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August 20, 2019

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 2005-A –
Extension of Existing Standby Bond Purchase Agreement**

Dear Dr. Wilson and Ms. Monschke:

Introduction

As currently structured, Denton Independent School District's (the "District" or "DISD") existing Standby Bond Purchase Agreement ("SBPA") with Bank of America, N.A. to provide liquidity for the remarketing of the District's Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Bonds") expires on December 27, 2019. With this in mind, Bank of America, N.A. has agreed to extend the existing SBPA for an additional 3-year period, at a reduced rate. This memorandum summarizes our recommendation to extend the existing SBPA and the required actions related thereto.

Historical Savings from Variable Rate Unlimited Tax School Building Bonds, Series 2005-A

In order to lower its overall borrowing cost, Denton ISD issued its \$46,500,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005-A and simultaneously entered into swap agreements to "synthetically" fix the interest rate on the Bonds. To date, DISD has reduced the cost of taxpayers by more than \$3.7 million by utilizing this financing structure.

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 they are "tendered."

Based upon the original financing documents, rating agency requirements and to ensure the Bonds remain "marketable" to investors at market rates of interest, the District is required to maintain a Standby Bond Purchase Agreement Provider for the Bonds. Therefore, prior to DISD's existing SBPA with Bank of America, N.A. expiring on December 27, 2019, the District is required to extend its current agreement with Bank of America, N.A. or appoint a new Standby Bond Purchase Agreement Provider.

Recommendation

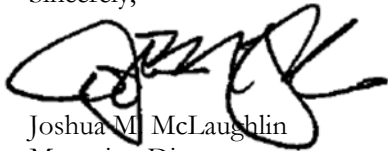
Based upon current market conditions, BOK Financial Securities, Inc. believes it is prudent for Denton ISD to maintain the Bonds in their original financing structure and extend the existing Standby Bond Purchase Agreement with Bank of America, N.A. for an additional 3-year period, which includes a decrease in the annual fee from 0.45% to 0.35% (i.e. the same fee provided by J.P. Morgan Chase Bank, N.A. last year on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2006-B). This reduced fee is projected to save the District an average of \$38,529 per year, over the next 3 years.

Given the historical benefits provided by the financing structure of the District's Series 2005-A Bonds, we recommend Denton ISD approve an extension of the existing Standby Bond Purchase Agreement with Bank of America, N.A. and delegate the authority to the District's Administration to approve the final terms and conditions, upon 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 no later than October 2019.

Closing

We hope this information is helpful as you manage DISD's current and future financial position. Should any questions arise, additional information is preferred or if we may be of any assistance to support the needs of Denton ISD, please let us know. Hope all is well and we look forward to visiting with you soon!

Sincerely,



Joshua M. McLaughlin
Managing Director



Alison M. Long
Director