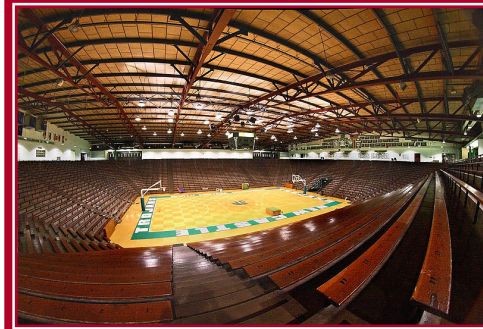


For Discussion Purposes Only



Review of Existing Debt Portfolio And Bond Capacity – 2007 Bond Program

Tuesday, September 13, 2011

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Review of the District's 2007 Bond Program

- On November 6, 2007, the voters of the District approved the issuance of \$282,000,000 of bonds. The actual results from the bond election (the “2007 Bond Program”) are summarized within the table below.

Bond Election Results – 2007 Bond Program				
Purpose	Dollar Amount	Votes For	Votes Against	Approval Rate
Construction, Renovation, Acquisition And Equipment Of School Buildings In The District, The Purchase Of Necessary Sites For School Buildings And The Purchase Of New School Buses	\$282,000,000	4,002	2,759	59.19%

- In January 2008, the District completed the initial bond sale from the 2007 Bond Program and \$116,745,000 of bonds remain to be sold.

Bond Sales Completed – 2007 Bond Program				
Series	Sale Date	Dollar Amount	Interest Rate	Dollar Amount Remaining
Unlimited Tax School Building Bonds, Series 2008	01/17/08	\$165,255,000	4.11%	\$116,745,000

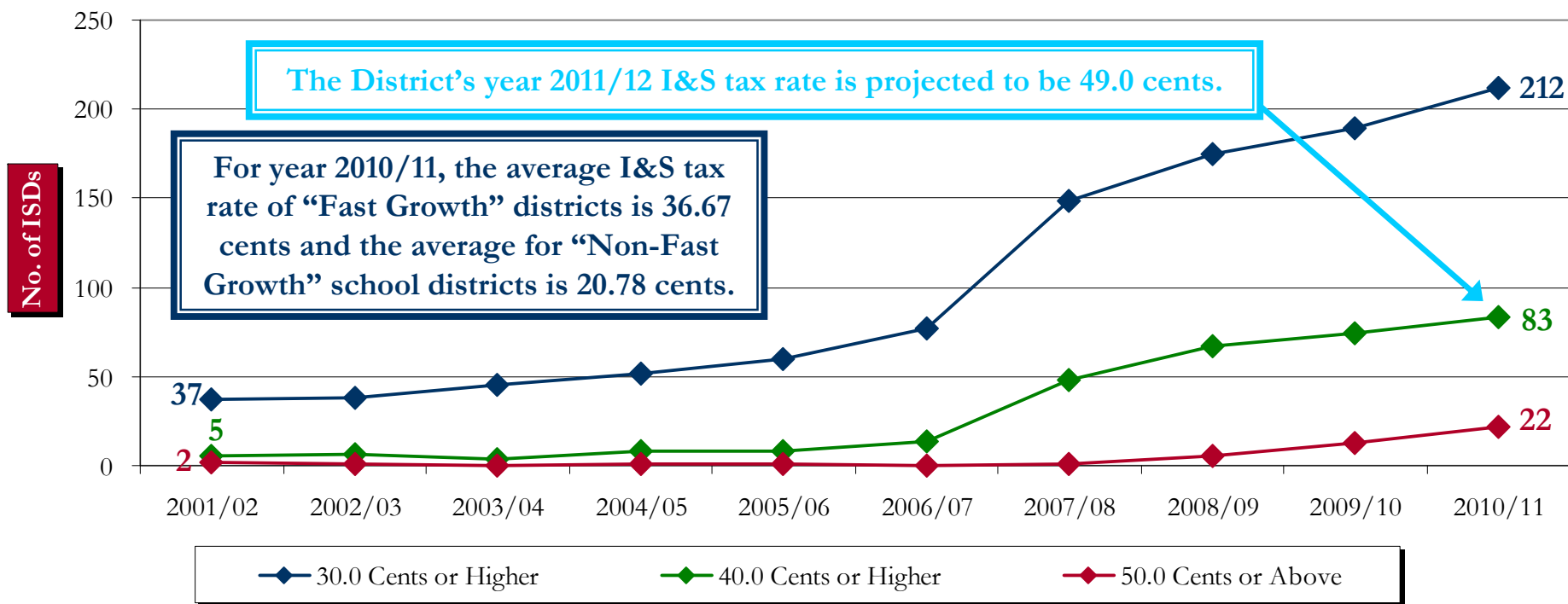


Factors Affecting District's Bond Capacity/Tax Rate

I. Debt Limitations – State Law – “50.0 Cent Bond Test”

- “50.0 Cent Bond Test” – The District may only issue new bonds to the degree it can prove, prior to sale, its Interest & Sinking Fund (“I&S”) tax rate will not exceed 50.0 cents.

Historical Trend of Texas School District I&S Tax Rates Years 2001/02 - 2010/11



Source: Texas Comptroller of Public Accounts - Property Tax Division.



Factors Affecting District's Bond Capacity/Tax Rate

Listing of Texas School District's with an I&S Tax Rate of 40.0 Cents or More – Year 2010/11

■ Royal ISD (59.00 Cents)	■ Denton ISD (49.00 Cents)	■ Canton ISD (43.10 Cents)
■ Bishop Consolidated ISD (52.38 Cents)	■ McKinney ISD (48.80 Cents)	■ Huffman ISD (43.00 Cents)
■ Joaquin ISD (51.80 Cents)	■ Needville ISD (48.00 Cents)	■ Rockwall ISD (43.00 Cents)
■ Allen ISD (50.00 Cents)	■ Floresville ISD (47.58 Cents)	■ Taylor ISD (43.00 Cents)
■ Anna ISD (50.00 Cents)	■ Bloomington ISD (47.50 Cents)	■ Commerce ISD (42.51 Cents)
■ Aubrey ISD (50.00 Cents)	■ Lovejoy ISD (47.50 Cents)	■ Grand Prairie ISD (42.50 Cents)
■ Blue Ridge ISD (50.00 Cents)	■ Manor ISD (47.50 Cents)	■ Irving ISD (42.50 Cents)
■ Burleson ISD (50.00 Cents)	■ Longview ISD (47.30 Cents)	■ Judson ISD (42.30 Cents)
■ Caddo Mills ISD (50.00 Cents)	■ Wylie ISD (47.00 Cents)	■ Hays Consolidated ISD (42.13 Cents)
■ Celina ISD (50.00 Cents)	■ Forney ISD (46.00 Cents)	■ Pflugerville ISD (42.00 Cents)
■ Dickinson ISD (50.00 Cents)	■ Frenship ISD (46.00 Cents)	■ Spring ISD (42.00 Cents)
■ Eagle Mountain-Saginaw ISD (50.00 Cents)	■ Hitchcock ISD (46.00 Cents)	■ Franklin ISD (41.80 Cents)
■ Elgin ISD (50.00 Cents)	■ Jacksboro ISD (46.00 Cents)	■ Angleton ISD (41.52 Cents)
■ Ennis ISD (50.00 Cents)	■ Hubbard ISD (45.99 Cents)	■ Lindale ISD (41.50 Cents)
■ Lake Dallas ISD (50.00 Cents)	■ Lubbock-Cooper ISD (45.90 Cents)	■ South San Antonio ISD (41.49 Cents)
■ Lake Worth ISD (50.00 Cents)	■ Mansfield ISD (45.60 Cents)	■ Leander ISD (41.48 Cents)
■ Little Elm ISD (50.00 Cents)	■ Community ISD (45.50 Cents)	■ Central Heights ISD (41.00 Cents)
■ Melissa ISD (50.00 Cents)	■ Crandall ISD (45.36 Cents)	■ Giddings ISD (41.00 Cents)
■ New Caney ISD (50.00 Cents)	■ DeSoto ISD (45.00 Cents)	■ Gunter ISD (41.00 Cents)
■ Prosper ISD (50.00 Cents)	■ Dripping Springs ISD (45.00 Cents)	■ San Diego ISD (40.49 Cents)
■ Spring Hill ISD (50.00 Cents)	■ Princeton ISD (45.00 Cents)	■ Iola ISD (40.34 Cents)
■ White Settlement ISD (50.00 Cents)	■ Bastrop ISD (44.10 Cents)	■ Argyle ISD (40.00 Cents)
■ Crowley ISD (49.50 Cents)	■ Krum ISD (44.00 Cents)	■ Cedar Hill ISD (40.00 Cents)
■ Hutto ISD (49.50 Cents)	■ Overton ISD (44.00 Cents)	■ Katy ISD (40.00 Cents)
■ Millsap ISD (49.50 Cents)	■ Panhandle ISD (44.00 Cents)	■ Sherman ISD (40.00 Cents)
■ Keller ISD (49.06 Cents)	■ Robert Lee ISD (44.00 Cents)	■ Van Alstyne ISD (40.00 Cents)
■ Bland ISD (49.00 Cents)	■ Harlandale ISD (43.48 Cents)	■ Waller ISD (40.00 Cents)
■ Del Valle ISD (49.00 Cents)	■ Banquete ISD (43.34 Cents)	

Note: Districts highlighted in "yellow" are located within the Dallas/Fort Worth Metroplex.

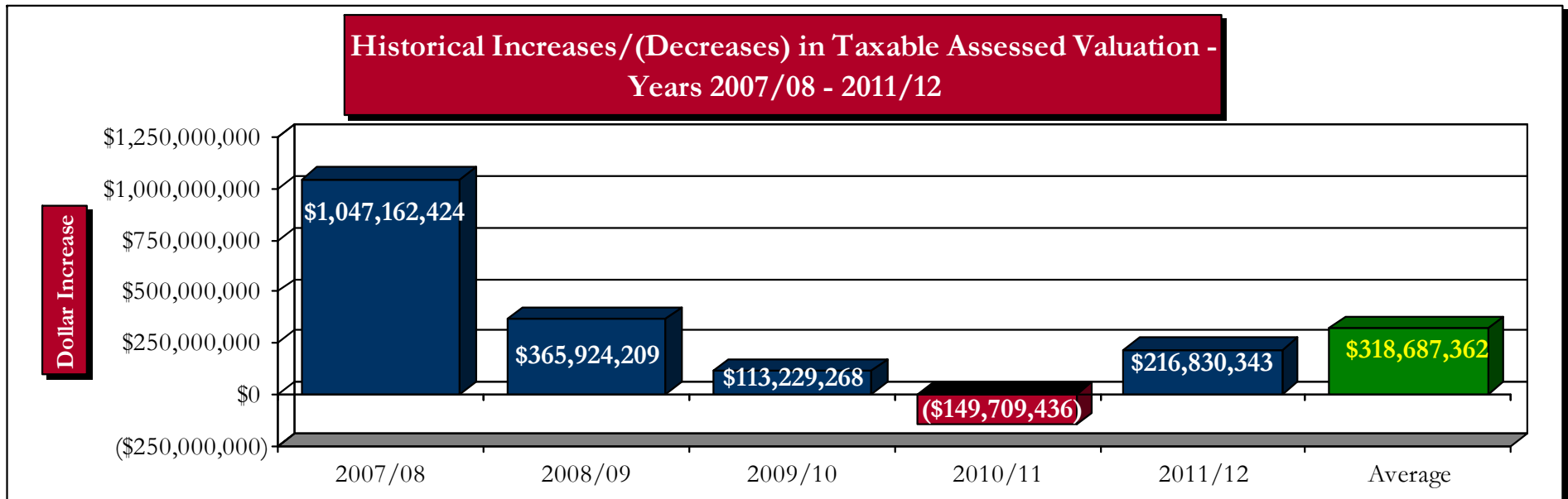
Source: Texas Comptroller of Public Accounts - Property Tax Division.



Factors Affecting District's Bond Capacity/Tax Rate

II. Taxable Assessed Valuation

- The value of the District's tax base directly impact the dollar amount of bonds that may be issued for capital improvements, as this determines the annual revenues generated from the District's I&S tax rate for the repayment of bonds.
- The District's taxable assessed valuation (net of frozen values) is currently \$8,827,685,529.
 - ❖ Over the last 5-years, the District's tax base has increased by an average of \$318,687,362 per year.
 - ❖ However, due to economic conditions and other factors, the District's tax base has only increased by an average of \$60,116,725 over the last 3-years, which is 94.3% less than the District's tax base growth in year 2007/08.





Factors Affecting District's Bond Capacity/Tax Rate

III. Dollar Amount and Structure of District's Existing Bonds

- The District's outstanding bonds are currently repaid over 27-years. Pursuant to State law, the maximum repayment period is 40-years.

IV. State Funding Received or Pledged for Payment of Bonds

- Due to the District's existing "Wealth Per Student" the District does not qualify for any State funding assistance for the repayment of bonds.

V. Interest Rate on District's Existing Bonds and Credit Ratings

- The District's current credit ratings are:
 - ❖ "AA" – Fitch Ratings;
 - ❖ "Aa3" – Moody's Investors Service; and
 - ❖ "AA" – Standard and Poor's Ratings Services.

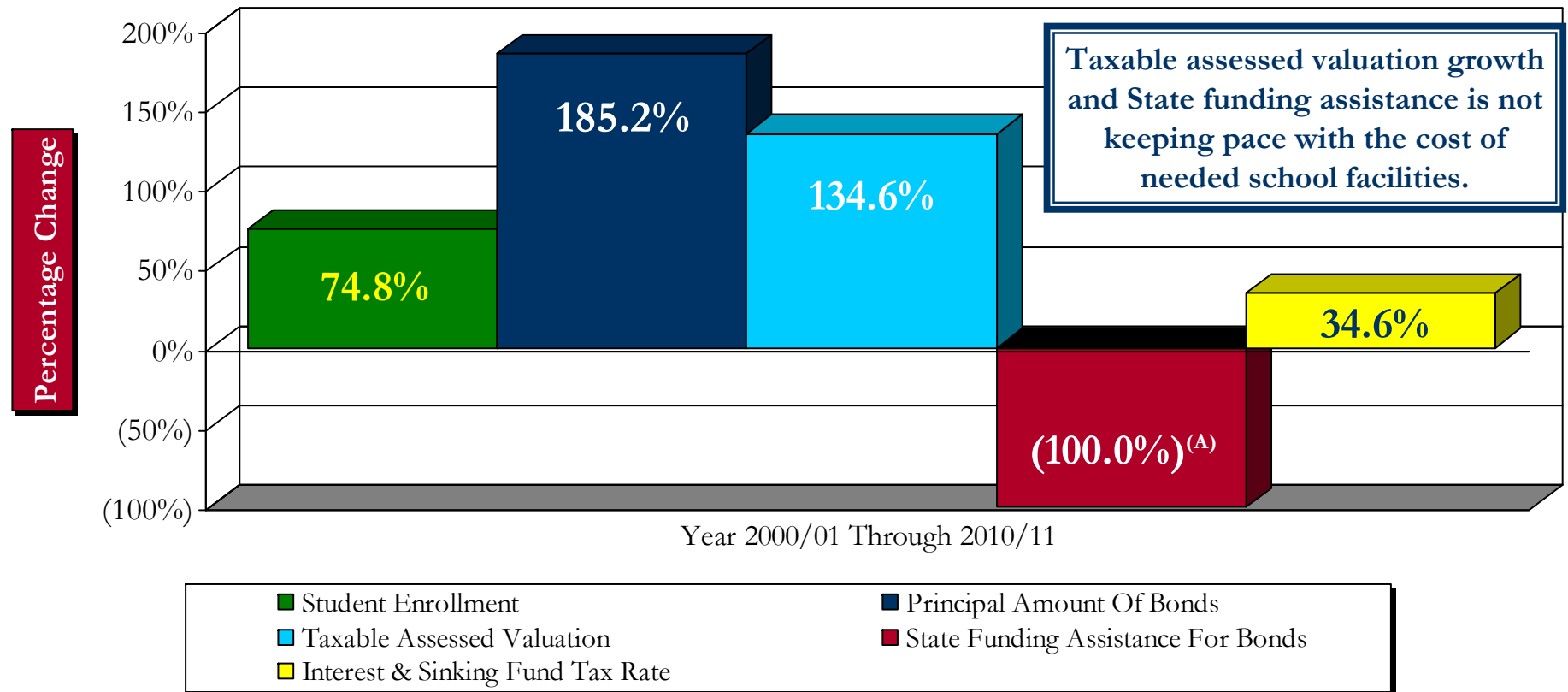
VI. Interest & Sinking Fund Reserves

- The District's I&S Fund Balance available for bond payments is anticipated to be approximately \$11.4 million as of August 31, 2011.



Percent Change of Factors Affecting Bond Capacity – Years 2000/01 Through 2010/11

Denton Independent School District -
Years 2000/01 Through 2010/11 - Percentage Change In Student Enrollment,
Principal Amount Of Bonds, Taxable Assessed Valuation,
State Funding Assistance For Bonds And I&S Tax Rate



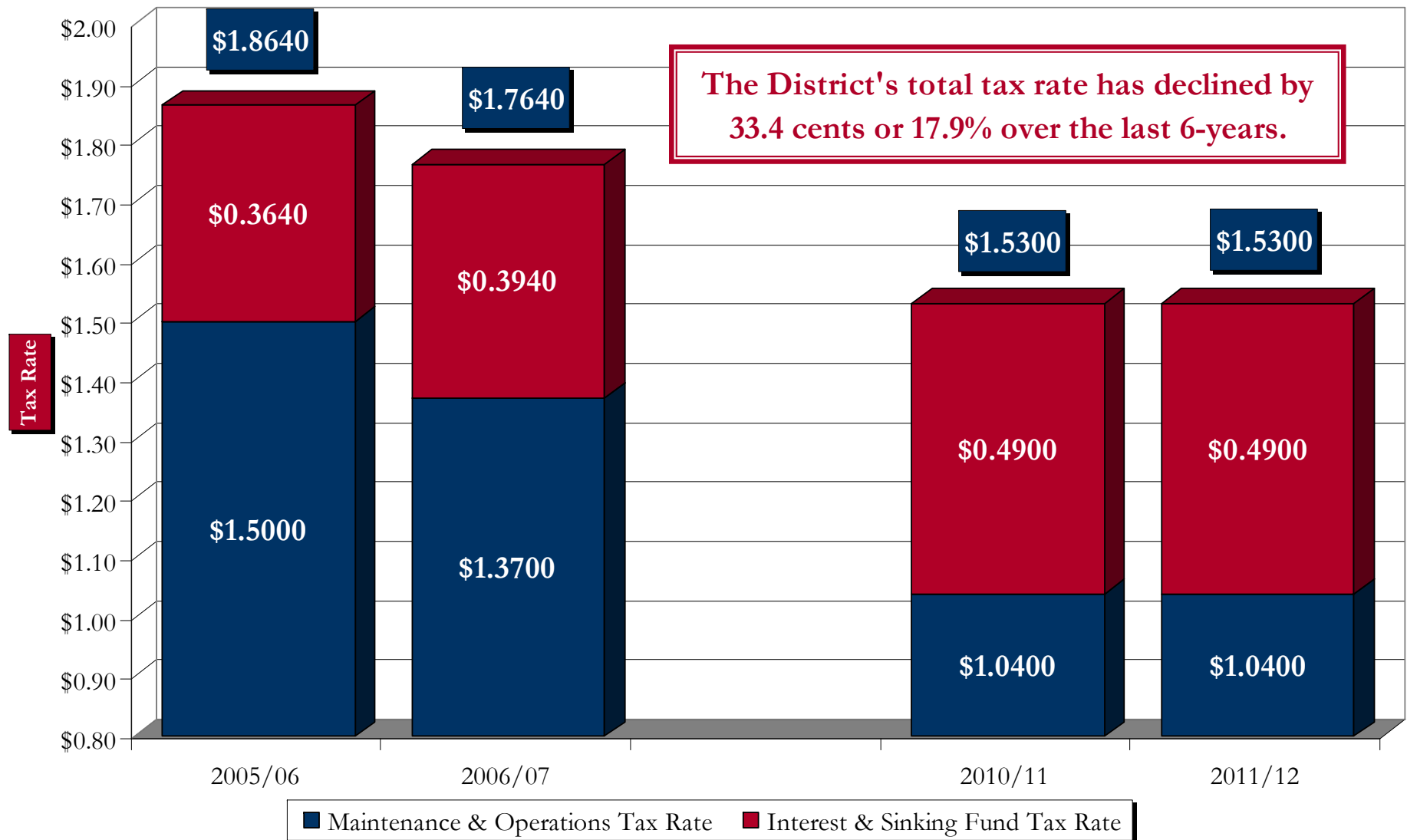
(A) In year 2000/01, the District received \$2,891,554 of State funding assistance for the repayment of bonds and \$0 in year 2010/11. **Over a 30-year period, this equals a reduction of \$86.7 million of State funding assistance for the repayment of bonds.**

Source: District's Official Statements and Municipal Advisory Council of Texas.



Historical Tax Rates

District's Historical Tax Rates

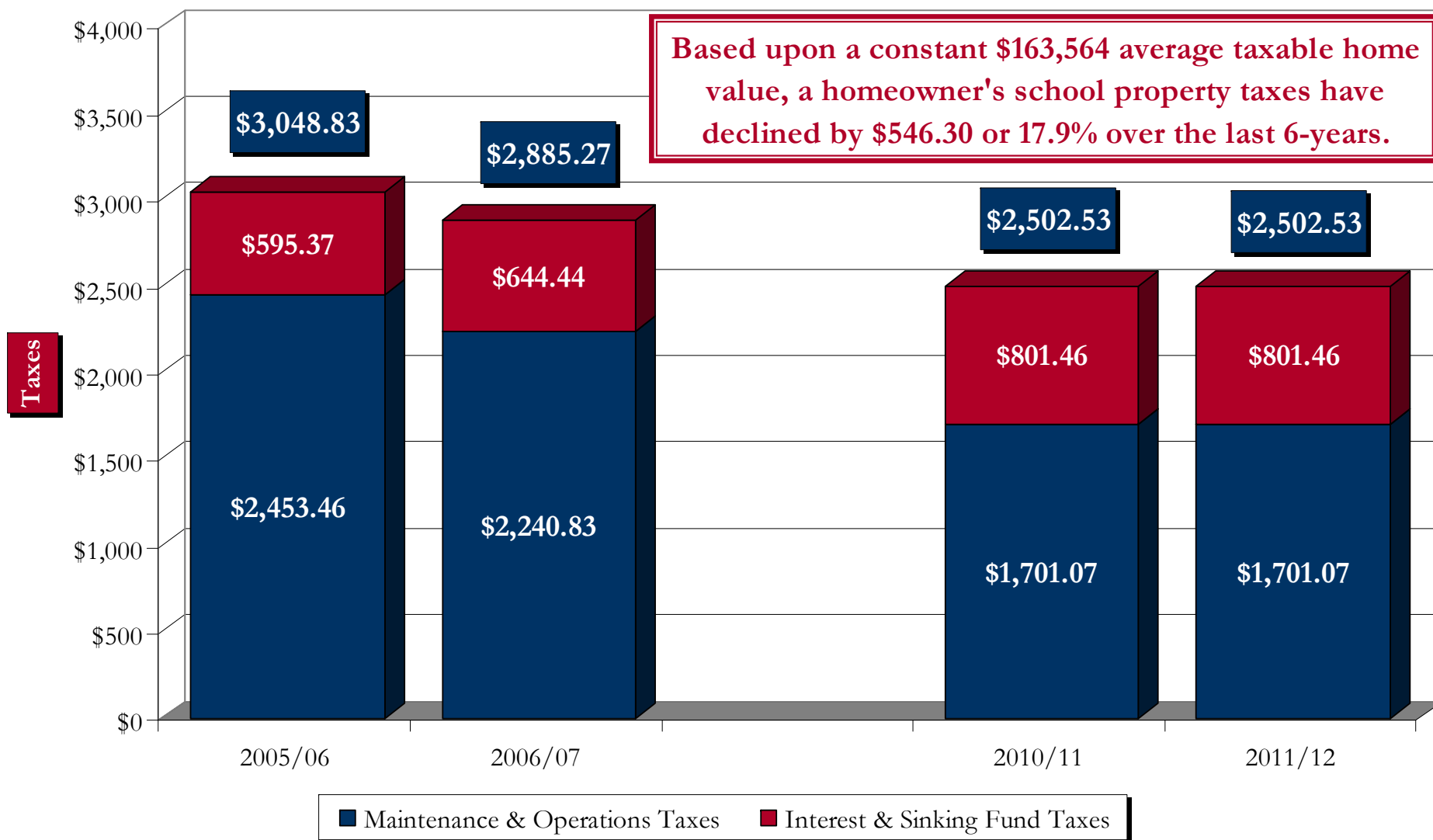




Historical Taxes – \$163,564 Average Taxable Home Value

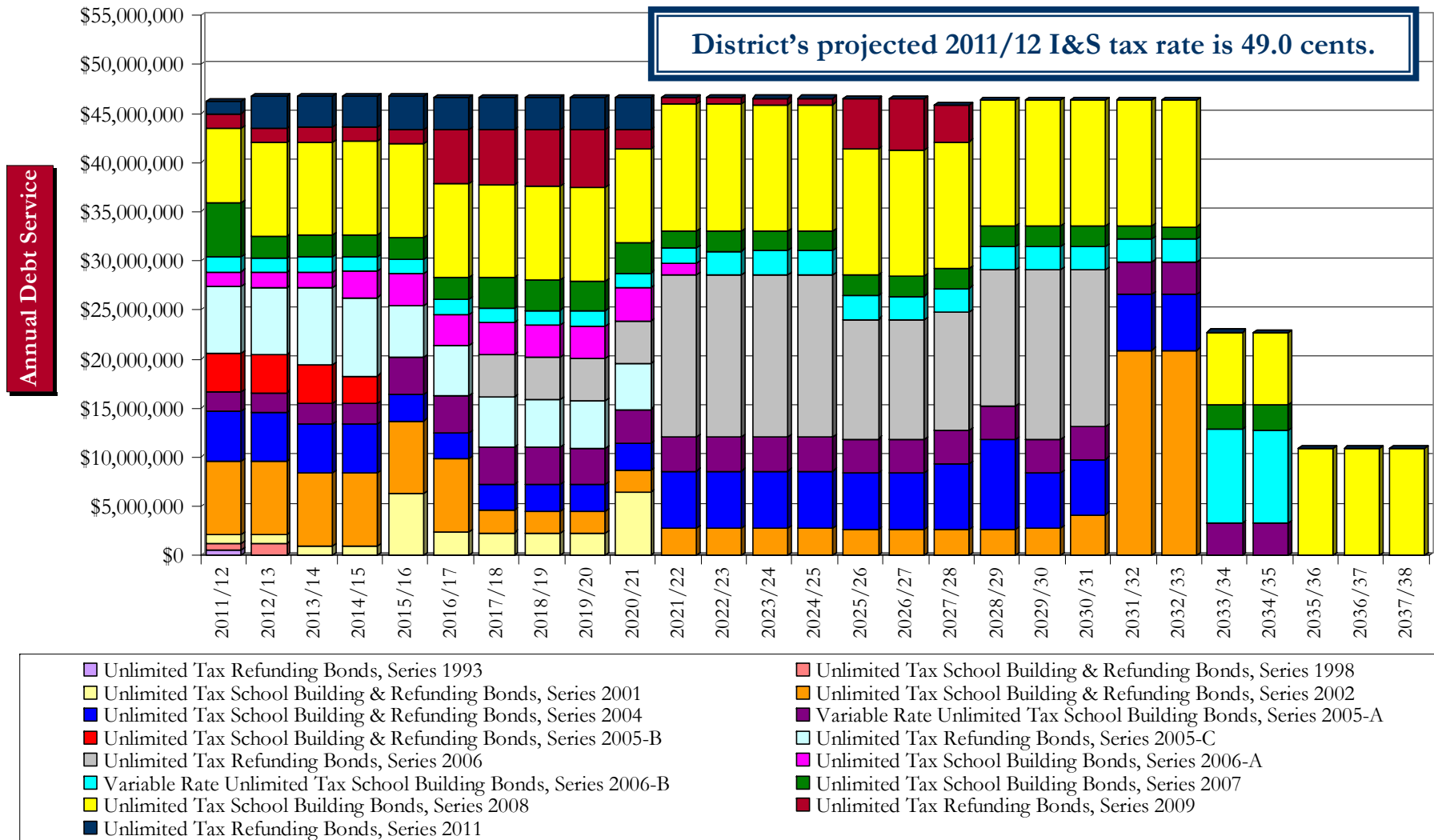
Historical Taxes - For \$163,564 Average Taxable Home Value

Based upon a constant \$163,564 average taxable home value, a homeowner's school property taxes have declined by \$546.30 or 17.9% over the last 6-years.





Existing Bonds – Debt Service by Series



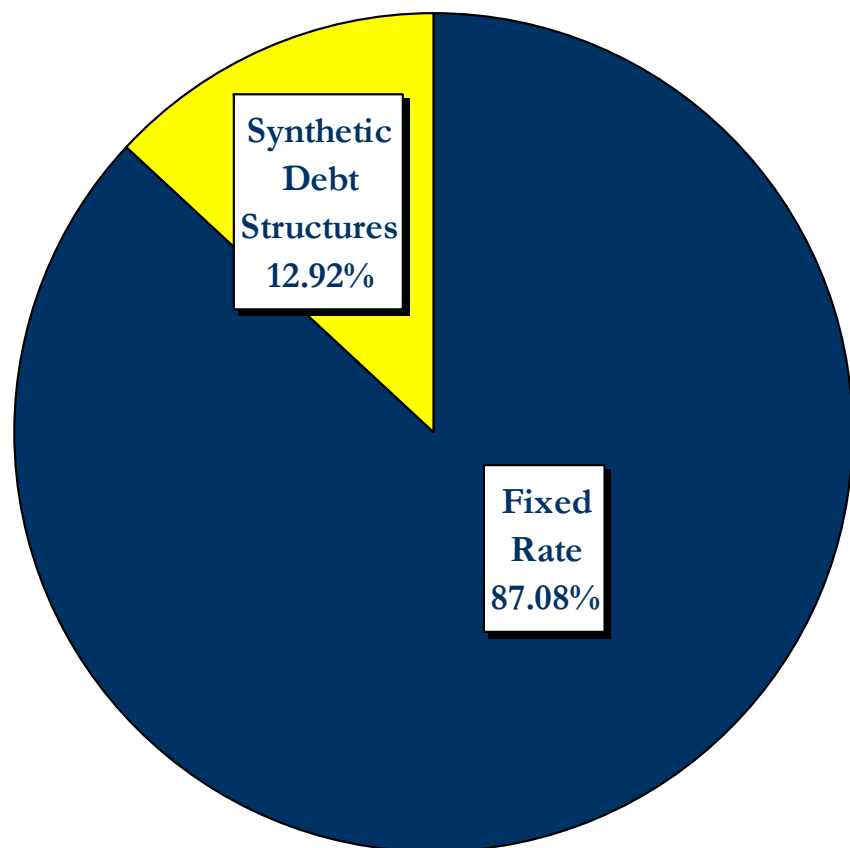
Note: Debt service payments reflect payments from September 1 through August 31.

The District has a total principal amount of existing bonds equal to \$592,214,142 and interest cost of \$508,592,140 – An “Interest/Principal ratio” of 0.86 to 1.

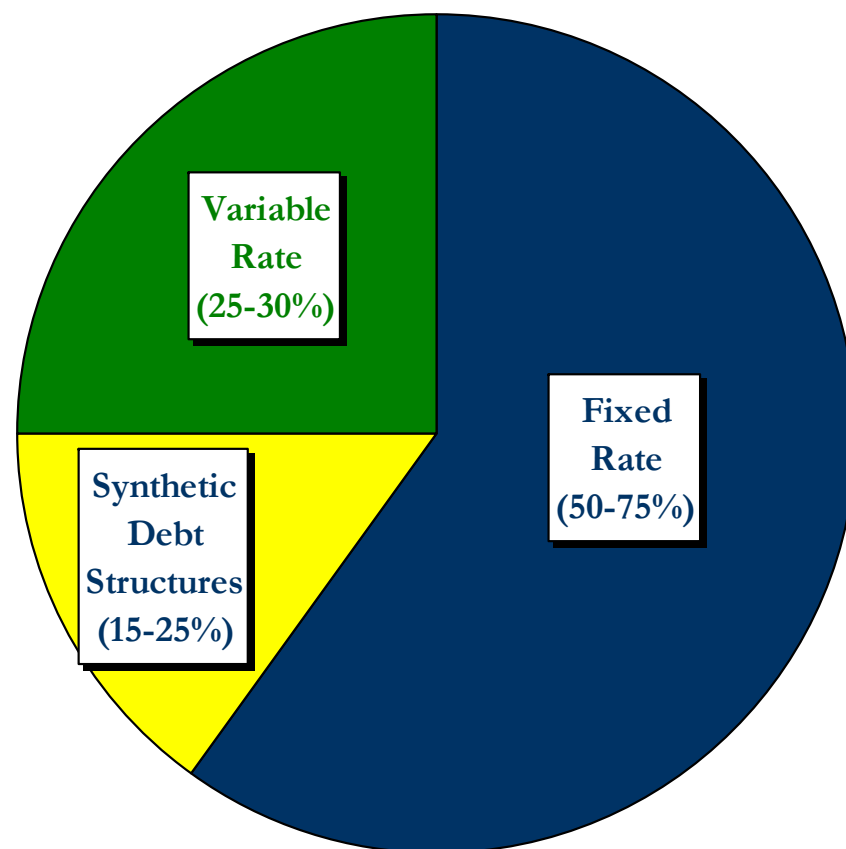


Existing Bonds – Composition of Debt Portfolio

**Composition of
Existing Portfolio**



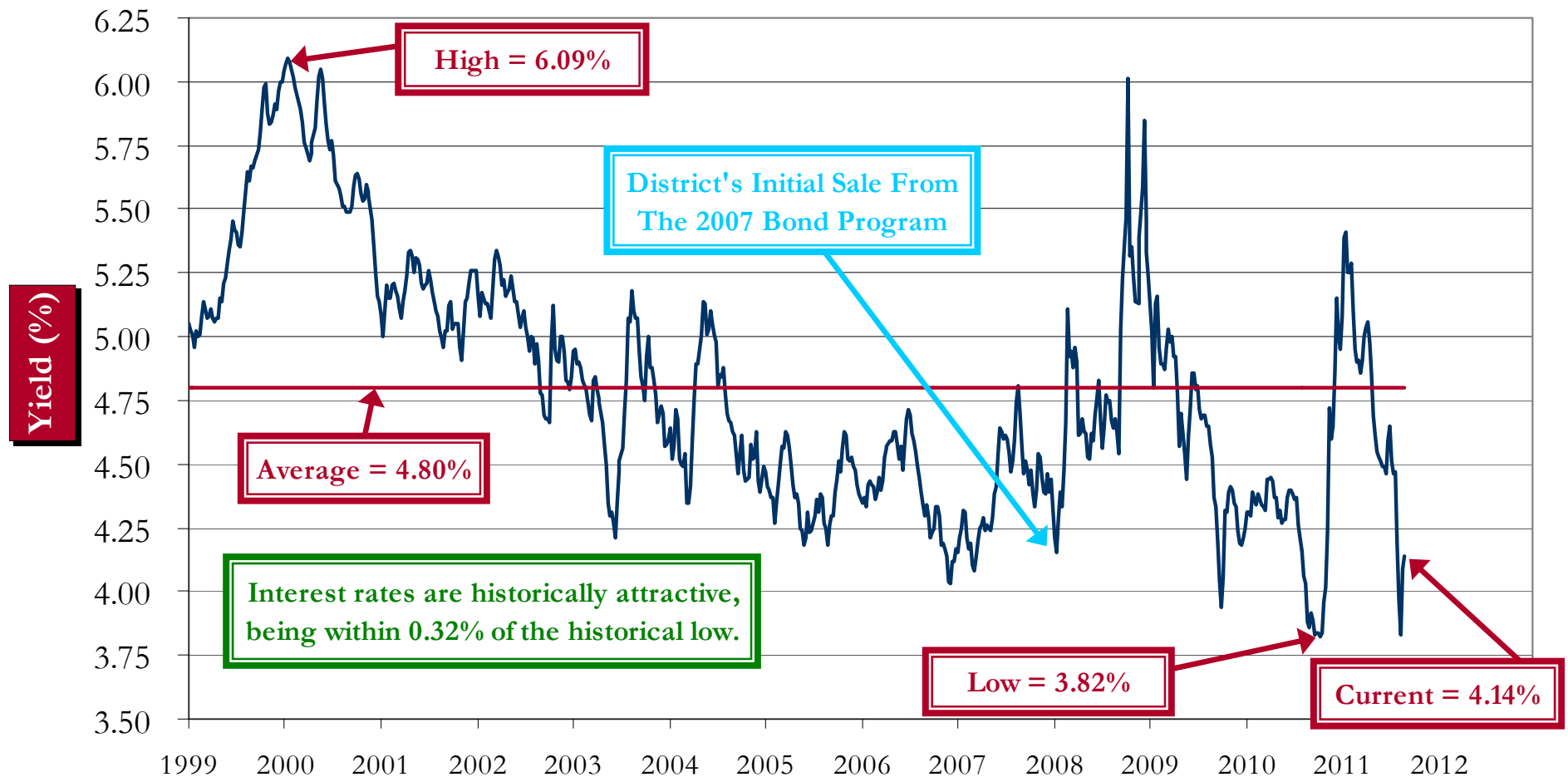
**Composition of
Targeted Portfolio**





Current Market Review – Interest Rates

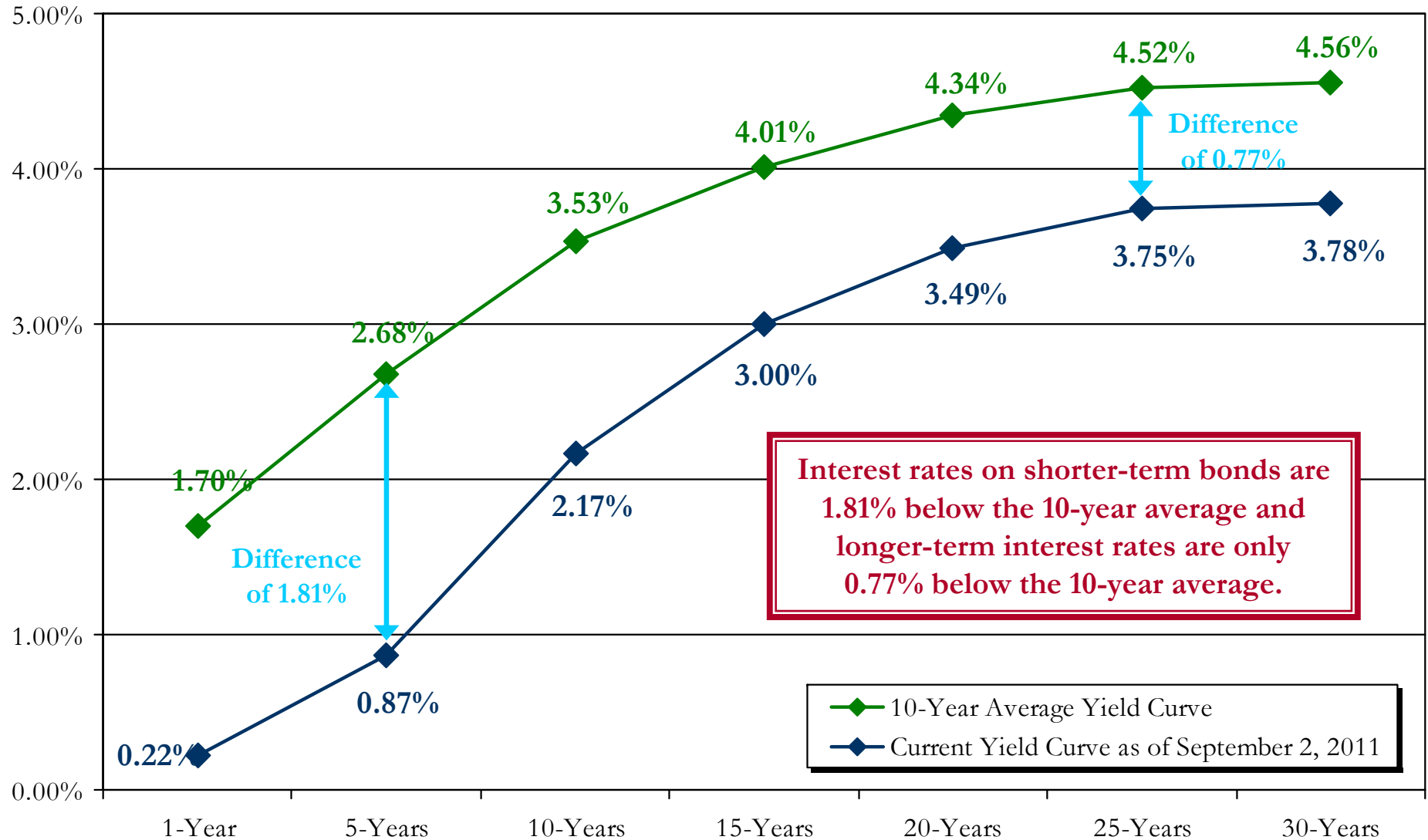
The Bond Buyer 20-Bond Index - A Tax-Exempt General Obligation Bond Yield Index January 1, 1999 To The Present





Current Market Review – Interest Rate Curve

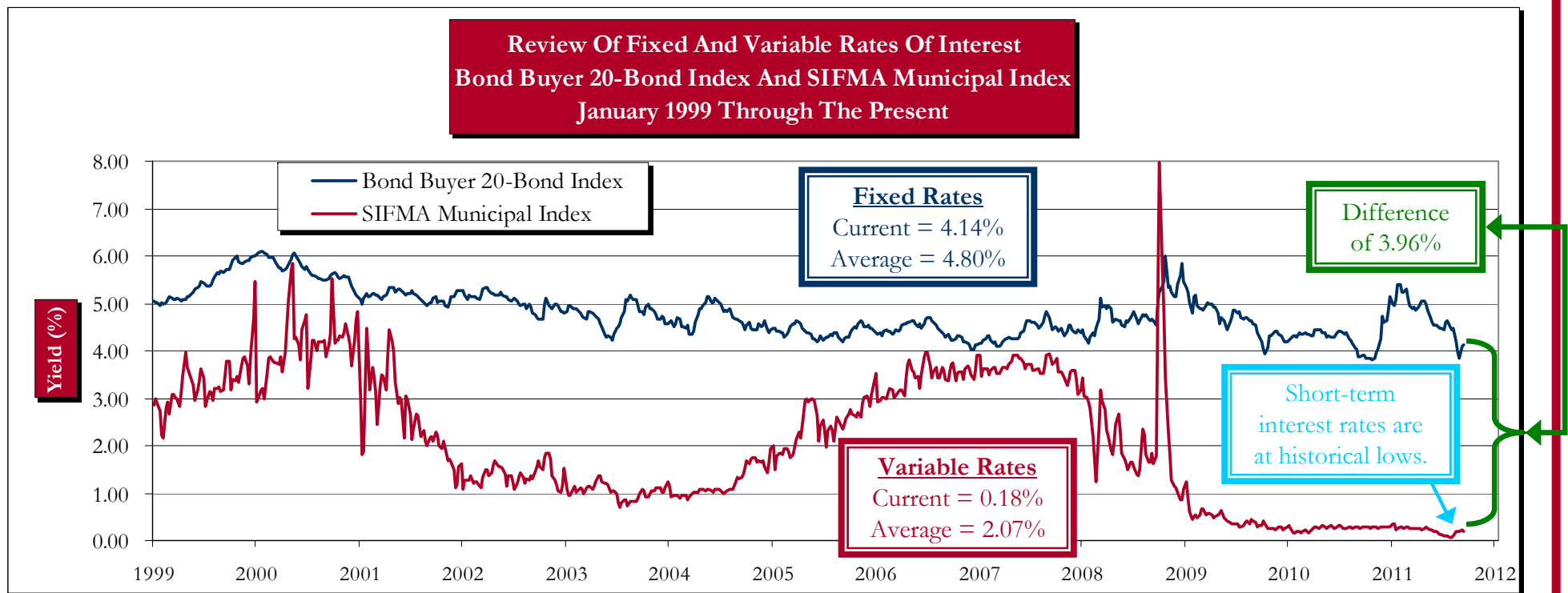
Comparison of Tax-Exempt Interest Rates - Municipal Market Data "AAA" Yield Curves





Overview of Variable Interest Rate Bonds

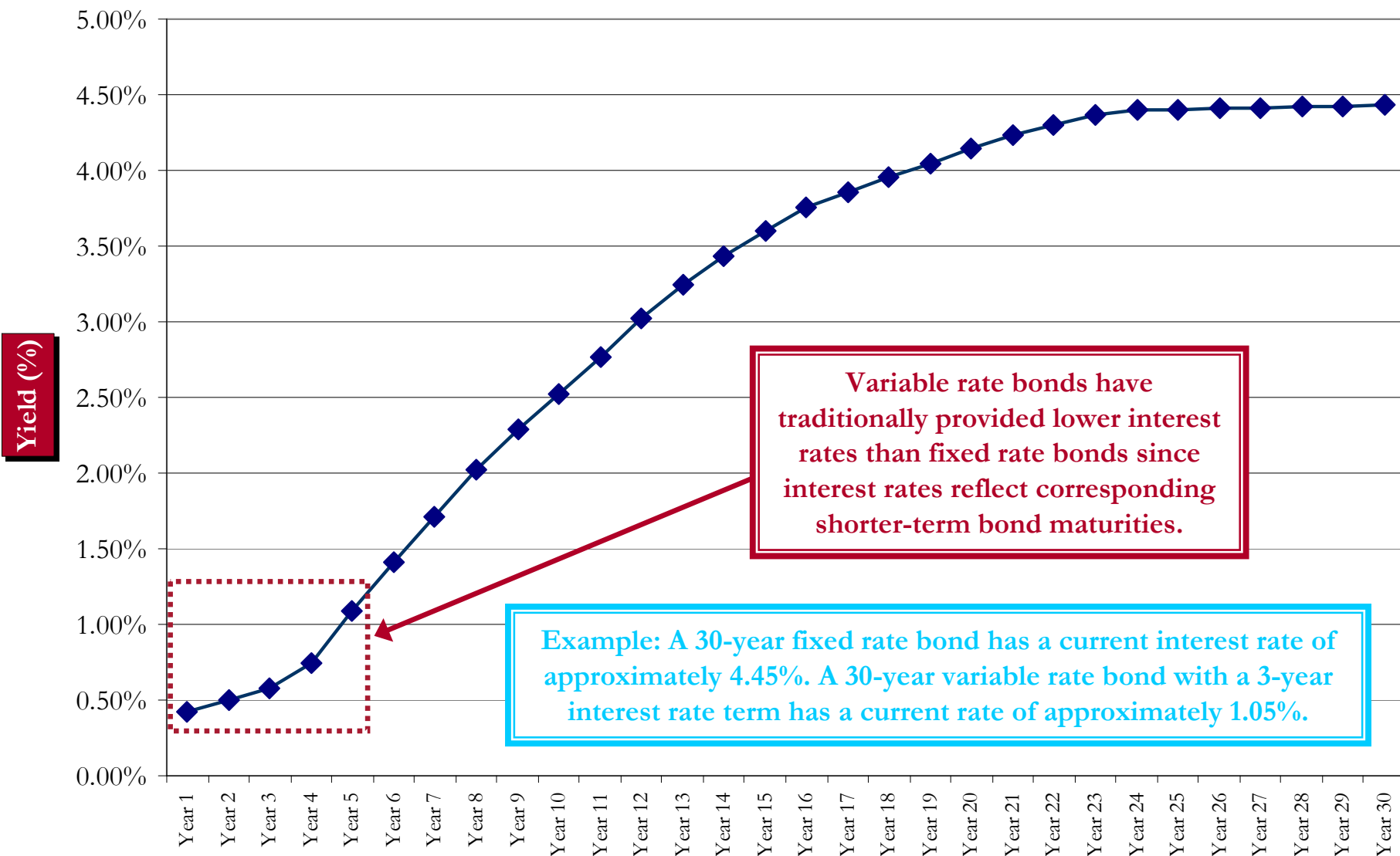
- ❑ Variable rate bonds are long-term bonds (i.e. 30-40 years), but the interest rate is reset based upon prevailing market conditions on an annual, 2-year, 3-year, etc. basis.
- ❑ Variable rate bonds:
 - Have historically provided a lower interest rate than fixed rate bonds; and
 - May be prepaid prior to scheduled maturity, without penalty, providing the District with the flexibility to manage their annual bond payments as its taxable values and capital needs change in the future.
- ❑ Variable rate bonds may also be converted to a “fixed rate” in the future, providing the District with the opportunity to “fix” the long-term interest rate on the bonds when fixed rates are attractive.





Overview of Variable Interest Rate Bonds (Continued)

Current Interest Rate Curve - As Of September 2, 2011





Overview of Variable Interest Rate Bonds (Continued)

- ❑ The following summarizes a few of the Texas school districts that have previously utilized variable rate bonds.

Representative Listing of Texas School Districts Utilizing Variable Rate Bonds

■ Aledo ISD	■ Dickinson ISD	■ Lubbock ISD	■ Richardson ISD
■ Alvin ISD	■ El Paso ISD	■ Mansfield ISD	■ Rockwall ISD
■ Beaumont ISD	■ Fort Bend ISD	■ Manor ISD	■ San Angelo ISD
■ Canutillo ISD	■ Garland ISD	■ Mesquite ISD	■ Sherman ISD
■ Carroll ISD	■ Grand Prairie ISD	■ Midland ISD	■ Spring ISD
■ Clear Creek ISD	■ Grapevine-Colleyville ISD	■ Midway ISD	■ Spring Branch ISD
■ Conroe ISD	■ Houston ISD	■ Northside ISD	■ Tomball ISD
■ Cypress-Fairbanks ISD	■ Irving ISD	■ Pasadena ISD	■ Tyler ISD
■ Denton ISD	■ Katy ISD	■ Plano ISD	■ Weatherford ISD

- ❑ The following provides the actual interest rates of recent variable rate bonds issued by Texas school districts during year 2011.

Summary of Recent Variable Rate Put Bond Financings by Texas School Districts

School District	Sale Date	Par Amount	Rate Period	Interest Rate
Midlothian ISD	09/07/2011	\$50,000,000	09/29/11 – 07/31/14 (3-Years)	1.05%
Eagle Mountain-Saginaw ISD	06/15/2011	55,000,000	06/30/11 – 07/31/14 (3-Years)	1.40%
Northside ISD	05/23/2011	45,825,000	05/31/11 – 07/31/13 (2-Years)	0.95%
Northside ISD	05/17/2011	84,000,000	05/31/11 – 05/31/14 (3-Years)	1.35%
Northside ISD	02/24/2011	80,000,000	03/08/11 – 07/31/14 (3-Years)	1.90%



Variable Rate Put Bonds – Summary of Estimated Interest Rates and Interest Cost Savings

- Assuming a \$45.0 million Variable Rate Put Bond with a 30-year repayment period, the following is a comparison of current variable and fixed rates of interest.

Comparison of Estimated Interest Rates and Interest Costs – \$45.0 Million Bond Sale

Interest Rate Mode	Current Rates (Included Estimated Costs)	Average Annual Interest Cost – Current Rates	Total Interest Cost – Current Rates	Total Interest Cost – Assuming Variable Rate Of 3.00%
Variable Rate Put Bond – 1-Year Term	0.90%	\$ 361,898	\$10,856,925	\$36,374,700
Variable Rate Put Bond – 3-Year Term	1.25%	503,058	15,091,750	36,374,700
Fixed Rate Bond	4.65%	1,896,789	56,903,661	---

- If a Variable Rate Put Bond with a 3-year term was used for a \$45.0 million bond sale, the District would lock-in approximately \$4,250,000 of savings over the next 3-years in comparison to a fixed rate bond sale.



Preliminary Bond Capacity Analysis

The remainder of this Preliminary Bond Capacity Analysis is based upon the assumptions detailed herein. To the extent the District's actual results differ from the assumptions herein, the financial impact to the District will correspondingly change.

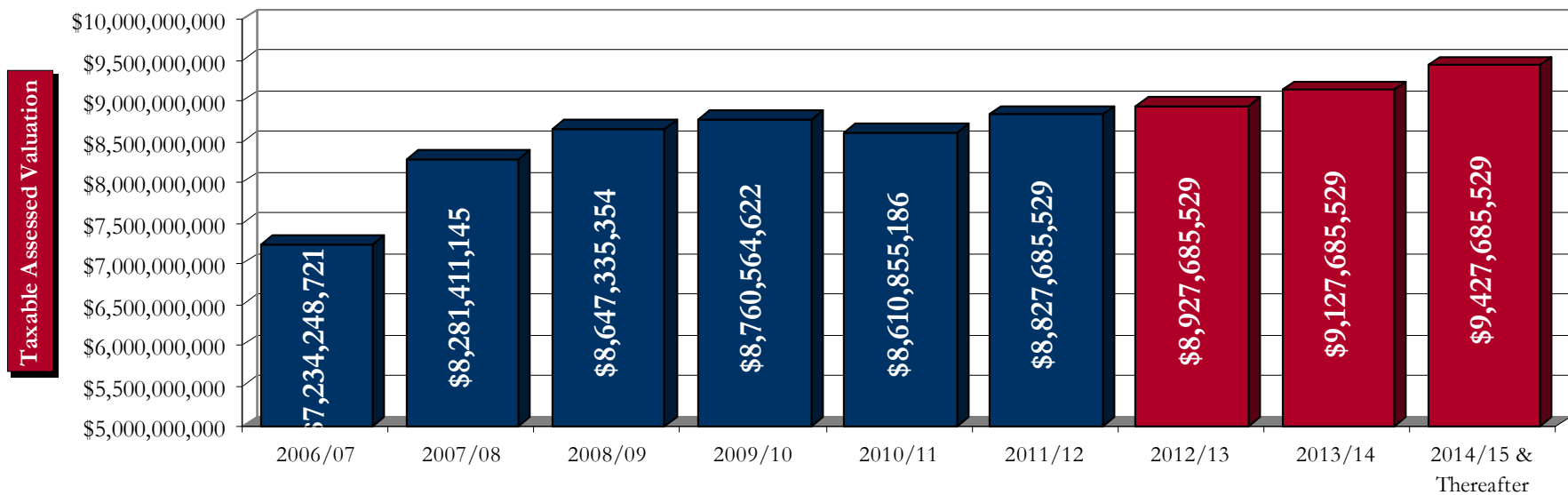
□ Scenarios Presented

- Scenario 1: 30-Year Repayment – Recommended Maximum Dollar Amount Of Bonds That May Prudently Be Issued In Year 2011 With A Variable Rate Structure And Maintain An I&S Tax Rate Of **49.0 Cents** – 30-Year Amortization; and
- Scenario 2: Issuance Of Remaining \$116.745 Million Of Bonds In Year 2011.



Historical and Assumed Taxable Assessed Valuations

Historical and Assumed Taxable Valuations (Net of Frozen Levy)



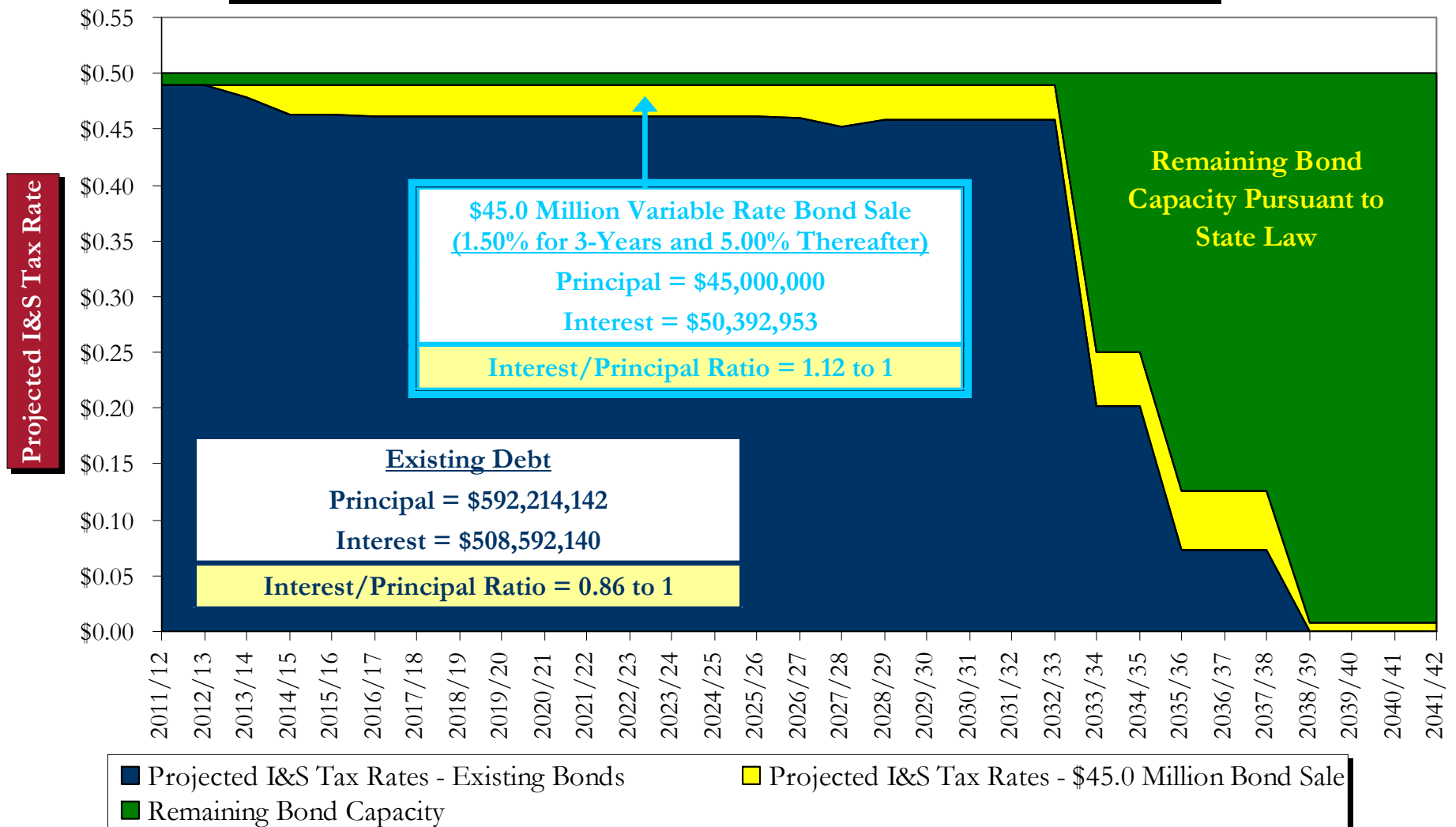
Fiscal Year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average Annual Increase – Years 2006/07 – 2011/12
Taxable Assessed Valuation	\$7,234,248,721	\$8,281,411,145	\$8,647,335,354	\$8,760,564,622	\$8,610,855,186	\$8,827,685,529	---
Dollar Change	---	\$1,047,162,424	\$365,924,209	\$113,229,268	(\$149,709,436)	\$216,830,343	\$318,687,362

Fiscal Year	2012/13	2013/14	2014/15	Average Annual Increase – Years 2012/13 – 2014/15
Taxable Assessed Valuation	\$8,927,685,529	\$9,127,685,529	\$9,427,685,529	---
Dollar Change	\$100,000,000	\$200,000,000	\$300,000,000	\$200,000,000



Preliminary Bond Capacity Analysis (Continued)

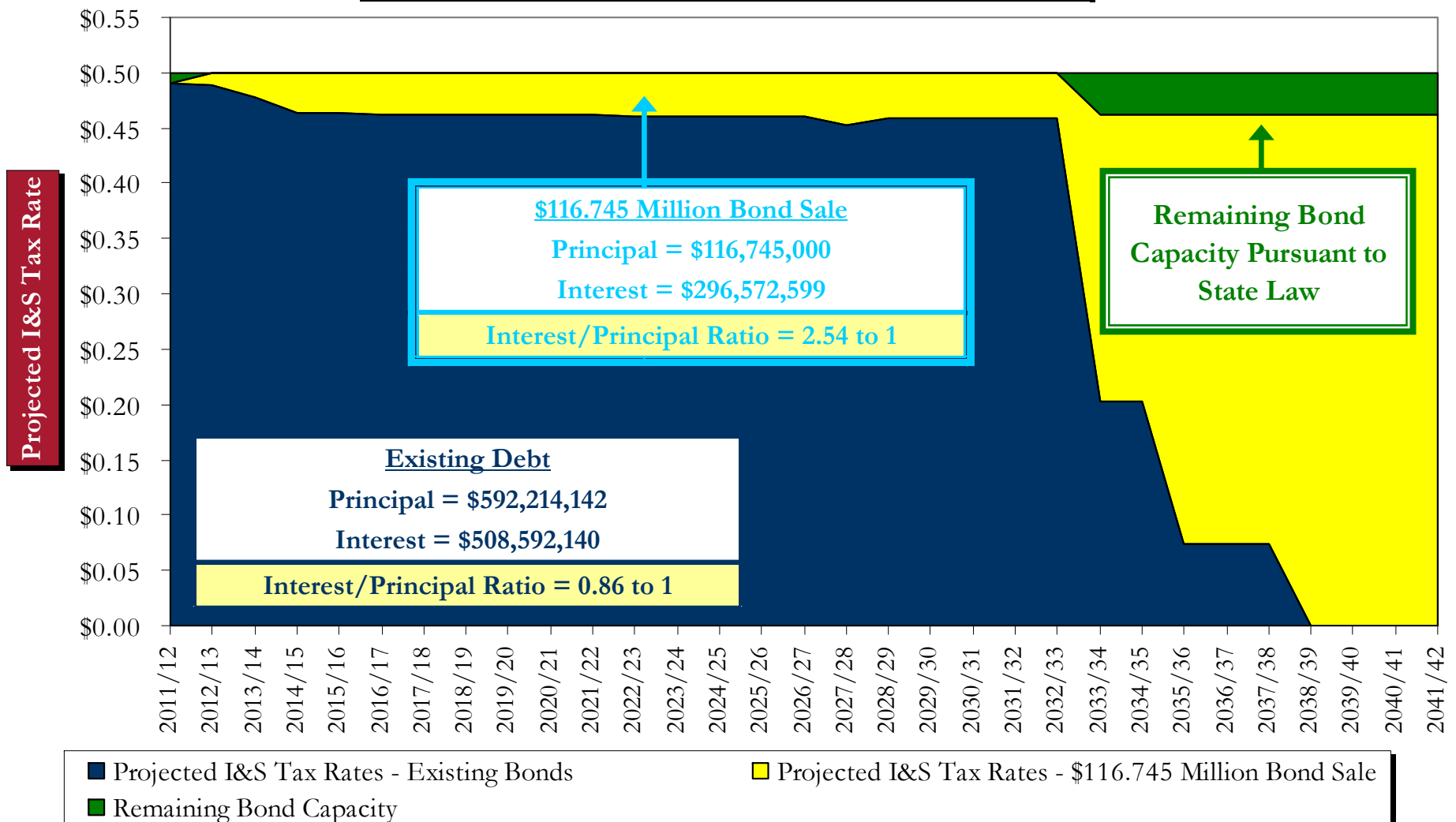
Scenario 1 - \$45.0 Million Bond Sale - Maximum Amount Of Bonds To Be Issued And Maintain An I&S Tax Rate Of 49.0 Cents





Preliminary Bond Capacity Analysis (Continued)

Scenario 2 - \$116.745 Million Bond Sale - I&S Tax Rate Of 50.0 Cents - 30-Year Repayment





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