



Joshua M. McLaughlin
Investment Banker
Phone: (214) 576-0878
Facsimile: (214) 576-0890
jmclaughlin@boscinc.com

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

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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: Results of Request for Qualifications for Bond Underwriting Services – RFQ #131219

Dear Dr. Wilson and Ms. Monschke:

Introduction

As you are aware, there have been significant changes in the financial industry since Denton Independent School District (the “District”) approved its pool of bond underwriters in year 2006. With the recent passage of the District’s 2013 Bond Program, BOSC, Inc. recommended the issuance of a Request for Qualifications (“RFQ”) for bond underwriting services. Acting on such recommendation, Denton ISD issued its RFQ #131219 on December 2, 2013 and received 21 proposals. Upon review and consultation with the District, the following summarizes the results of the RFQ process.

Evaluation and Recommendation

Pursuant to Section 2254.003 of the Texas Government Code, the selection of underwriters may not be made based upon competitive bids, but rather determined on the basis of “demonstrated competence” and “qualifications to perform the services.” In evaluating the 21 proposals, the following criteria was utilized:

- Texas school district experience of banking/underwriting professionals assigned to Denton ISD;
- Texas school district bond underwriting experience;
- Previous underwriting performance and experience on District’s bond sales;
- Experience with variable rate bonds, in particular, variable rate bonds issued by Texas school districts;
- Previous financing ideas presented to the District;
- Financial position of firm;
- Capital commitment to directly support District’s bond sales;
- Distribution capabilities for the District’s bond sales – Institutional and retail investors;
- Importance of District’s bond sales to the firm;
- Firm’s demonstrated commitment to Texas school districts;
- Regulatory compliance and conflicts of interest; and
- Local presence.

A summary of the results of the evaluation are attached hereto. Based upon our discussion with the District, we recommend the following firms be included in the District's bond underwriting pool for the next 5-years or until it becomes prudent to evaluate the universe of potential bond underwriters in the future. The financial institutions summarized below represent the top 8 scores received on the RFQ, one minority-owned firm and one firm that specializes in local "retail" distribution.


Recommended Bond Underwriting Pool	
■ Bank of America Merrill Lynch	■ Raymond James
■ Edward Jones – Retail	■ RBC Capital Markets
■ Estrada Hinojosa & Company – Minority	■ Robert W. Baird & Co.
■ First Southwest Company	■ Southwest Securities
■ J.P. Morgan Securities	■ Wells Fargo Securities

The District will select certain firms to serve as underwriters on future negotiated financings. The number of firms used for a particular financing will depend on the size of the bond sale, prior underwriting performance and ongoing support of DISD's financing needs. Please note, the District is not required to utilize the services of any firm within its approved pool of bond underwriters.

Closing

We hope this information is helpful as you manage the District's 2013 Bond Program. 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

Denton Independent School District
Request for Qualifications for Bond Underwriting Services
Scoring Summary

Underwriting Firms	Points Received	Rank
Wells Fargo Securities	77	T- 1
First Southwest Company ^(A)	77	T- 1
Raymond James	77	T- 1
J.P. Morgan Securities	70	4
Bank of America Merrill Lynch	61	5
Southwest Securities ^(A)	60	6
RBC Capital Markets	57	T- 7
Robert W. Baird & Co.	57	T- 7
Stifel Nicolaus	56	9
Citigroup Global Markets Inc.	54	10
Estrada Hinojosa & Company - Minority	52	11
Piper Jaffray	50	12
SAMCO Capital Markets	49	13
Morgan Stanley	46	14
Jefferies & Company, Inc.	45	T- 15
Coastal Securities	45	T- 15
Edward Jones - Retail	44	17
Hutchinson, Shockey, Erley & Co.	40	18
George K. Baum	39	19
Stephens Inc.	35	20
Goldman Sachs	33	21

^(A) Effective November 30, 2012, the ultimate parent of First Southwest Company is Hilltop Holdings Inc. (“Hilltop”). Mr. Gerald J. Ford serves as the Chairman of the Board of Directors of Hilltop. On July 29, 2011, Hilltop has extended a \$50 million term loan to SWS Group, Inc. (“SWSG”), which is the parent company of Southwest Securities, Inc. In connection with the term loan, SWSG issued a warrant to Hilltop to purchase 8,695,652 shares of SWSG common stock (the “Warrant”), subject to anti-dilution adjustments, which if fully exercised, would represent approximately a 17% equity interest in SWSG, in addition to any shares of SWSG common stock purchased by Hilltop in open market and block transactions. Mr. Gerald J. Ford is a member of the Board of Directors of SWSG.

On January 9, 2014, Hilltop submitted an unsolicited written proposal to SWSG to acquire all of the outstanding shares of SWSG that it does not already own for a combination of cash and Hilltop common stock.