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December 5, 2007

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

Re: Interest Rate Mode – Variable Rate Unlimited Tax School Building Bonds, Series 2000

Dear Debbie:

Denton Independent School District’s (the “District”) Variable Rate Unlimited Tax School Building Bonds, Series 2000 (the “Series 2000 Bonds”) are outstanding in a principal amount of \$13,400,000 and currently bear interest in a 3-Year Term Interest Rate Mode, which expires on January 31, 2008. As such, the interest rate on the Series 2000 Bonds must be reset on February 1, 2008. This memorandum is to provide an overview of the interest rate modes available to the District, the current interest rates for certain interest rate modes and a timetable of the actions necessary for the District to reset the interest rate on the Series 2000 Bonds.

Overview And History

The Series 2000 Bonds were structured to allow the following interest rate modes:

- 1.) Weekly Interest Rate Mode – The interest rate resets every seven days;
- 2.) Semi-Annual Interest Rate Mode – The interest rate resets every six months;
- 3.) Annual Interest Rate Mode – The interest rate resets every year;
- 4.) Term Interest Rate Mode – The interest rate resets for a time period longer than one year (i.e. 2, 3, 5 years, etc.); and
- 5.) Fixed Interest Rate – The District may convert the Series 2000 Bonds into a fixed rate to maturity.

The table below summarizes the historical interest rate modes and interest rates on the Series 2000 Bonds.

Historical Interest Rate Modes And Interest Rates		
<u>Interest Rate Mode</u>	<u>Interest Rate Time Period</u>	<u>Variable Rate Of Interest</u>
Initial Term Interest Rate Mode	April 1, 2000 – January 31, 2001	4.33%
Semi-Annual Interest Rate Mode	February 1, 2001 – July 31, 2001	3.30%
Semi-Annual Interest Rate Mode	August 1, 2001 – January 31, 2002	2.60%
3-Year Term Interest Rate Mode	February 1, 2002 – January 31, 2005	3.45%
3-Year Term Interest Rate Mode	February 1, 2005 – January 31, 2008	3.00%
Average Since Date Of Issuance.....		3.31%

Current Market Conditions

Based upon current market conditions, the following table illustrates certain interest rate alternatives available for the District’s Series 2000 Bonds. It is important to emphasize that these interest rates will fluctuate until February 1, 2008, the actual date the interest rate will reset.

Current Market Interest Rate Alternatives		
<u>Interest Rate Period</u>	<u>Current Rate Of Interest^(A)</u>	<u>Next Reset Date</u>
Weekly Mode	3.80%	---
Semi-Annual Mode	3.55%	August 1, 2008
Annual Mode	3.60%	February 1, 2009
Two-Year Term Mode	3.70%	February 1, 2010
Three-Year Term Mode	3.75%	February 1, 2011
Four-Year Term Mode	3.80%	February 1, 2012
Five-Year Term Mode	3.85%	February 1, 2013
Fixed Rate Conversion	4.85%	---

(A) Does not include liquidity provider, remarketing agent, and paying agent fees of approximately 0.27%.

Proposed Interest Rate Mode

Based upon current market conditions, certain economic indicators, historical variable rates of interest and the composition of the District’s current debt portfolio, RBC Capital Markets believes it is prudent for the District’s Series 2000 Bonds to be remarketed in a Semi-Annual Interest Rate Mode (interest rate to be set for time period of February 1 – July 31, 2008).

Timetable Of Actions Required

The timetable below summarizes the actions necessary to convert the Series 2000 Bonds to a Semi-Annual Interest Rate Mode. As shown, the District’s Board of Trustees is required to adopt a resolution to convert the Series 2000 Bonds from their existing 3-Year Term Interest Rate Mode to a Semi-Annual Interest Rate Mode.

Timetable Of Actions Required To Change Interest Rate Modes – Series 2000 Bonds	
Date	Action Necessary
December 11, 2007	Board Meeting – The Board of Trustees formally adopts a resolution selecting a Semi-Annual Interest Rate Mode for the Series 2000 Bonds.
December 18, 2007	Notice of the Semi-Annual Interest Rate Mode distributed to applicable financing team members.
On or About February 1, 2008	The interest rate on the Series 2000 Bonds is set in a Semi-Annual Interest Rate Mode, based upon prevailing market conditions.

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 call Josh McLaughlin or myself at (214) 989-1661. We look forward to visiting with you soon.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Gumbert', with a stylized flourish extending from the end.

William J. Gumbert
Managing Director