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October 20, 2014

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: Variable Rate Unlimited Tax School Building Bonds, Series 2006-B –
Replacement of Existing Standby Bond Purchase Agreement**

Dear Dr. Wilson and Ms. Monschke:

Introduction

As originally designed, Denton Independent School District's (the "District") existing Standby Bond Purchase Agreement ("SBPA") with Wells Fargo Bank, N.A. to provide liquidity for the remarketing of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Bonds") expires on December 31, 2014. This memorandum summarizes our recommendation for obtaining the required SBPA for the Bonds and the required actions related thereto.

Historical Savings from Variable Rate Unlimited Tax School Building Bonds, Series 2006-B

In order to lower its overall borrowing cost, the District issued its \$30,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-B and simultaneously entered into a swap agreement to "synthetically" fix the interest rate on the Bonds. **Based upon this financing structure, the District has reduced the cost of taxpayers by more than \$4.0 million.**

Role of the Standby Bond Purchase Agreement Provider

Pursuant to the traditional and accepted structure of variable rate financings, at the time a new interest rate is set and at certain other times, the owners of the Bonds may elect to "tender" their bonds for sale to new investors and "demand" repayment at such time. When a bond is "tendered" for sale, the Standby Bond Purchase Agreement Provider is responsible for purchasing the Bonds from the existing owners until the Bonds are resold to another investor. As such, the SBPA Provider provides "liquidity" to current bondholders by ensuring a bondholder will receive timely repayment of the Bonds at the time it is "tendered."

Pursuant to the original financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors at market rates of interest, the District is required to maintain a Standby Bond Purchase Agreement Provider for the Bonds. Therefore, prior to the expiration of the District's existing SBPA with Wells Fargo Bank, N.A. on December 31, 2014, the District is required to obtain a new Standby Bond Purchase Agreement.

Recommendation

In an effort to achieve consistent remarketing execution and lowest price for Denton ISD and its taxpayers, BOSC, Inc. requested "bids" from certain qualified SBPA Providers, including Bank of America, Bank of Tokyo-Mitsubishi UFJ, JPMorgan Chase Bank, Royal Bank of Canada ("RBC"), State Street Bank, Sumitomo Mitsui Banking Corporation, US Bank and Wells Fargo Bank. As summarized within the table on the following page, the District received 4 bids and each bid was evaluated based upon the following criteria:

- A. The proposed fee; and
- B. The ratings and perceived financial stability of the financial institutions submitting a bid.

Pursuant to the aforementioned criteria, it is our opinion the best combination of the proposed fee and highest rated financial institution was the bid proposed by the Bank of Tokyo-Mitsubishi UFJ at 0.40% per year and the agreement would be for a 4-year period. The District is currently paying 0.40% per year to Wells Fargo Bank, N.A., as such there is no cost increase to Denton ISD by selecting Bank of Tokyo-Mitsubishi UFJ as the new SBPA Provider for the Bonds. It is important to emphasize, the annual cost difference between the lowest bid of 0.34% and the recommended bid of 0.40% equals approximately \$18,000.

Summary of Proposals Received			
Prospective SBPA Provider	Proposed Fee	Expiration Date of Agreement	Long-Term Ratings (Moody's S&P Fitch)
Bank of Tokyo-Mitsubishi UFJ	0.400%	December 31, 2018	Aa3 (Stable) A+ (Stable) A (Stable)
Sumitomo Mitsui Banking Corp.	0.340%	December 31, 2018	Aa3 (Stable) A+ (Negative) A- (Stable)
JPMorgan Chase Bank, N.A.	0.620%	December 31, 2018	Aa3 (Stable) A+ (Stable) A+ (Stable)
Wells Fargo Bank, N.A.	0.700%	December 31, 2017	Aa3 (Stable) AA- (Stable) AA- (Stable)

Overview of Bank of Tokyo-Mitsubishi UFJ

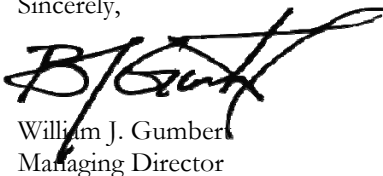
Bank of Tokyo-Mitsubishi UFJ is the largest bank in Japan and the 5th largest bank in the world (per “Relbanks – Top Banks in the World 2014”) with assets of approximately \$1.96 trillion. As part of the Mitsubishi Group of Companies, the roots of the bank date to year 1880 and in year 2008, the bank entered into an agreement to purchase 20% of Morgan Stanley. Bank of Tokyo-Mitsubishi UFJ also currently has liquidity agreements with other Texas municipal issuers, including the City of Austin, Harris County, City of Houston, City of San Antonio and Texas Veteran’s Land Board.

Closing

Given the historical benefits provided by the District’s 2006-B Bond financing structure, we recommend the District approve the Bank of Tokyo-Mitsubishi UFJ as the new SBPA Provider for the Bonds and delegate the authority to the District’s Administration to approve the final terms and conditions, in consultation with BOSCO, Inc. and McCall, Parkhurst & Horton L.L.P., the District’s bond counsel. It is currently anticipated the SBPA will be finalized by the end of December 2014.

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
Managing Director