

Summary of Performance – 2005 and 2006 Swap Agreements As of September 30, 2009



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Summary – Performance of 2005 Swap Agreements

- Denton Independent School District’s (the “District”) outstanding 2005 Swap Agreements have continued to provide a lower interest cost in comparison to traditional fixed rate bonds, as summarized within the table below.

Performance of Outstanding 2005 Swap Agreements – February 17, 2005 Through September 30, 2009			
Description	Previous Performance – February 17, 2005 – September 30, 2008	Performance Current Period – October 1, 2008 – September 30, 2009	Total Performance – February 17, 2005 – September 30, 2009
Notional Amount of Outstanding Swap Agreements	\$46,500,000	\$46,500,000	\$46,500,000
Total Anticipated Fixed Pay Swap Rate	3.67% – 4.02%	3.67% – 4.02%	3.67% – 4.02%
Actual Fixed Pay Swap Rate	3.42%	3.42%	3.42%
Actual Liquidity and Remarketing Costs	0.16%	0.16%	0.16%
Historical Basis Cost/(Benefit)	0.20%	0.27%	0.22%
Total Actual Fixed Pay Swap Rate	3.78%	3.85%	3.80%
Traditional Fixed Rate Bonds	4.45%	4.45%	4.45%
Debt Service Benefit Achieved by the District	\$1,123,704	\$283,104	\$1,406,808



Summary – Performance of 2006 Swap Agreement

- The District’s outstanding 2006 Swap Agreement has also continued to provide a lower interest cost in comparison to traditional fixed rate bonds, as summarized within the table below.

Performance of Outstanding 2006 Swap Agreement – July 27, 2006 Through September 30, 2009			
Description	Previous Performance – July 27, 2006 – September 30, 2008	Performance Current Period – October 1, 2008 – September 30, 2009	Total Performance – July 27, 2006 – September 30, 2009
Notional Amount of Outstanding Swap Agreement	\$30,000,000	\$30,000,000	\$30,000,000
Total Anticipated Fixed Pay Swap Rate	3.49% – 4.34%	3.49% – 4.34%	3.49% – 4.34%
Actual Fixed Pay Swap Rate	4.08%	4.08%	4.08%
Actual Liquidity and Remarketing Costs	0.16%	0.16%	0.16%
Historical Basis Cost/(Benefit)	0.07%	(1.29%)	(0.36%)
Total Actual Fixed Pay Swap Rate	4.31%	2.95%	3.88%
Traditional Fixed Rate Bonds	4.94%	4.94%	4.94%
Debt Service Benefit Achieved by the District	\$403,606	\$595,326	\$998,932

- Collectively, the 2005 and 2006 Swap Agreements have provided a \$2,405,740 debt service savings to the District.



Overview of Swap Counterparties

- ❑ The District's swap counterparties are as follows:
 - JPMorgan Chase Bank, N.A. ("JPMCB")
 - ❖ \$23,250,000 – 2005 Swap Agreement
 - ❖ \$30,000,000 – 2006 Swap Agreement
 - ❖ **\$53,250,000 – Total**
 - UBS AG "(UBS")
 - ❖ \$23,250,000 – 2005 Swap Agreement
- ❑ Bear Stearns Financial Products Inc. ("BSFP") was an original swap counterparty to the District on the 2005 and 2006 Swap Agreements.
 - On May 26, 2009, JPMorgan Chase & Co. merged with BSFP making JPMCB the new swap counterparty to the District.
 - JPMCB is rated "Aa1," "AA-" and "AA-" by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively, and meets all the swap counterparty parameters outlined within the District's Swap Management Plan.



Overview of Swap Counterparties (Continued)

- ❑ UBS is currently rated “Aa2,” “A+” and “A+” by Moody’s Investors Service, Standard & Poor’s Ratings Services and Fitch Ratings, respectively.
 - On October 17, 2008, the credit rating of UBS was downgraded by Standard & Poor’s Ratings Services from “AA-” to “A+”. In addition, Fitch Ratings downgraded UBS’s credit rating from “AA-” to “A+” on October 24, 2008.
 - The District’s Swap Management Plan requires that a swap counterparty maintain a rating by at least two of the nationally recognized rating agencies in the “AA” category or be required to post collateral should the termination value of the swap agreement be positive to the District.
 - Since the termination value of the 2005 Swap Agreement is negative to the District, UBS has not been required to post collateral pursuant to the terms of the 2005 Swap Agreement.
- ❑ Termination Values
 - The 2005 Swap Agreements and 2006 Swap Agreement (collectively, the “Swap Agreements”) are considered assets of the District and as such, retain a termination value.
 - It is important to note that future fluctuations in interest rates will affect the termination value of the Swap Agreements, causing the District to have an unrealized gain or loss, much like an investment. However, the District’s financing plan was formulated on the premise that the Swap Agreements would not be terminated prior to final maturity.