

For Discussion Purposes Only



Review of Bond Capacity – 2007 Bond Program

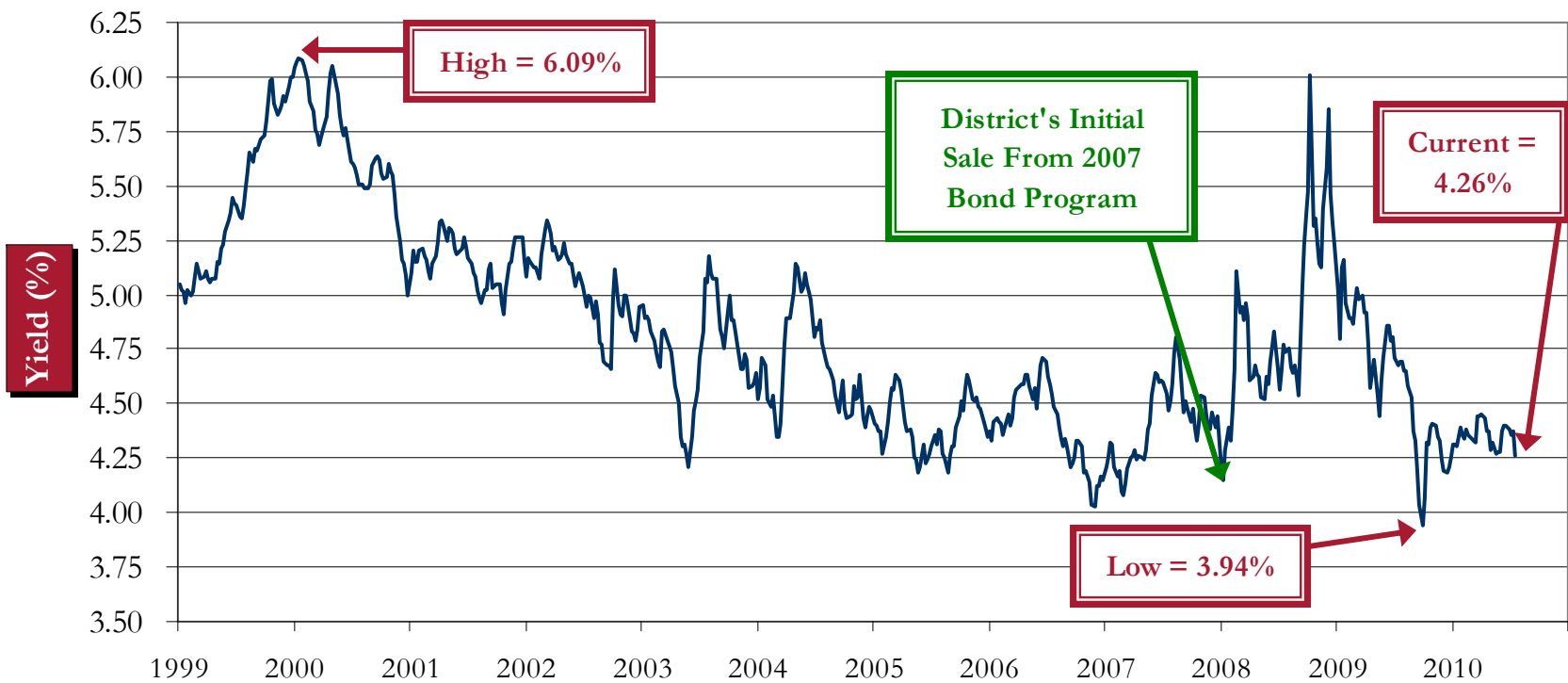
Tuesday, July 27, 2010

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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

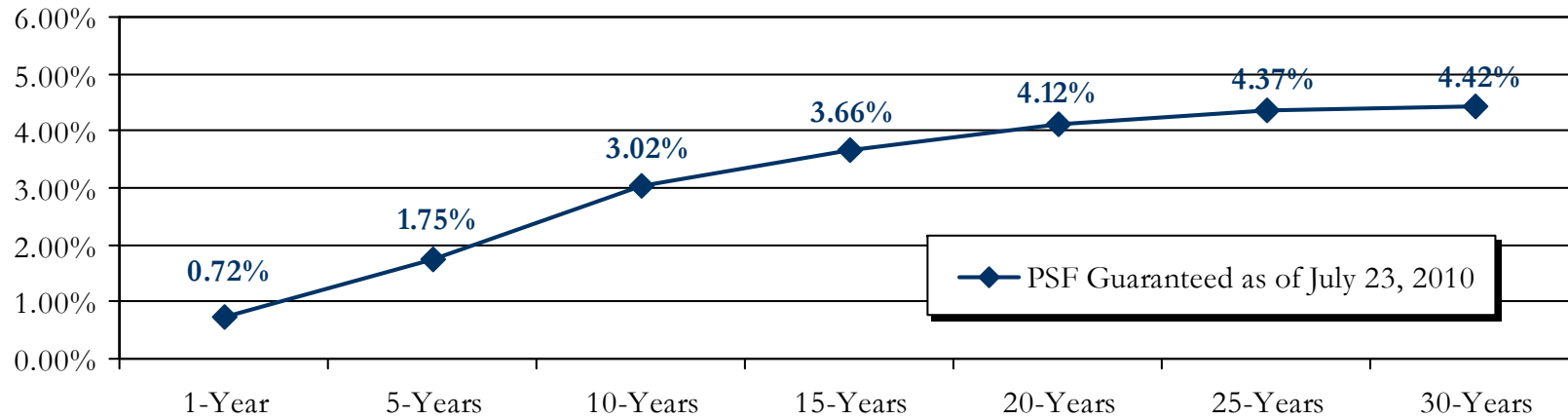


- Based upon a \$116.745 million bond sale amortized over 30-years, an interest rate difference of 0.25% changes the District's interest cost by approximately \$10,275,000.

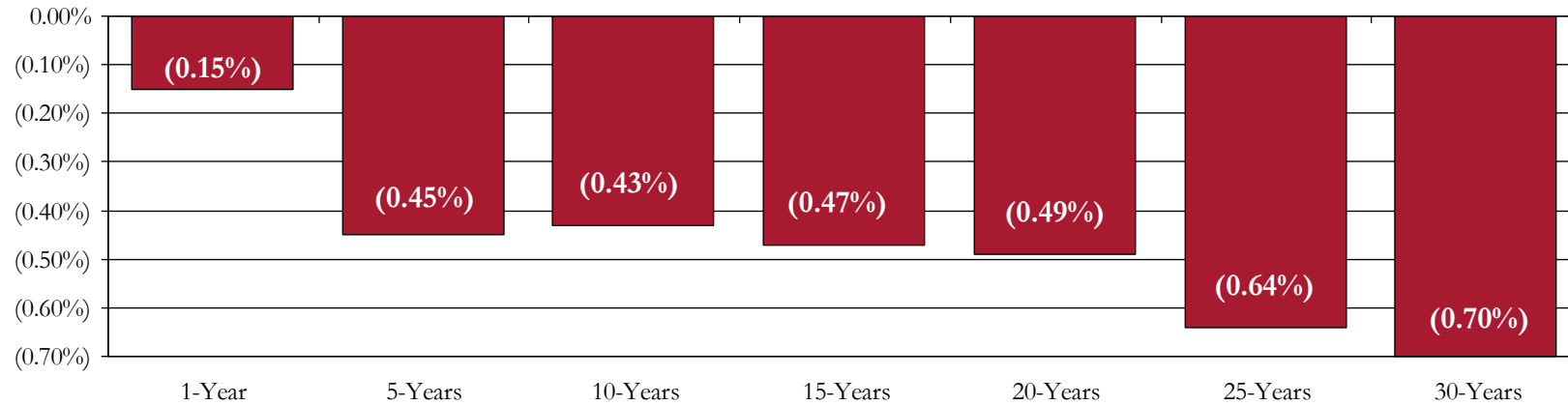


Current Market Review – Yield Curve

Representative Texas School District Yield Curve - PSF Guaranteed Bonds



**Representative Texas School District Yield Curve Movement - PSF Guaranteed Bonds
July 23, 2009 to July 23, 2010 (Last 12 Months)**





Review of the District's 2007 Bond Program

Election Results and Status of Bond Sales

- 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%

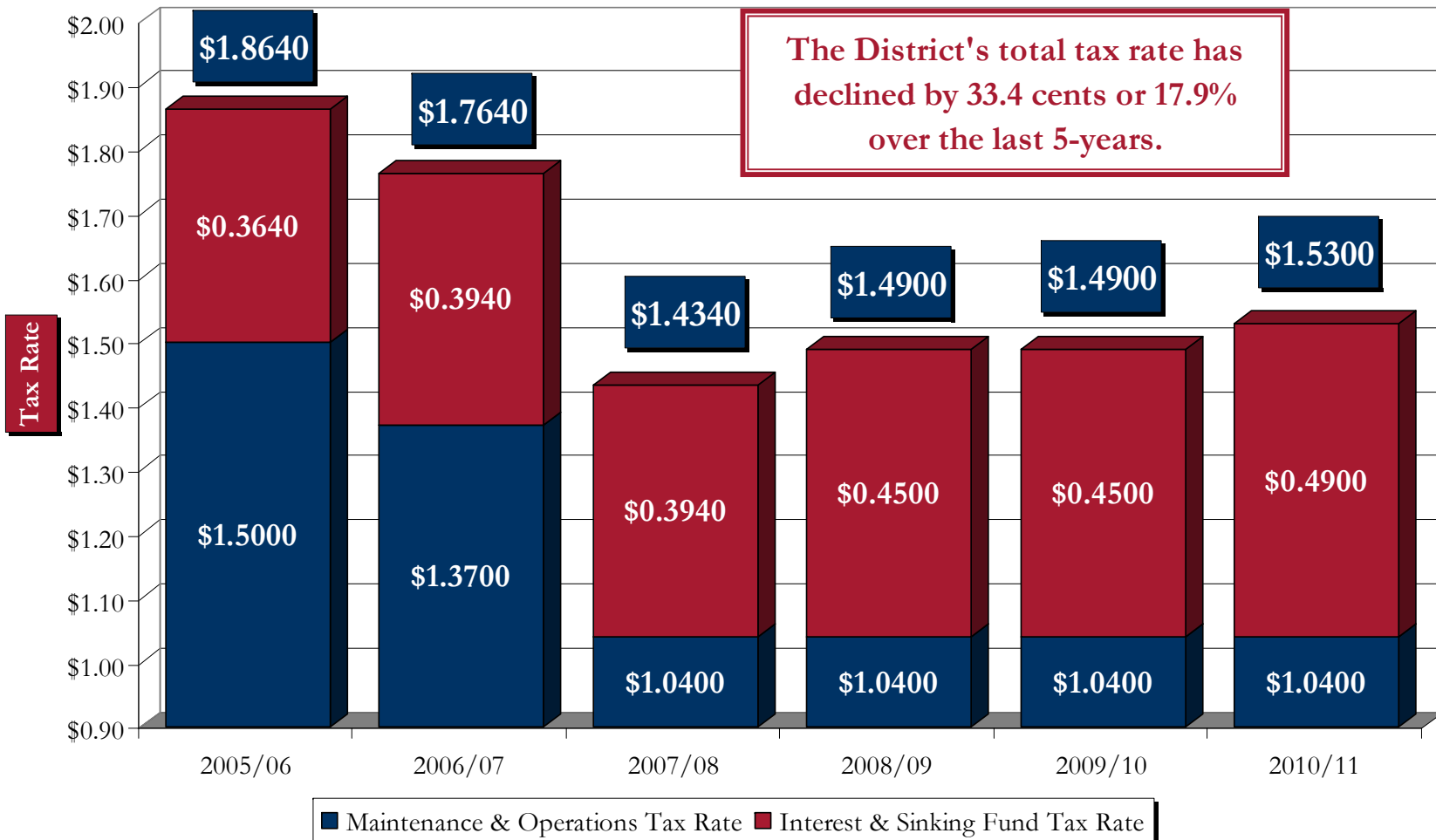
- In January 2008, the District completed the initial bond sale from the 2007 Bond Program and has \$116,745,000 of remaining bonds to be sold.

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



Historical Tax Rates

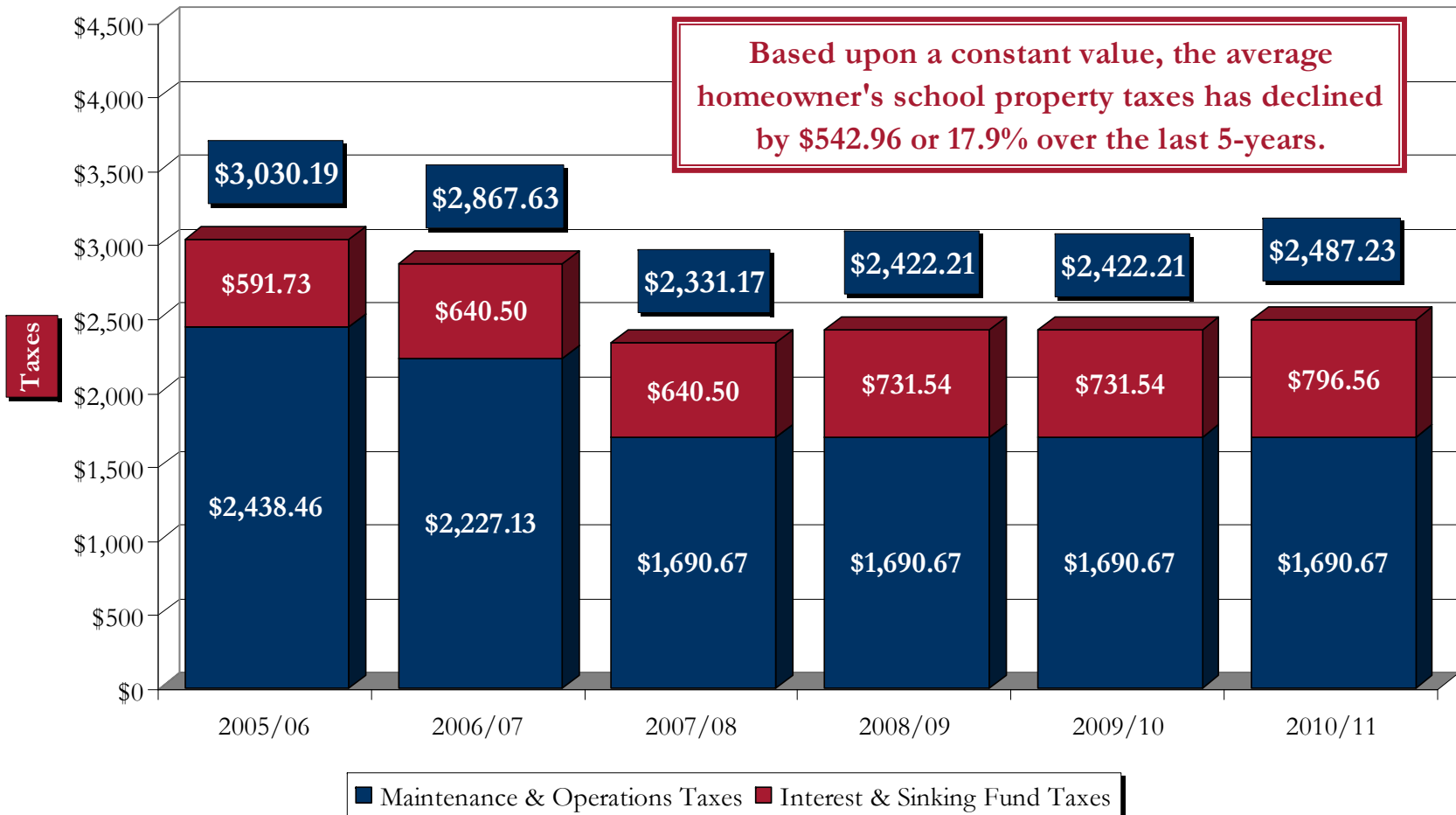
District's Historical Tax Rates





Historical Taxes For \$177,564 Average Homeowner

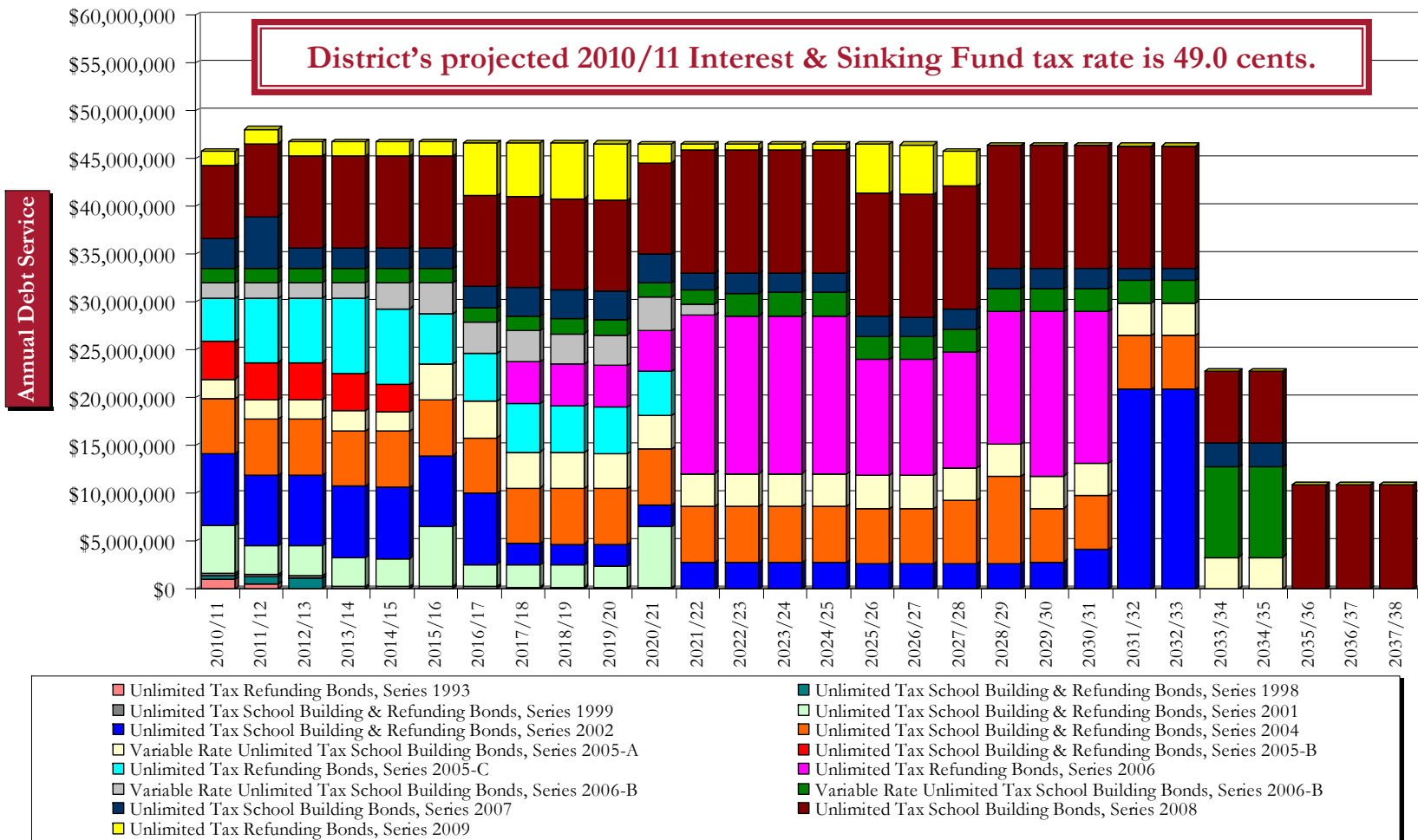
Historical Taxes - For \$177,564 Average Home Value^(A)



(A) Taxes are net of the State mandated \$15,000 Residential Homestead Exemption.



Existing Bonds – Debt Service by Series

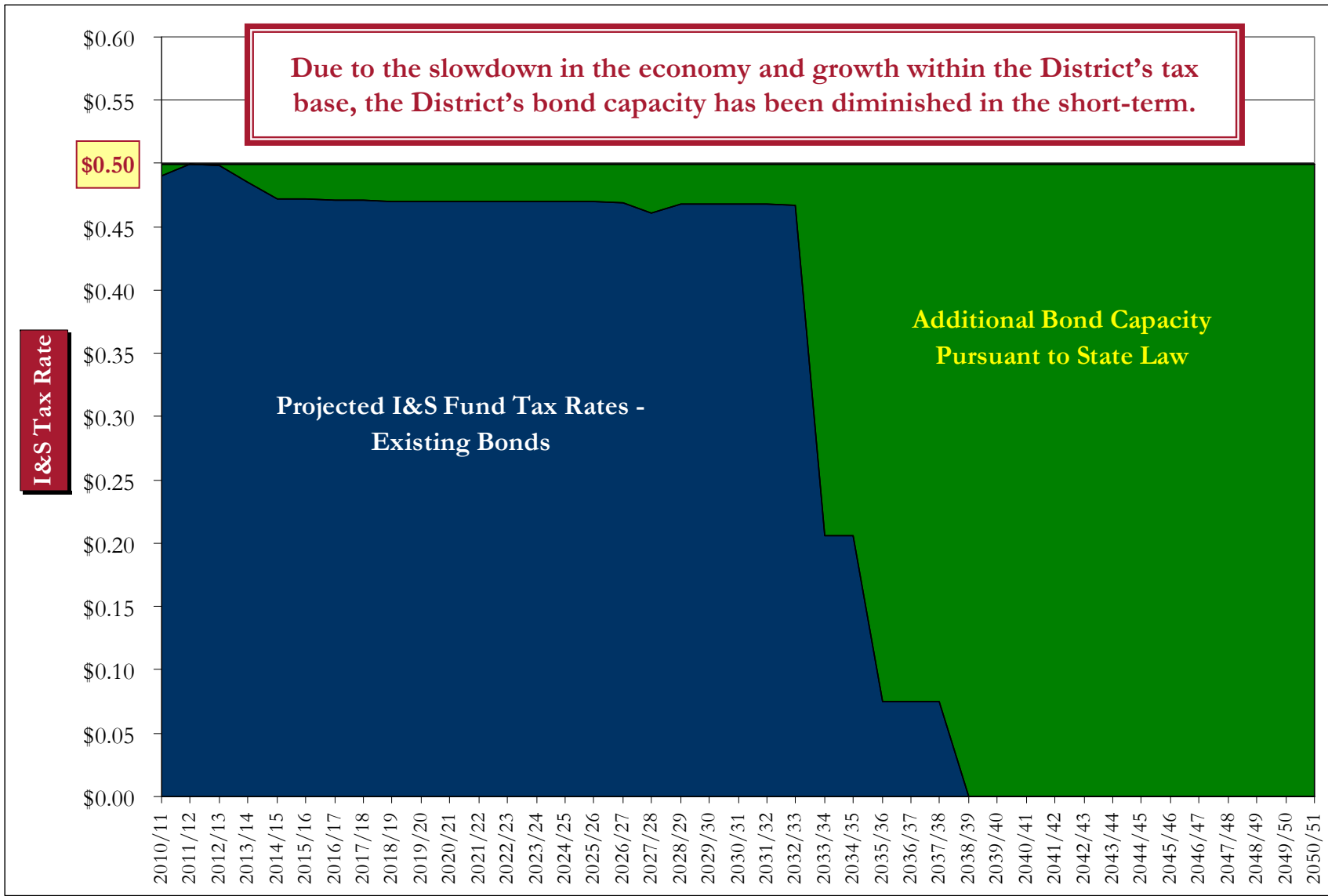


Note: Debt service payments reflect payments from September 1 through August 31.

As of August 15, 2010, the District will have an existing principal amount of bonds equal to \$610,963,527.



Existing Debt Portfolio – Projected I&S Tax Rates Required to Repay Existing Bonds



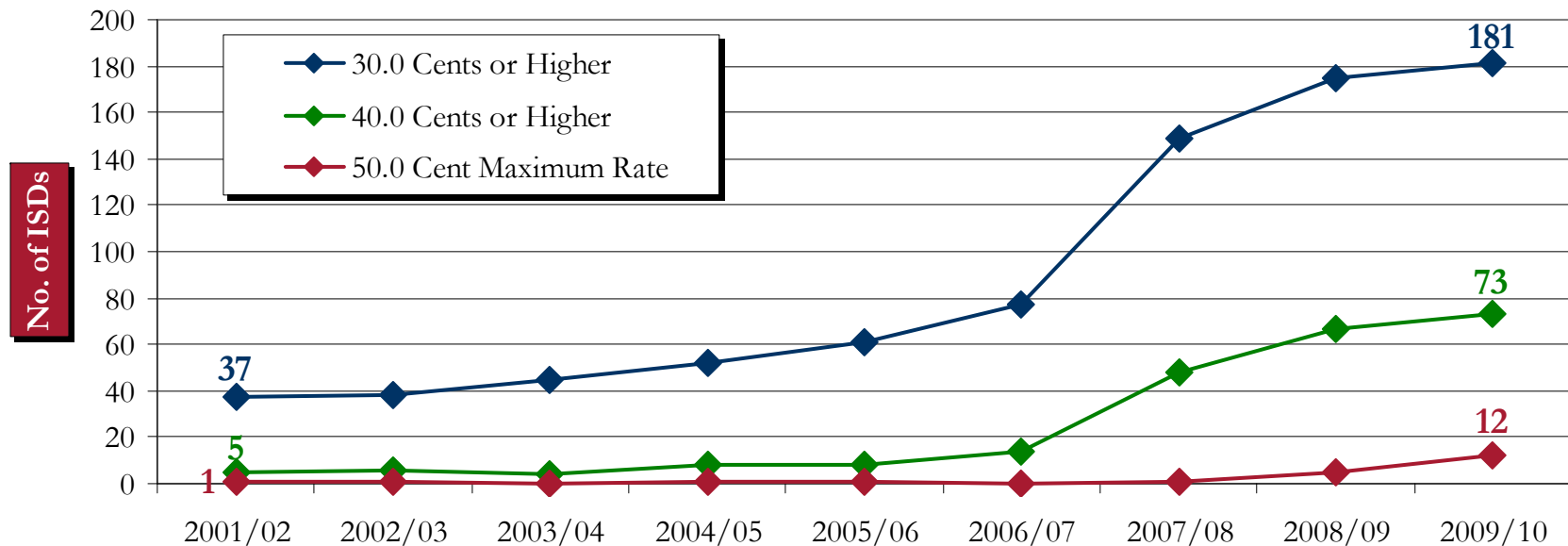


Factors Affecting District's Bond Capacity

I. Debt Limitations – State Law – Overview of “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 I&S tax rate (the portion of the District’s tax rate solely used to repay bonds) will not exceed 50.0 cents.

**Historical Trend of Interest & Sinking Fund Tax Rates
Years 2001/02 - 2009/10**



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



Factors Affecting District's Bond Capacity (Continued)

Listing of Texas School District's with an Interest & Sinking Fund Tax Rate of 40.0 Cents or More for Year 2009/10

■ Allen ISD (50.00 Cents)	■ Dickinson ISD (46.40 Cents)	■ Huffman ISD (43.00 Cents)
■ Anna ISD (50.00 Cents)	■ Jacksboro ISD (46.00 Cents)	■ Rockwall ISD (43.00 Cents)
■ Aubrey ISD (50.00 Cents)	■ Lampasas ISD (46.00 Cents)	■ Grand Prairie ISD (42.50 Cents)
■ Bland ISD (50.00 Cents)	■ Panhandle ISD (46.00 Cents)	■ Judson ISD (42.30 Cents)
■ Burleson ISD (50.00 Cents)	■ Lubbock-Cooper ISD (45.90 Cents)	■ Hays Consolidated ISD (42.13 Cents)
■ Celina ISD (50.00 Cents)	■ Frenship ISD (45.87 Cents)	■ Forney ISD (42.00 Cents)
■ Lake Worth ISD (50.00 Cents)	■ Community ISD (45.50 Cents)	■ Pflugerville ISD (42.00 Cents)
■ Little Elm ISD (50.00 Cents)	■ Denton ISD (45.00 Cents)	■ Spring ISD (42.00 Cents)
■ McKinney ISD (50.00 Cents)	■ DeSoto ISD (45.00 Cents)	■ Wylie ISD (42.00 Cents)
■ Melissa ISD (50.00 Cents)	■ Dripping Springs ISD (45.00 Cents)	■ Tioga ISD (41.92 Cents)
■ Spring Hill ISD (50.00 Cents)	■ Princeton ISD (45.00 Cents)	■ Franklin ISD (41.80 Cents)
■ White Settlement ISD (50.00 Cents)	■ Shepherd ISD (45.00 Cents)	■ Angleton ISD (41.52 Cents)
■ Crowley ISD (49.50 Cents)	■ Taylor ISD (45.00 Cents)	■ Port Neches-Groves ISD (41.50 Cents)
■ Millsap ISD (49.50 Cents)	■ Keller ISD (44.63 Cents)	■ Elgin ISD (41.00 Cents)
■ Prosper ISD (49.00 Cents)	■ Hutto ISD (44.50 Cents)	■ Giddings ISD (41.00 Cents)
■ Bishop Consolidated ISD (48.71 Cents)	■ Needville ISD (44.40 Cents)	■ Mansfield ISD (41.00 Cents)
■ Lake Dallas ISD (48.00 Cents)	■ Bastrop ISD (44.10 Cents)	■ Irving ISD (40.50 Cents)
■ Royal ISD (47.95 Cents)	■ Del Valle ISD (44.00 Cents)	■ Hitchcock ISD (40.01 Cents)
■ Floresville ISD (47.58 Cents)	■ New Caney ISD (44.00 Cents)	■ Katy ISD (40.00 Cents)
■ Bloomington ISD (47.50 Cents)	■ Robert Lee ISD (44.00 Cents)	■ Krum ISD (40.00 Cents)
■ Lovejoy ISD (47.50 Cents)	■ Crandall ISD (43.86 Cents)	■ Overton ISD (40.00 Cents)
■ Manor ISD (47.50 Cents)	■ Canton ISD (43.10 Cents)	■ Sherman ISD (40.00 Cents)
■ Caddo Mills ISD (47.10 Cents)	■ Bullard ISD (43.00 Cents)	■ Van Alstyne ISD (40.00 Cents)
■ Eagle Mountain-Saginaw ISD (47.00 Cents)	■ High Island ISD (43.00 Cents)	■ Waller ISD (40.00 Cents)
■ Ennis ISD (47.00 Cents)		

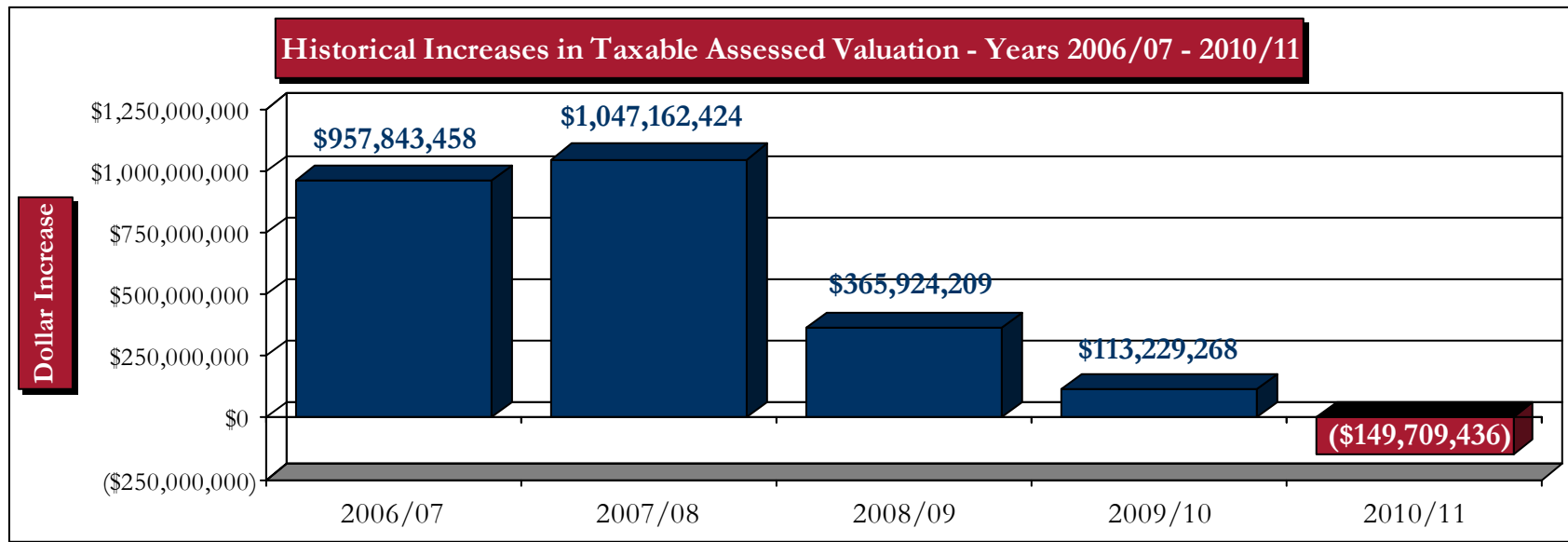
Source: Texas Comptroller of Public Accounts - Property Tax Division



Factors Affecting District's Bond Capacity (Continued)

II. Taxable Assessed Valuation

- The value of the District's tax base directly impacts 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 \$8,610,855,186.
 - ❖ Since approval of the 2007 Bond Program, the District's tax base has only increased \$329,444,041 or 4%; and
 - ❖ The District's tax base declined by \$149,709,436 in year 2010/11 and taxable values for year 2011/12 and thereafter remain uncertain.





Factors Affecting District's Bond Capacity (Continued)

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

- The District's outstanding bonds are currently repaid over 28-years. Pursuant to State law, the maximum amortization period of any District bond sale is 40 years.

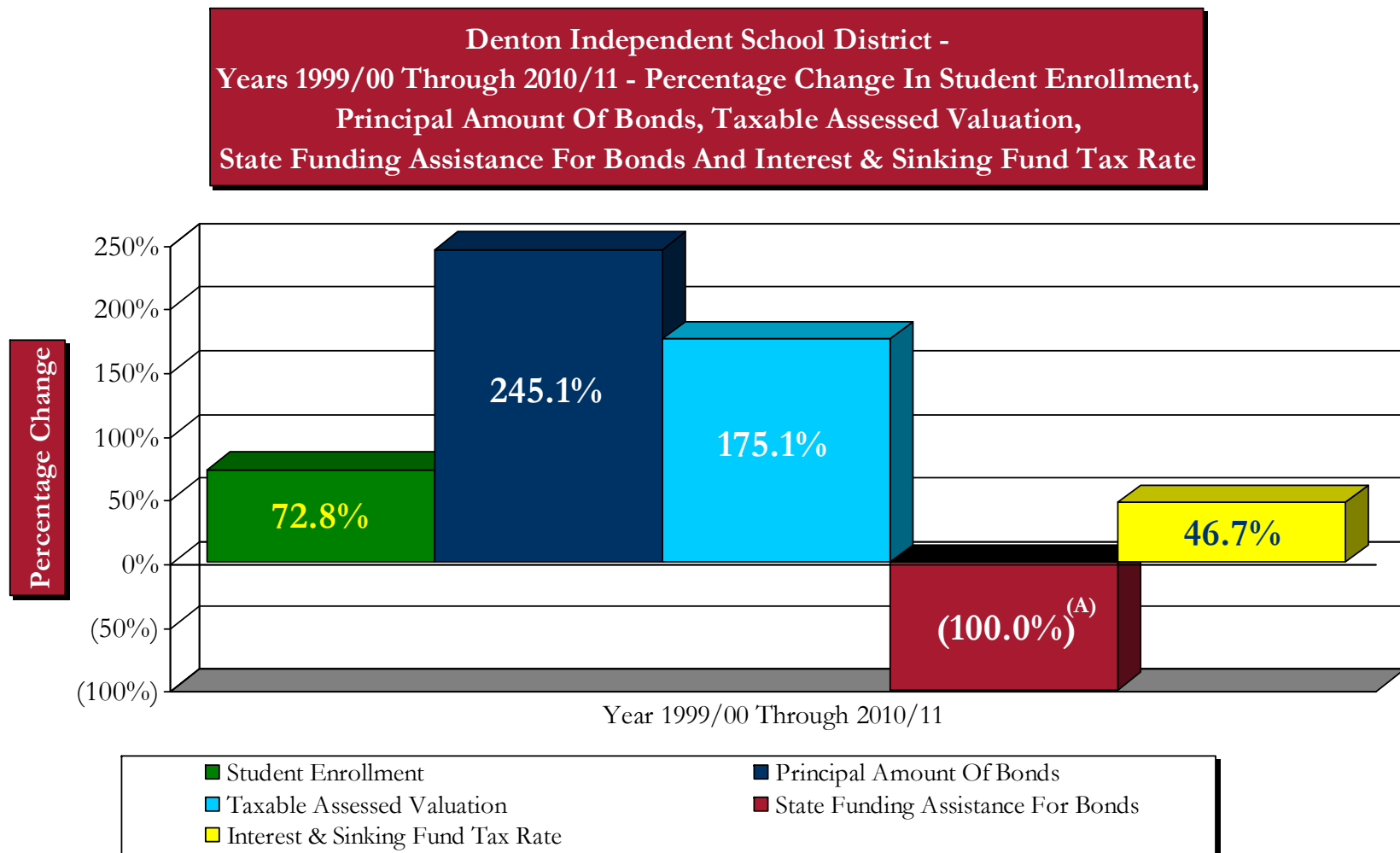
IV. State Funding Received for Payment of Bonds

- Due to the District's existing "Wealth Per Student" the District no longer qualifies for any State funding assistance for the repayment of bonds.

V. Interest Rate on District's Existing and Future Bonds



Percent Change of Factors Affecting Debt Capacity – Years 1999/00 Through 2010/11



(A) In year 1999/00, the District received \$1,801,672 of State funding assistance for the repayment of bonds and \$0 in year 2010/11.

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



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.

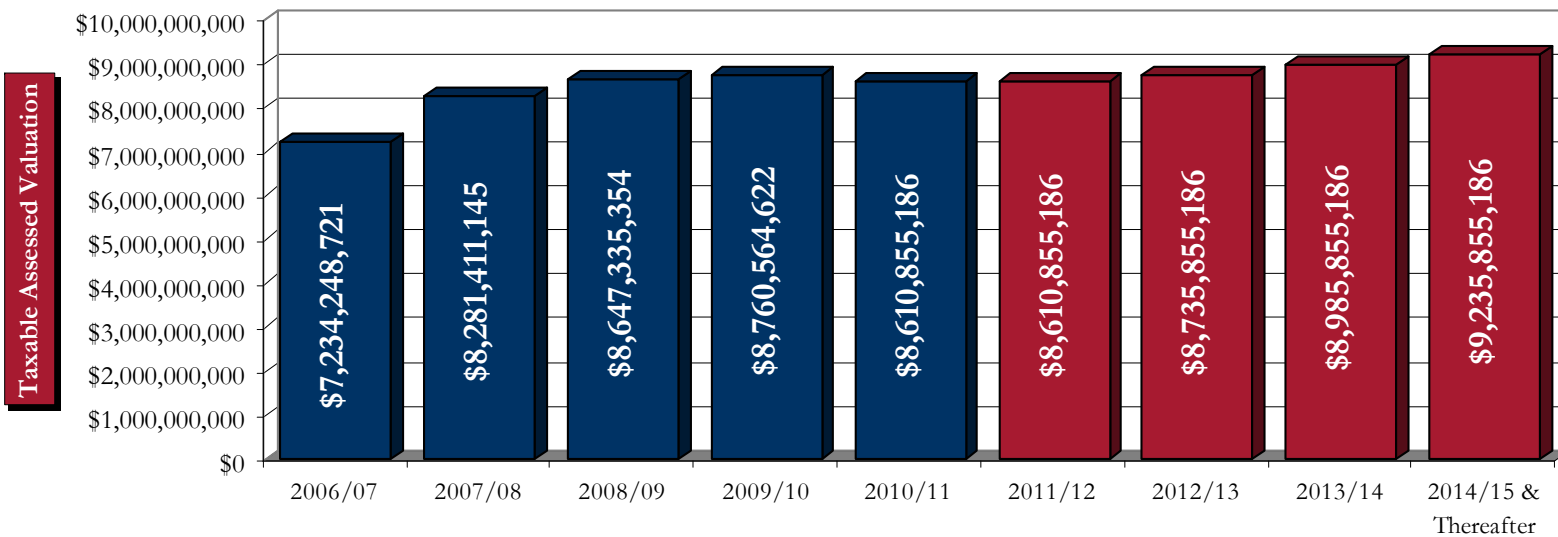
☐ Scenarios Presented

- Scenario 1: Traditional Amortization – Maximum Dollar Amount Of Bonds That May Be Issued In September 2010 And Maintain An I&S Tax Rate Of 50.0 Cents – 30-Year Amortization; and
- Scenario 2: Issue \$116.745 Million Of Bonds In September 2010.



Preliminary Bond Capacity Analysis (Continued)

Historical and Assumed Taxable Assessed Valuations (Net of Frozen Levy)



Fiscal Year	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	Average Annual Increase – Years 2006/07 – 2010/11
Taxable Assessed Valuation	\$6,276,405,263	\$7,234,248,721	\$8,281,411,145	\$8,647,335,354	\$8,760,564,622	\$8,610,855,186	---
Dollar Change	---	\$957,843,458	\$1,047,162,424	\$365,924,209	\$113,229,268	(\$149,709,436)	\$466,889,985

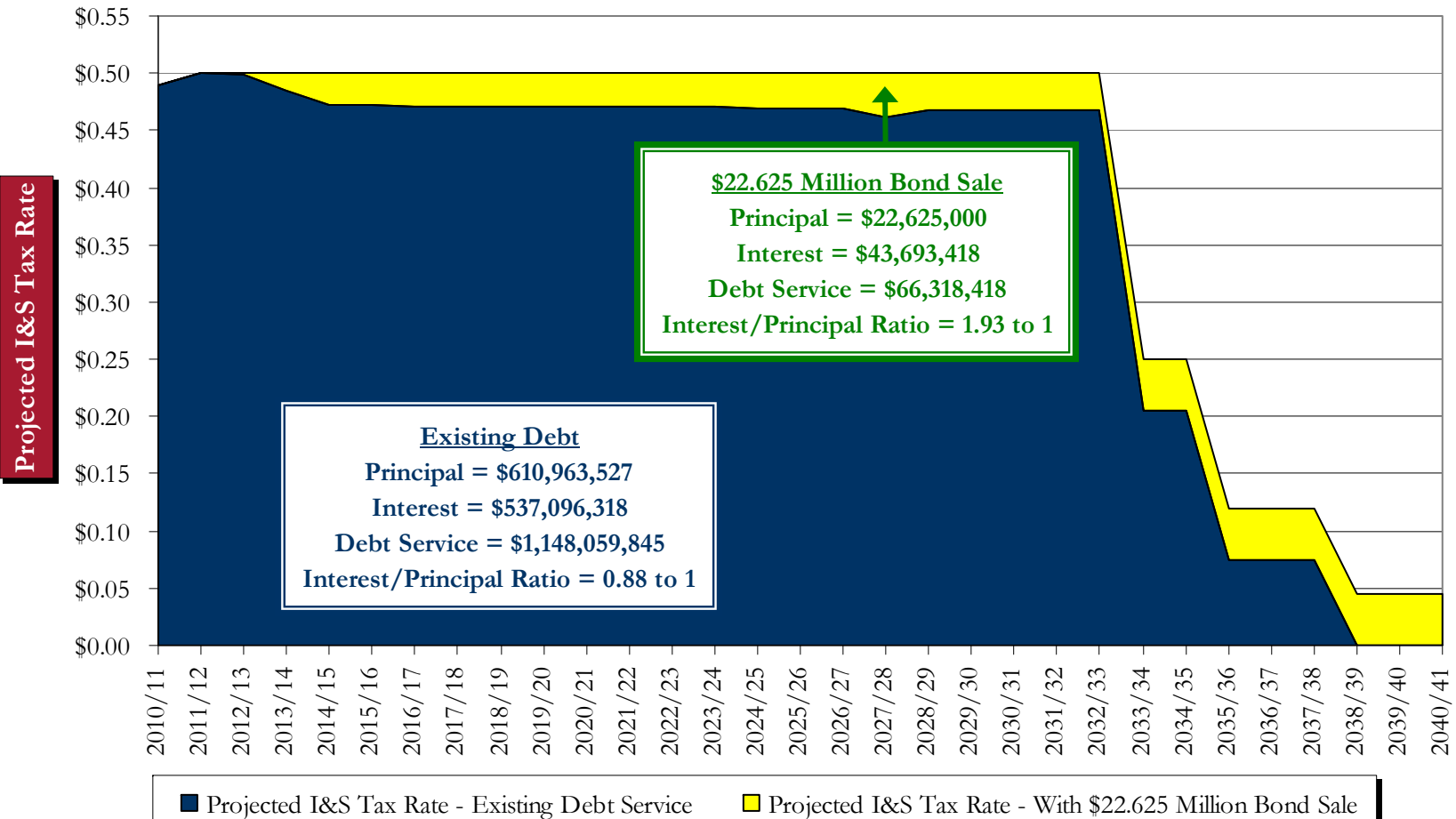
Fiscal Year	2011/12	2012/13	2013/14	2014/15	Average Annual Increase – Years 2011/12 – 2014/15
Taxable Assessed Valuation	\$8,610,855,186	\$8,735,855,186	\$8,985,855,186	\$9,235,855,186	---
Dollar Change	\$---	\$125,000,000	\$250,000,000	\$250,000,000	\$156,250,000

Source: Denton Central Appraisal District.



Preliminary Bond Capacity Analysis (Continued)

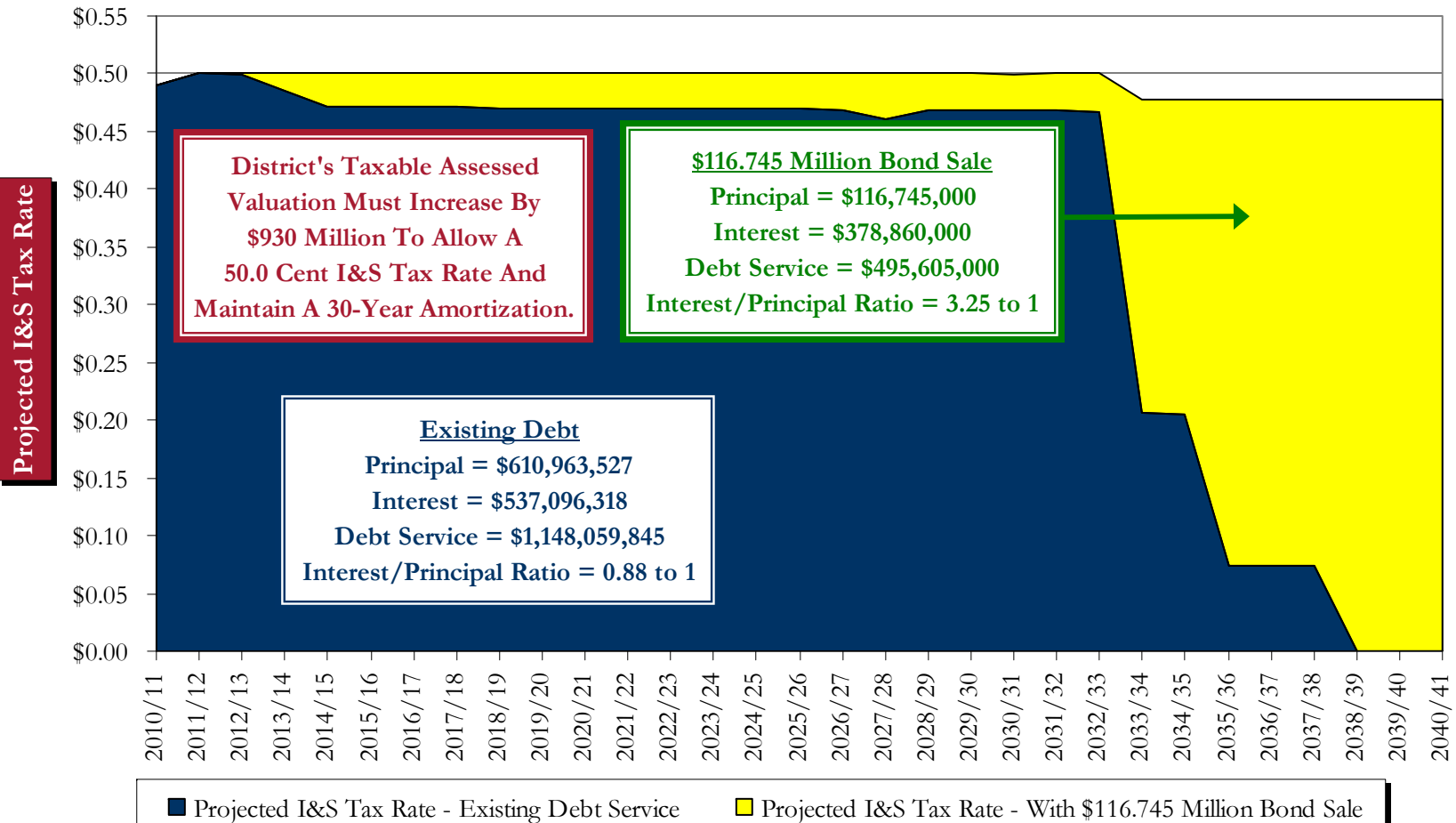
Scenario 1 - \$22.625 Million Bond Sale - Maximum Amount Of Bonds To Be Issued At This Time And Maintain An I&S Tax Rate Of 50.0 Cents





Preliminary Bond Capacity Analysis (Continued)

Scenario 2 - Issue \$116.745 Million Of Bonds In September 2010 - 34-Year Amortization





Current Opportunity – Refund Existing Bonds at Lower Interest Rate

- ❑ Refund a portion of the District's existing bonds at a lower interest rate to provide savings and reduce the District's annual bond payments. This refunding exceeds the established savings targets within the District's Debt Management Policy.
- ❑ Based upon current market conditions, the table below summarizes the savings available to the District.

Summary of Savings Available		
Description	Level Annual Savings Over Next 10-Years	Upfront Savings In Year 2011/12
Principal Amount of the Bonds to be Refunded	\$24,940,000	\$24,940,000
Interest Rate on the Bonds to be Refunded	5.09%	5.09%
Interest Rate on the Refunding Bonds	2.37%	2.40%
Escrow Yield	1.81%	1.81%
Total Debt Service Savings	\$1,955,485	\$1,715,335
Average Annual Savings	195,549	1,699,449
Present Value Debt Service Savings	1,701,542	1,651,850
Present Value Savings as a Percentage of the Principal Amount of the Bonds to be Refunded	6.82%	6.62%
Opportunity Cost of Advance Refunding – “Negative Arbitrage”	\$279,749	\$294,810

- ❑ Note: The District currently generates approximately \$840,161 for each penny on its I&S tax rate.



Refund Existing Bonds at Lower Interest Rate (Continued)

- ❑ The following table summarizes the District's existing bonds to be refunded.

Summary of Bonds to be Refunded					
Issue Outstanding	Principal Amount To Be Refunded	Maturities To Be Refunded	Interest Rate	Redemption Date	Redemption Price
Unlimited Tax School Building and Refunding Bonds, Series 1998	\$ 490,000	08/15/2014 – 18, 2021	5.17%	12/17/10	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 1999	1,535,000	08/15/2011 – 17, 2019, 2021	5.21%	12/17/10	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 2001	7,240,000	02/15/2012 – 15	5.50%	02/15/11	100.0%
Unlimited Tax School Building and Refunding Bonds, Series 2004	15,675,000	08/15/2016 – 21	5.00%	08/15/14	100.0%
Totals:	\$24,940,000	---	5.09%	---	---



Parameters Order – Approval Process for Refunding for Savings

- ☐ Pursuant to Chapter 1207 of the Texas Government Code, as amended, the District's Board of Trustees has previously designated the ability to approve the issuance of the Refunding Bonds to the District's Administration, so long as the issuance of the bonds met certain parameters approved by the Board of Trustees.
- ☐ The use of a so-called "Parameters Sale" may provide the District with additional flexibility to time the sale of the Refunding Bonds to lock-in the savings during favorable market conditions.
- ☐ Pursuant to a Bond Order to be approved by the District's Board of Trustees, the following is a representative listing of the parameters that could be used for the District's Refunding Program.
 - 1) The District achieves at least \$1,000,000 of savings;
 - 2) A maximum of \$24,940,000 (principal amount) of Refunding Bonds may be issued;
 - 3) The interest rate (Federal arbitrage yield) on the Refunding Bonds cannot exceed 3.00%;
 - 4) The final maturity of the Refunding Bonds may not exceed August 15, 2021; and
 - 5) The refunding program is completed prior to February 28, 2011.
- ☐ Unless the parameters detailed above are achieved, the Refunding Bonds would not be issued unless additional direction was received from the District.



Preliminary Timetable

July 2010						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August 2010						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September 2010						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Preliminary Timetable	
Date*	Action Necessary
August 24, 2010	Board Meeting – Discuss Refunding Program and consider “Parameters Order” authorizing issuance of Refunding Bonds pursuant to specified parameters.
September 30, 2010	Completion of all actions necessary to complete the Refunding Program.
TBD	Pricing – Negotiated sale of the Refunding Bonds within the specified parameters – Savings locked-in at this time.
1-Business Day After Pricing	The District’s Administration approves sale of Refunding Bonds.
On or Prior to February 28, 2011	Closing – The Refunding Program is completed and the Bonds to be Refunded are no longer outstanding.

* Preliminary, subject to change.