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Dr. Ray Braswell
 Superintendent
 Denton Independent School District
 1307 N. Locust
 Denton, Texas 76201

Ms. Debbie Monschke
 Executive Director of Budget & Finance
 Denton Independent School District
 1307 N. Locust
 Denton, Texas 76201

RE: PRELIMINARY FINANCING PLAN – 2004 BOND PROGRAM

INTRODUCTION

The purpose of this memorandum is to review the preliminary financing plan for the sale of Denton Independent School District's (the "District") remaining 2004 bond authorization (the "Series 2007 Bonds"). Please note, this information is based upon certain assumptions and is subject to change as interest rates change in the future.

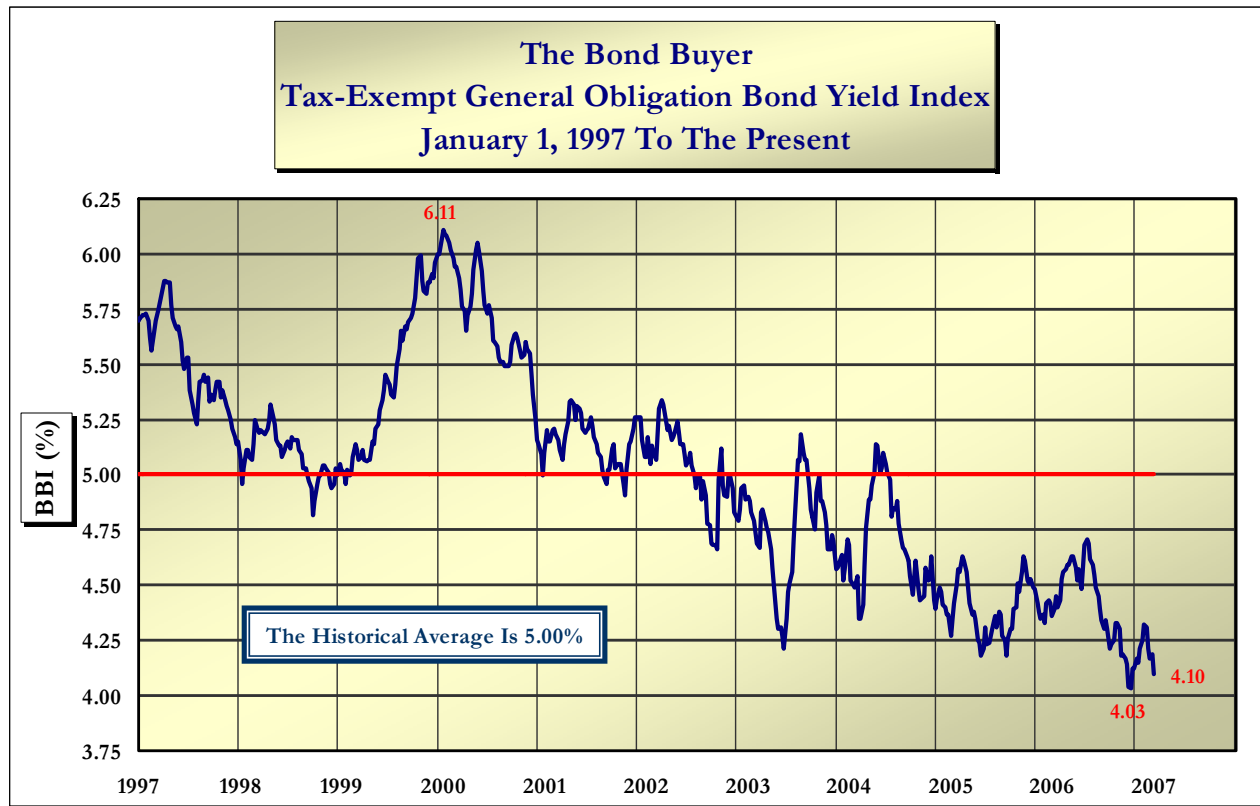
2004 BOND PROGRAM – BONDS SOLD TO DATE

Pursuant to the bond election held within the District on September 11, 2004, the voters approved a \$152.33 million Capital Improvement Program (the "2004 Bond Program"). The following table summarizes the bonds previously sold from the 2004 Bond Program.

Bond Sales Completed – 2004 Bond Program				
Proposition: \$152,330,000 – For The Construction And Equipment Of School Buildings And The Purchasing Of Necessary Sites Therefore.				
Series	Issuance Date	Principal Amount Issued	True Interest Rate	Bond Authorization Remaining After Issuance
Variable Rate Unlimited Tax School Building Bonds, Series 2005-A – Synthetically Fixed	February 2005	\$ 46,500,000	3.67% – 4.02%	\$ 105,830,000
Unlimited Tax School Building and Refunding Bonds, Series 2005-B	March 2005	14,220,000	3.72%	91,610,000
Unlimited Tax School Building Bonds, Series 2006-A	July 2006	21,610,000	4.48%	70,000,000
Variable Rate Unlimited Tax School Building Bonds, Series 2006-B – Synthetically Fixed	July 2006	30,000,000	3.48% – 4.34%	40,000,000
The District has \$40,000,000 authorized but unissued bonds remaining from the 2004 Bond Program.				

CURRENT MARKET CONDITIONS

Fixed rates of interest remain near historical lows as evidenced by the Bond Buyer Index (the “Index”), a weekly index of 20 municipal bonds depicted below. The Index is currently at 4.10%, which is 0.07% from the historical low of 4.03%.



Based upon a \$40.0 million bond sale, a 0.25% interest rate change results in an interest cost differential of approximately \$875,000.

FINANCING STRUCTURE – SERIES 2007 BONDS

Interest Rate Mode

Based upon the original financing plan for the 2004 Bond Program, the Series 2007 Bonds were to be sold utilizing a variable rate of interest. However, in an effort to take advantage of the historically low fixed rates of interest currently available, the Series 2007 Bonds will be sold utilizing a fixed rate of interest. However, since the District’s objective of having approximately 25.0% of its debt portfolio in a variable rate mode is still prudent, the District retains the flexibility to sell a portion of any future bond sales in a variable rate mode.

SUMMARY OF COMPONENTS – SERIES 2007 BONDS

The District’s Series 2007 Bonds will be issued in a principal amount of \$79,110,000 and be comprised of the components listed below.

❖ **\$40,000,000 – New Bonds – 2004 Bond Program**

The Series 2007 Bonds will be comprised of \$40.00 million of “new” bonds remaining to be sold from the 2004 Bond Program to fund capital improvements within the District.

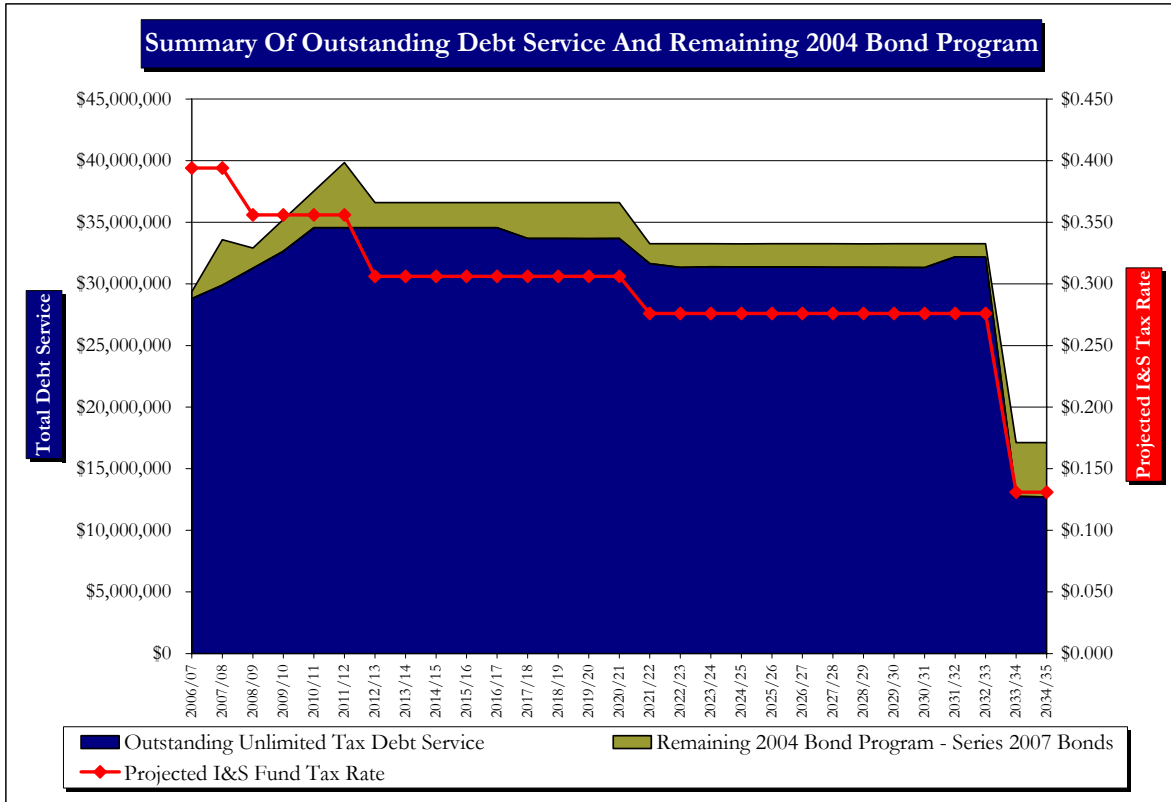
❖ **\$39,110,000 – Refunding Bonds – Refunding A Portion Of District’s Outstanding Bonds At A Lower Interest Rate To Provide Interest Cost Savings**

The Series 2007 Bonds will include a refunding of \$39.11 million of the District’s outstanding Unlimited Tax School Building Bonds, Series 1995 and Unlimited Tax School Building and Refunding Bonds, Series 2002 (collectively, the “Bonds To Be Refunded”) to lower the District’s interest rate and corresponding interest cost. Currently, the refunding provides \$2,012,411 of debt service savings (net of allocated costs) as summarized in the table below. **It is important to emphasize that the refunding for savings will only be included within the sale of the Series 2007 Bonds if the savings are at least \$2,000,000.**

Summary Of Debt Service Savings Currently Available	
DESCRIPTION	FINDING
Total Principal Amount Of The Bonds To Be Refunded	\$ 39,110,000
True Interest Rate On The Bonds To Be Refunded	5.00%
True Interest Rate On New Series 2007 Refunding Bonds	4.60%
Total Debt Service Savings	\$ 2,012,411
Average Annual Savings (i.e. Years 2007/08 – 2032/33)(26-Years)	77,400
Present Value Debt Service Savings	1,177,211
Total Debt Service Savings As A Percentage Of Total Debt Service On The Bonds To Be Refunded	2.26%
Present Value Savings As A Percentage Of The Principal Amount Of The Bonds To Be Refunded	3.01%

PROJECTED TAX IMPACT – SERIES 2007 BONDS

The Series 2007 Bonds will be issued without an Interest & Sinking Fund tax rate increase. As such, the District will be able to fund the debt service associated with the Series 2007 Bonds without increasing its current Interest & Sinking Fund tax rate of 39.4 cents. The graph below projects the District’s debt portfolio and necessary Interest & Sinking Fund tax rate upon the sale of the Series 2007 Bonds.



METHOD OF SALE

The Series 2007 Bonds will be sold on a negotiated basis. In an attempt to maximize the distribution of the Series 2007 Bonds locally, all orders received from District residents will be taken on a “priority basis.” As such, the Series 2007 Bonds will be required to be sold to a resident of the District, if available, prior to being sold to an investor that resides outside of the District.

UNDERWRITING TEAM

❖ **Pool Of Underwriters**

In May 2006, a pool of 8 firms was selected to serve as the underwriters for the District’s bond sales to be completed over the next 2-years. The pool was formulated based upon the following criteria: 1.) Experience Underwriting Texas School District Bonds; 2.) Experience Underwriting Texas Municipal Bonds; 3.) Experience Underwriting Municipal Bonds within the United States; 4.) Sales Distribution Network; 5.) Ideas Presented to the District; and 6.) Local Presence.

The District’s pool of underwriters consists of the following firms:

District’s Pool Of Underwriter’s	
❖ A.G. Edwards & Sons, Inc.	❖ Morgan Keegan & Co. Inc.
❖ Banc of America Securities LLC	❖ Raymond James & Associates, Inc.
❖ First Southwest Company	❖ Southwest Securities
❖ JP Morgan Securities Inc.	❖ UBS Investment Bank

❖ **Prior Underwriters – Last 3-Years**

For each of the firm’s included within the District’s underwriting pool, the following table summarizes the number of District financings each firm has participated in over the last 3-years. During this time, the District has completed 4 fixed rate financings.

Summary Of Underwriting Participation – Last 3-Years	
Underwriting Firm Within Pool	Number Of Financings Completed
First Southwest Company	3
Raymond James & Associates, Inc.	3
Morgan Keegan & Co. Inc.	2
Southwest Securities	2
JP Morgan Securities Inc.	1
A.G. Edwards & Sons, Inc.	1
Banc of America Securities LLC	1
UBS Investment Bank	0

❖ **Underwriting Team – Series 2007 Bonds**

For the sale of the Series 2007 Bonds, the underwriting team will be comprised of the firms listed below. Please note, none of the firms selected for the sale of the Series 2007 Bonds have served as an underwriter on more than 2 bond sales completed by the District over the last 3-years.

Summary Of Underwriting Team – Series 2007 Bonds	
Senior Manager:	Banc of America Securities LLC
Co-Manager:	A.G. Edwards & Sons, Inc.
Co-Manager:	Southwest Securities
Co-Manager:	UBS Investment Bank

TIMING

The following is the preliminary timetable for the sale of the Series 2007 Bonds.

Preliminary Timetable	
<u>DATE*</u>	<u>ACTION</u>
03/13/07	Board Meeting – Discuss Preliminary Financing Plan
04/23/07	Negotiated Sale – Pricing Of Unlimited Tax School Building And Refunding Bonds, Series 2007 (Interest Rates Locked-In)
04/24/07	Board Meeting – Formally Consider Order Authorizing Issuance Of Unlimited Tax School Building And Refunding Bonds, Series 2007
05/17/07	Closing – Transfer Of Funds – District Receives Proceeds of Series 2007 Bonds.

* Preliminary, subject to change based upon prevailing market conditions.

Should any questions arise or if additional information is needed, please call me at (214) 989-1661. We look forward to visiting with you soon.

Sincerely,



William J. Gumbert
Managing Director