BOSC, Inc.

William J. Gumbert
Managing Director
Phone: (214) 576-0880
Facsimile: (214) 576-0890
bgumbert@boscinc.com

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: Variable Rate Unlimited Tax School Building Bonds, Series 2005-A – Extension of Existing Standby Bond Purchase Agreement

Dear Dr. Wilson and Ms. Monschke:

Introduction

Denton Independent School District's (the "District") existing Standby Bond Purchase Agreement ("SBPA") with Bank of America, N.A. for the District's Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Bonds") is scheduled to expire on December 27, 2013. As anticipated, Bank of America, N.A. has agreed to extend the existing SBPA for an additional 3-year period to allow the Bonds to continue to remain outstanding at market rates of interest. This memorandum summarizes the actions necessary to extend the District's existing SBPA.

Historical Savings from Variable Rate Unlimited Tax School Building Bonds, Series 2005-A

In order to lower its overall borrowing cost, the District issued its $46,500,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005-A and simultaneously entered into a swap agreement to "synthetically" fix the interest rate on the Bonds. **Based upon the financing structure utilized, the District has reduced the cost of taxpayers by more than $2.25 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 in the event they cannot immediately be 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 the District's existing SBPA with Bank of America, N.A. expiring on December 27, 2013, the District is required to extend its current agreement with Bank of America, N.A. or appoint a new Standby Bond Purchase Agreement Provider.

Recommendation

At this time, BOSC, Inc. believes it is prudent for the District to maintain the Bonds in their original financing structure. Bank of America, N.A. has agreed to extend the existing Standby Bond Purchase Agreement for an additional 3-year period and lower the annual fee from 0.55% to 0.39% – Resulting in a savings of $236,592 over the next 3-years.

Given the historical benefits provided by the financing structure of the District's Bonds, we recommend the District approve an extension of the existing Standby Bond Purchase Agreement with Bank of America, N.A. and delegate the authority to the District's Administration to approve the final terms and conditions, upon consultation with BOSC, Inc. and McCall, Parkhurst & Horton L.L.P., the District's bond counsel. It is currently anticipated the SBPA will be finalized not later than October 2013.

Closing

We hope this information is helpful as you manage the District's current and future financial position. Should any questions arise or additional information is needed, please do not hesitate to contact us. Hope all is well and we look forward to visiting with you soon.

Sincerely,

William J. Gumbert
Managing Director

Joshua M. McLaughlin
Investment Banker