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August 18, 2010

Dr. Ray Braswell
 Superintendent of Schools
 Denton Independent School District
 1307 North Locust
 Denton, Texas 76201

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

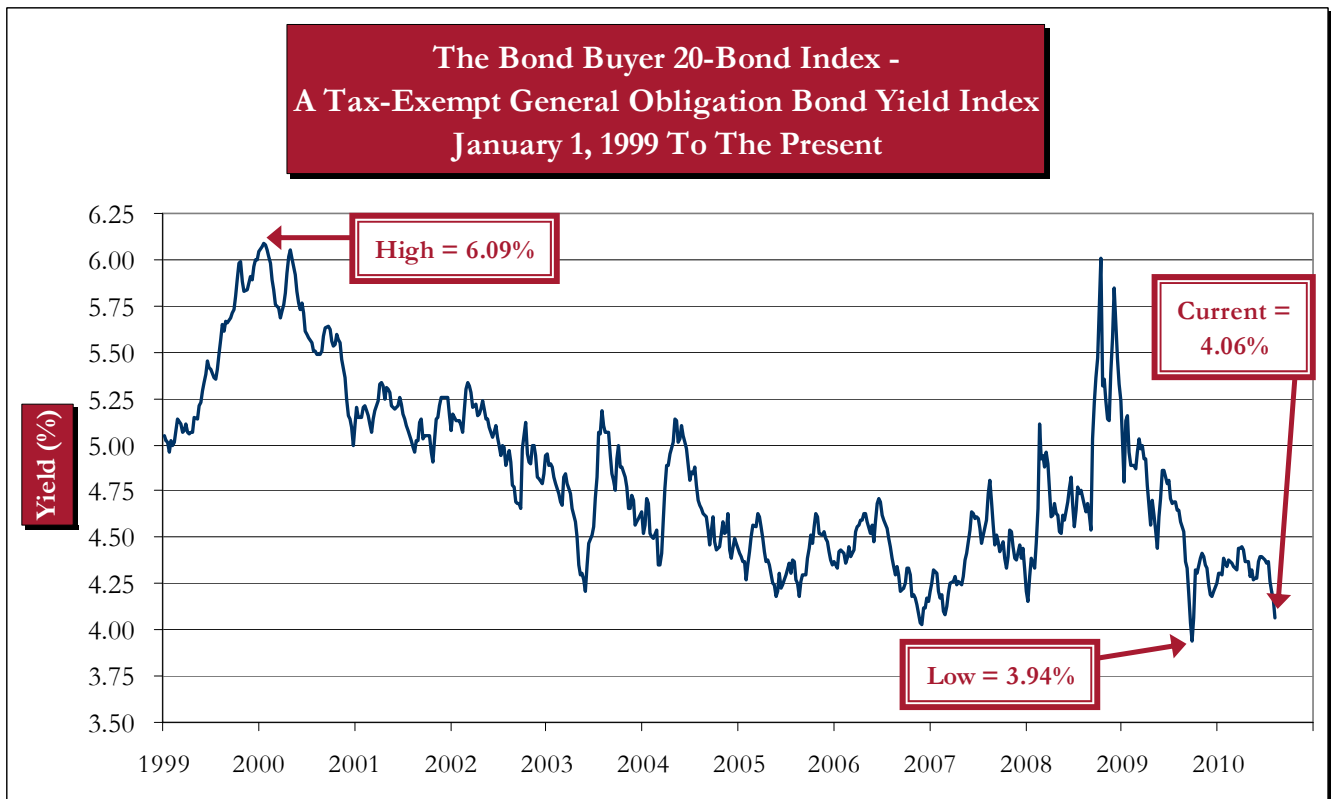
Re: Refunding of the District’s Outstanding Bonds at a Lower Interest Rate

Dear Dr. Braswell and Ms. Monschke:

This memorandum summarizes the savings currently available to Denton Independent School District (the “District”) by refunding a portion of its outstanding Unlimited Tax School Building and Refunding Bonds, Series 1998, Unlimited Tax School Building and Refunding Bonds, Series 1999, Unlimited Tax School Building and Refunding Bonds, Series 2001 and Unlimited Tax School Building and Refunding Bonds, Series 2004 (collectively, the “Bonds to be Refunded”) at a lower interest rate and it reviews the preliminary financing plan to realize such savings.

Current Market Review

Fixed rates of interest are currently near historical lows as evidenced by the Bond Buyer Index (the “Index”), a weekly index of 20 municipal bonds depicted below.



Financing Structure

Given current economic conditions and the impact on the District's taxable values and corresponding revenues available for bond payments, the savings are to be received in year 2011/12 to minimize any financial impact to the District next year. The financing structure to refund the District's Bonds to be Refunded is as follows.

- Based upon prevailing market conditions, the District would sell new refunding bonds at a lower interest rate (the "Refunding Bonds");
- The proceeds of the Refunding Bonds would be used to repay the District's Bonds to be Refunded on their earliest redemption dates and to pay the costs of issuance associated with the refunding program; and
- Once completed, the Bonds to be Refunded would no longer be outstanding and the District would only be responsible for paying the new Refunding Bonds.

Summary of Current Savings Available

Based upon prevailing market conditions, the table below summarizes the savings currently available to the District. It is important to note this refunding exceeds the established savings targets within the District's Debt Management Policy.

Summary of Savings Available	
Description	Upfront Savings In Year 2011/12
Principal Amount of the Bonds to be Refunded	\$24,940,000
Interest Rate on the Bonds to be Refunded	5.09%
Interest Rate on the Refunding Bonds	2.26%
Escrow Yield	1.59%
Total Debt Service Savings	\$1,880,733
Savings in Year 2011/12	1,852,899
Present Value Debt Service Savings	1,822,333
Present Value Savings as a Percentage of the Principal Amount of the Bonds to be Refunded	7.30%
Opportunity Cost of Advance Refunding – "Negative Arbitrage"	\$328,296

Opportunity Cost of Advance Refunding – "Negative Arbitrage"

Since investment rates on the United States Treasury obligations required to fund the repayment of the District's outstanding Series 2004 Bonds until August 15, 2014 (their earliest redemption date) are lower (i.e. 1.59%) than the interest rate on the Refunding Bonds (2.26%) (i.e. "Negative Arbitrage"), a refunding currently increases the District's cost to repay such bonds by an additional \$328,296. In other words, if interest rates remained constant and the District waited to complete the refunding in year 2014, the District's savings would increase by over \$328,296. On the other hand, if the District waited until year 2014 to complete the refunding and interest rates increased by more than 0.20%, the District's savings would be less than the \$1,880,733 currently available. Please note, the "Negative Arbitrage" referenced herein does not change the savings currently available as summarized within the aforementioned table.

Summary of Bonds to be Refunded

The following table summarizes the District’s existing Bonds to be Refunded at a lower interest rate.

Summary of Bonds to be Refunded					
Issue Outstanding	Principal Amount To Be Refunded	Maturities To Be Refunded	Interest Rate	Redemption Date	Redemption Price
Unlimited Tax School Building and Refunding Bonds, Series 1998	\$ 490,000	08/15/2014 – 18, 2021	5.17%	12/17/10	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 1999	1,535,000	08/15/2011 – 17, 2019, 2021	5.21%	12/17/10	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 2001	7,240,000	08/15/2012 – 15	5.50%	02/15/11	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 2004	15,675,000	08/15/2016 – 21	5.00%	08/15/14	100.0%
Totals	\$24,940,000	---	5.09%	---	---

Recommendation

Based upon current market conditions, we recommend the District move forward with the Refunding Program by approving a so-called “Parameters Order.” Pursuant to this order, the District’s Board of Trustees would delegate the ability to approve the sale of the Refunding Bonds to the District’s Superintendent and Executive Director of Administrative Services, so long as certain parameters are met. We recommend the District utilize the following parameters for the District’s Refunding Program:

- 1.) The District achieves at least \$1,000,000 of savings;
- 2.) A maximum of \$24,940,000 (principal amount) of Refunding Bonds may be issued;
- 3.) The interest rate (federal arbitrage yield) on the Refunding Bonds may not exceed 3.00%; and
- 4.) The refunding program is completed prior to February 28, 2011.

Unless each parameter listed above is achieved, the Refunding Bonds would not be issued unless additional direction is received from the District.

Preliminary Timetable

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

Preliminary Timetable – Refunding Bonds	
Date	Action Necessary
August 24, 2010	Board Meeting – Discuss Refunding Program and consider “Parameters Order” authorizing issuance of Refunding Bonds pursuant to specified parameters.
September 14, 2010	Completion of all actions necessary to complete the Refunding Program.
TBD	Pricing – Negotiated sale of the Refunding Bonds within the specified parameters – Savings locked-in at this time.
1-Business Day After Pricing	The District’s Administration approves sale of Refunding Bonds.
On or Prior to February 28, 2011	Closing – The Refunding Program is completed and the Bonds to be Refunded are no longer outstanding.

Underwriting Team

The Underwriting Team for the sale of the Refunding Bonds is summarized below. It is important to note that First Public LLC and Piper Jaffray & Co. have been added to the District’s existing underwriting pool.

Overview of Underwriting Team Members	
■ Senior Manager:	Raymond James & Associates, Inc.
■ Co-Manager:	First Public LLC / Piper Jaffray & Co.
■ Co-Manager:	First Southwest Company

Closing

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

Sincerely,



William J. Gumbert
 Managing Director



Joshua M. McLaughlin
 Vice President