



Joshua M. McLaughlin  
Managing Director  
Phone: (214) 576-0878  
Facsimile: (214) 576-0890  
[jmclaughlin@bokf.com](mailto:jmclaughlin@bokf.com)

October 17, 2018

Dr. Jamie Wilson  
Superintendent of Schools  
Denton Independent School District  
1307 North Locust Street  
Denton, Texas 76201

Ms. Debbie Monschke  
Assistant Superintendent of Administrative Services  
Denton Independent School District  
1307 North Locust Street  
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 currently structured, Denton Independent School District's (the "District") existing Standby Bond Purchase Agreement ("SBPA") with The Bank of Tokyo-Mitsubishi UFJ, Ltd. 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 28, 2018. This memorandum summarizes our recommendation for obtaining a new 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 \$5.5 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 existing financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors at prevailing 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 The Bank of Tokyo-Mitsubishi UFJ, Ltd. on December 28, 2018, 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, BOK Financial Securities, Inc. requested "bids" from certain qualified SBPA Providers, including Barclays, Citibank, Industrial and Commercial Bank of China ("ICBC"), JPMorgan Chase Bank, Royal Bank of Canada ("RBC"), State Street Bank, Sumitomo Mitsui Banking Corporation, U.S. Bank and Wells Fargo Bank.

As summarized within the table below, the District received two bids and each bid was evaluated based upon the following criteria:

- A. The proposed facility fee;
- B. The proposed legal fees and expenses associated with the SBPA substitution;
- C. The long-term ratings of the proposed providers;
- D. The short-term ratings of the proposed providers; and
- E. Whether adjustments to the proposed facility fee due to a rating downgrade would be tied to the District's bond rating or the rating of the Permanent School Fund ("PSF") Guarantee.

Summary of Proposals Received		
Description	Citibank, N.A.	JPMorgan Chase Bank, N.A.
A. Proposed Facility Fee – 3-Year Term:	0.35%	0.35%
B. Proposed Legal Fees & Expenses:	Capped at \$55,000, Not Expected to Exceed \$40,000	Capped at \$35,000
C. Long-Term Ratings (Moody's/S&P/Fitch):	A1 / A+ / A+	Aa3 / A+ / AA
D. Short-Term Ratings (Moody's/S&P/Fitch):	P-1 / A-1 / F1	P-1 / A-1 / F1+
E. Facility Fee Adjustments for Rating Downgrades:	Tied to DISD's Rating	Tied to PSF Guarantee

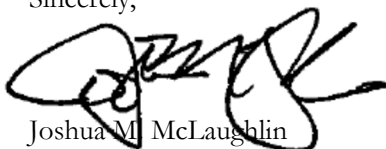
Pursuant to the aforementioned criteria, it is our opinion the best combination of the proposed facility fee, lowest expenses, highest-rated financial institution and rating downgrade provisions is the bid provided by JPMorgan Chase Bank, N.A. at 0.35% per year and the agreement would be for a 3-year period. The District is currently paying 0.40% per year to The Bank of Tokyo-Mitsubishi UFJ, Ltd.; as such, the annual cost benefit to Denton ISD equals approximately \$15,000 by selecting JPMorgan Chase Bank, N.A. as the new SBPA Provider for the Bonds.

### Closing

Given the historical benefits provided by the District's 2006-B Bond financing structure, we recommend the District approve JPMorgan Chase Bank, N.A. 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 BOK Financial Securities, 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 2018.

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,

  
Joshua M. McLaughlin  
Managing Director

  
Alison M. Long  
Director