be Refunded</b>	<b>4.48%</b>
<b>Interest Rate on the Refunding Bonds</b>	<b>2.34%</b>
<b>Total Debt Service Savings</b>	<b>\$ 905,618</b>
<b>Average Annual Savings (Years 2014/15 – 2029/30) (i.e. 16-Years)</b>	<b>56,593</b>
<b>Total Debt Service Savings as a Percentage of the Debt Service on the District's Existing Series 2007 Bonds to be Refunded</b>	<b>6.77%</b>

**Bonds to be Refunded**

The following table summarizes the District's existing Series 2007 Bonds that are currently cost-effective to refund at a lower interest rate.

<b>Summary of Series 2007 Bonds to be Refunded</b>						
<b>Issue Outstanding</b>	<b>Principal Amount To Be Refunded</b>	<b>Maturity Amount To Be Refunded</b>	<b>Maturities To Be Refunded</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
Unlimited Tax School Building & Refunding Bonds, Series 2007 [Current Interest Bonds]	\$ 7,035,000	\$ 7,035,000	02/15/2020 – 2030	4.42%	02/15/2016	100.0%
Unlimited Tax School Building & Refunding Bonds, Series 2007 [Capital Appreciation Bonds]	392,571	2,810,000	02/15/2017 – 2019; 2025 – 2026	4.72%	02/15/2016	100.0%
<b>Totals:</b>	<b>\$ 7,427,571</b>	<b>\$ 9,845,000</b>	---	4.48%	---	---

**Next Steps – Approval of “Parameters Bond Order” for Refunding Program**

The original “Parameters Bond Order” approved by the Board of Trustees in January 2013 to authorize the refunding program is no longer a valid and binding document. As such, the District’s Board of Trustees is required to approve another “Parameters Bond Order” to re-authorize the refunding program. The following is a representative listing of parameters we recommend the District utilize for its refunding program.

- 1.) The District achieves total savings of at least \$800,000;
- 2.) The maximum principal amount of Refunding Bonds to be issued is \$10 million;
- 3.) The interest rate (federal arbitrage yield) on the Refunding Bonds may not exceed 3.00%;
- 4.) The final maturity of the Refunding Bonds may not exceed February 15, 2041 – The same final maturity as the existing Series 2007 Bonds to be refunded; and
- 5.) The Refunding Program must be completed prior to September 22, 2014.

If each parameter listed above cannot be achieved, the refunding program will not be completed unless additional direction is received from the Board of Trustees.

**Preliminary Timetable**


The preliminary timetable for the sale of the Refunding Bonds is listed below for your review.

<b>Preliminary Timetable – Refunding Program</b>	
<b>Date</b>	<b>Action Necessary</b>
March 26, 2014	Board Meeting – Discuss Refunding Program and Consider “Parameters Bond Order” authorizing issuance of Refunding Bonds.
<b>April 14, 2014</b>	<b>Completion of all actions necessary to complete the refunding program.</b>
TBD	Pricing – Negotiated sale of the Refunding Bonds– Savings locked-in at this time.
1-Business Day After Pricing	The District’s Administration approves sale of Refunding Bonds within established parameters.
On or Prior to September 22, 2014	Closing – The refunding program is completed and the District begins paying the lower interest rate on the Refunding Bonds.

**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. Gumber  
 Managing Director

  
 Joshua M. McLaughlin  
 Investment Banker