Report On Performance Of Swap Agreements As Of September 30, 2007

Variable Rate Unlimited Tax School Building Bonds, Series 2005-A & Variable Rate Unlimited Tax School Building Bonds, Series 2006-B

Tuesday, December 11, 2007

RBC Capital Markets

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1 Performance Of Swap Agreements – Summary

Performance Of Swap Agreements – Summary

- In order to reduce Denton Independent School District's (the "District") interest cost as compared to the interest cost on traditional fixed rate bonds, the District entered into swap agreements (the "2005 Swap Agreements" and "2006 Swap Agreement") to "synthetically fix" the variable rate of interest on its Variable Rate Unlimited Tax School Building Bonds, Series 2005-A and Series 2006-B.

- As summarized within the table below, the District's outstanding swap agreements have continued to provide a lower interest cost in comparison to traditional fixed rate bonds.

Performance Of Outstanding Swap Agreements – Inception Through September 30, 2007

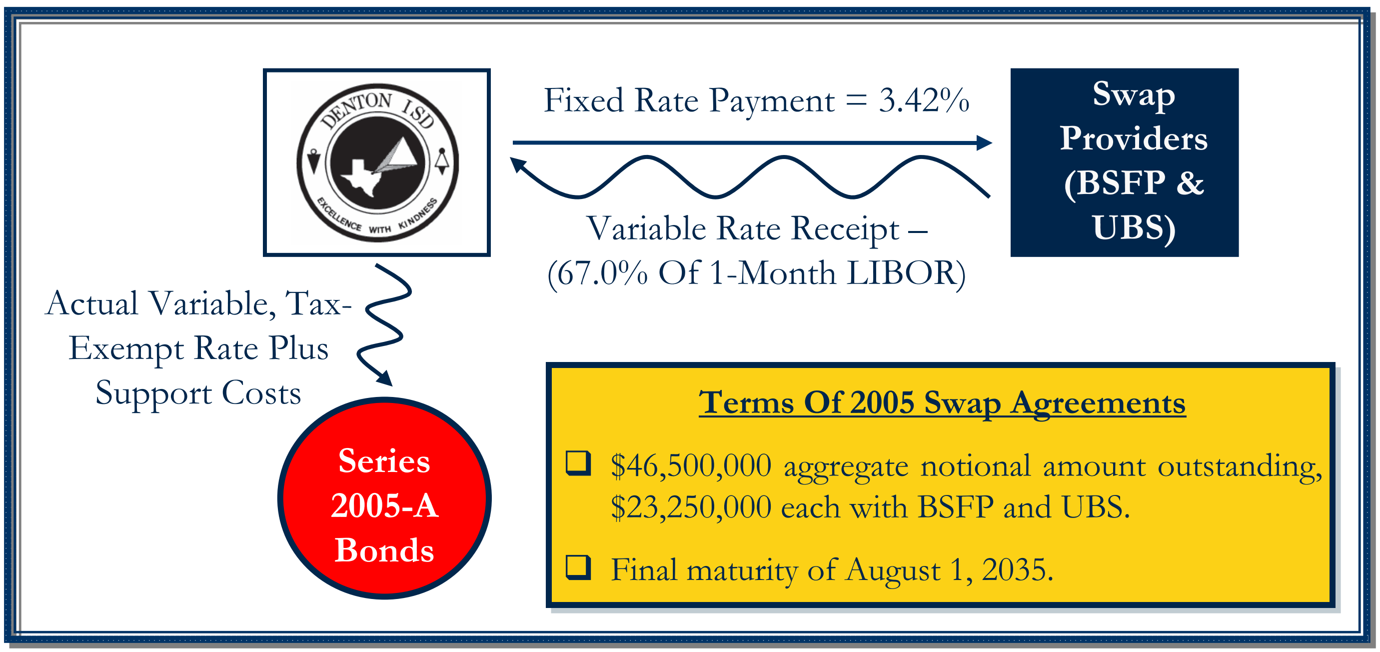
Description	2005 Swap Agreements (See "Tab 2")	2006 Swap Agreement (See "Tab 3")	Combined Swap Agreements
Estimated Fixed Pay Swap Rate	3.42%	4.08%	---
Estimated Liquidity & Remarketing Costs	0.25%	0.26%	---
Estimated Basis Cost/(Benefit)	0.00% – 0.35%	(0.85%) – 0.00%	---
Total Estimated Fixed Pay Swap Rate	**3.67% – 4.02%**	**3.49% – 4.34%**	**---**
Actual Fixed Pay Swap Rate	3.42%	4.08%	---
Actual Liquidity & Remarketing Costs	0.16%	0.16%	---
Historical Basis Cost/(Benefit)	0.16%	0.36%	---
Total Actual Fixed Pay Swap Rate To-Date	**3.74%**	**4.60%**	**---**
Traditional Fixed Rate Bonds	**4.45%**	**4.94%**	**---**
Debt Service Benefit Achieved By The District To-Date	**$874,550**	**$113,267**	**$987,817**
Market Value Of Swap Agreements As Of September 30, 2007	**$661,801**	**($1,502,455)**	**($840,654)**
Final Maturity Of Swap Agreements	**2035**	**2035**	**---**

- On October 1, 2007, the credit rating of UBS AG ("UBS"), a swap provider for a 2005 Swap Agreement was downgraded by Standard & Poor's Ratings Services from "AA+" to "AA." UBS remains highly rated and continues to meet all the swap counterparty parameters outlined in the District's Swap Management Plan.

2 2005 Swap Agreements

Overview Of 2005 Swap Agreements

- In order to reduce the District's interest cost as compared to the interest cost on traditional fixed rate bonds, on January 27, 2005, the District entered into swap agreements (the "2005 Swap Agreements") to "synthetically fix" the variable rate of interest on its Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Series 2005-A Bonds").
- The 2005 Swap Agreements were structured as a fixed pay, 67.0% of 1-Month LIBOR interest rate swap with a notional amount of $46,500,000 and a final maturity of August 1, 2035.
- The District selected Bear Stearns Financial Products Inc. ("BSFP") and UBS AG ("UBS") to serve as the swap counterparties. The graph below summarizes the financing structure utilized.



Original Financing Plan – Comparison Of Fixed Pay Swap And Traditional Fixed Rate Bonds

- The following table presents the District's estimated Fixed Pay Swap Rate, estimated debt service differential and the interest rate on traditional fixed rate bonds at the time the 2005 Swap Agreements were executed.

Estimated Fixed Pay Swap Rate And Debt Service Differential

Description	Fixed Pay Swap Without Reserve	Fixed Pay Swap With Reserve
Actual Fixed Pay Swap Rate (Including Costs Of Issuance)	3.42%	3.42%
Estimated Liquidity & Remarketing Costs	0.25%	0.25%
Basis Risk Reserve	0.00%	0.35%
Total Fixed Pay Swap Rate	**3.67%**	**4.02%**
Traditional Fixed Rate Bonds	**4.45%**	**4.45%**
Estimated Debt Service Benefit (30-Years)	**$8,268,689**	**$4,690,347**

- As shown, the District anticipated a Fixed Pay Swap Rate ranging from 3.67% to 4.02% over the life of the 2005 Swap Agreements, depending upon the actual level of basis risk incurred. In comparison, the District would have realized an interest rate of approximately 4.45% by issuing traditional fixed rate bonds. Please note, such rates and the anticipated debt service differential are based upon certain assumptions relating to the District's Series 2005-A Bonds, LIBOR rates and liquidity/remarketing costs which may change in the future.

Review Of The District's Basis Risk

- "Basis risk" is the risk that the variable rate payment the District is obligated to make on the Series 2005-A Bonds may exceed the variable rate payment (i.e. 67.0% of 1-Month LIBOR) received by the District pursuant to the 2005 Swap Agreements.
- To address the potential basis risk, at the time the Series 2005-A Bonds were issued the District was required to establish a 0.35% basis risk reserve. To the extent this reserve is not needed, such funds will be used to pay debt service on the Series 2005-A Bonds.
- The following table summarizes the District's basis risk on the 2005 Swap Agreements from inception through September 30, 2007.

Summary Of District's Basis Risk – February 17, 2005 – September 30, 2007

Period	Interest Due On The Series 2005-A Bonds	Interest Received From Swap Providers	Basis Cost/(Benefit) In Dollars	Average Basis Cost/(Benefit) Percentage
February 17 – March 31, 2005	$ 113,689.32	$ 100,842.94	**$ 12,846.38**	**0.23%**
April 1 – June 30, 2005	308,900.14	239,213.29	**69,686.85**	**0.60%**
July 1 – September 30, 2005	286,873.14	280,829.06	**6,044.08**	**0.05%**
October 1 – December 31, 2005	342,787.82	325,285.59	**17,502.23**	**0.15%**
January 1 – March 31, 2006	358,929.02	352,168.62	**6,760.40**	**0.06%**
April 1 – June 30, 2006	415,595.35	392,668.24	**22,927.11**	**0.20%**
July 1 – September 30, 2006	421,761.35	419,966.44	**1,794.91**	**0.02%**
October 1 – December 31, 2006	425,137.40	418,597.99	**6,539.41**	**0.06%**
January 1 – March 31, 2007	415,518.89	408,762.03	**6,756.86**	**0.06%**
April 1 – June 30, 2007	441,915.59	413,226.26	**28,689.33**	**0.25%**
July 1 – September 30, 2007	**438,080.98**	**426,192.19**	**11,888.79**	**0.10%**
Totals	**$3,969,189.00**	**$3,777,752.65**	**$191,436.35**	**0.16%**

Review Of Actual Fixed Pay Swap Rate To Date

- The table below compares the District's estimated Fixed Pay Swap Rate at the time the 2005 Swap Agreements were completed with the actual results achieved since inception through September 30, 2007.

Comparison Of Estimated And Actual Fixed Pay Swap Rates – February 17, 2005 – September 30, 2007

Description	Estimated Fixed Pay Swap Rate Without Reserve	Estimated Fixed Pay Swap Rate With Reserve	Actual Fixed Pay Swap Rate
Actual Fixed Pay Swap Rate (Including Costs Of Issuance)	3.42%	3.42%	**3.42%**
Liquidity & Remarketing Costs	0.25%	0.25%	**0.16%**
Basis Risk	0.00%	0.35%	**0.16%**
Total Fixed Pay Swap Rate	**3.67%**	**4.02%**	**3.74%**
Traditional Fixed Rate Bonds	**4.45%**	**4.45%**	**4.45%**

- Based upon the District's actual Fixed Pay Swap Rate of 3.74% and a traditional fixed rate bond cost of 4.45%, the District has realized a debt service savings of $874,550 from inception of the 2005 Swap Agreements through September 30, 2007.

- As shown, although the District has experienced some basis risk, the District's Liquidity and Remarketing costs have been less than projected and the 2005 Swap Agreements have performed within original expectations.

Market Value Of The 2005 Swap Agreements

- The 2005 Swap Agreements are considered assets of the District and as such, retain a market value.
- It is important to note that future fluctuations in interest rates will affect the market value of the 2005 Swap Agreements, causing the District to have an unrealized gain or loss, much like an investment. However, the District's financing plan for the Series 2005-A Bonds was formulated on the premise that the 2005 Swap Agreements would not be terminated prior to final maturity.
- The market value of the 2005 Swap Agreements as of September 30, 2007 was $661,801. In other words, if the District had terminated the 2005 Swap Agreements on September 30, 2007, the District would have received a payment of $661,801.

Counterparty Ratings

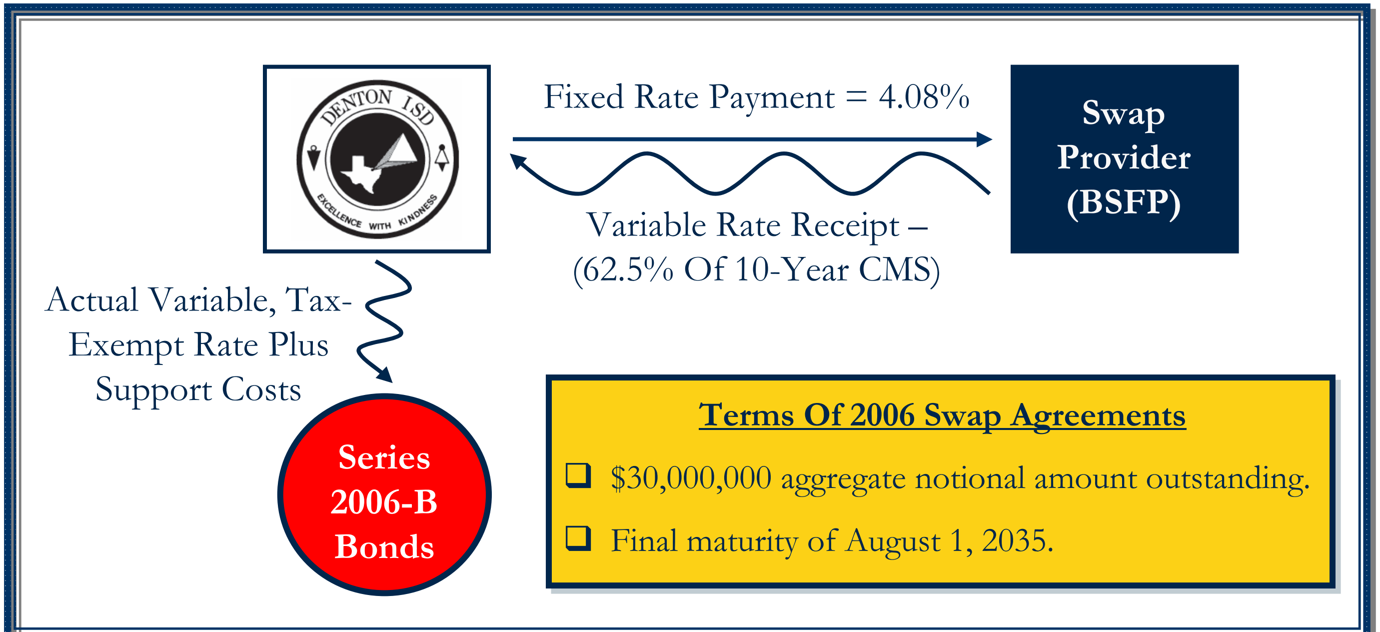
- BSFP is currently rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Ratings Services, while UBS is rated "Aaa," "AA" and "AA+" by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings, respectively. It is important to note that UBS was downgraded by Standard & Poor's Ratings Services from "AA+" to "AA" on October 1, 2007. Even with such downgrade, UBS remains highly rated and continues to meet all the swap counterparty parameters outlined in the District's Swap Management Plan.

3 2006 Swap Agreement

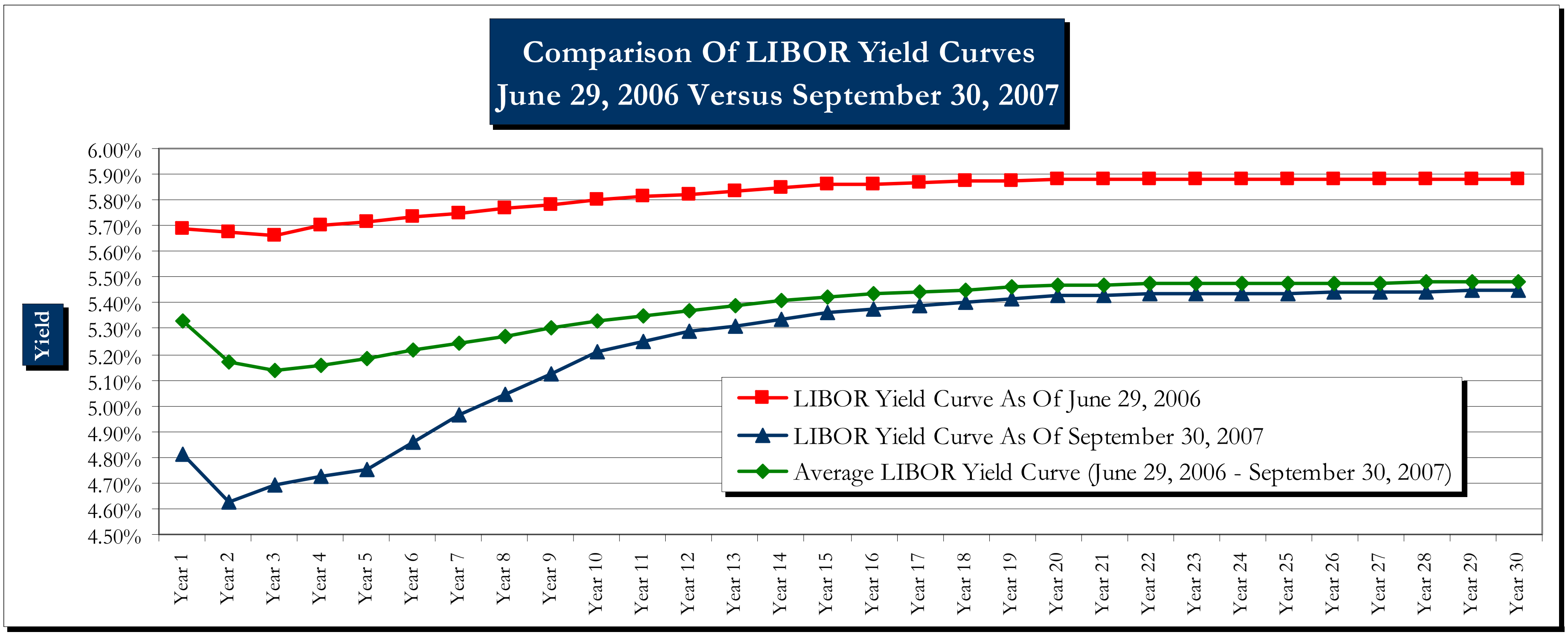
Overview Of 2006 Swap Agreement

- Much like the District's 2005 Swap Agreements, on June 29, 2006, the District entered into a swap agreement (the "2006 Swap Agreement") to "synthetically fix" the variable rate of interest on its Variable Rate Unlimited Tax School Building Bonds, Series 2006-B Bonds (the "Series 2006-B Bonds") in order to reduce its interest cost as compared to the interest cost on traditional fixed rate bonds.

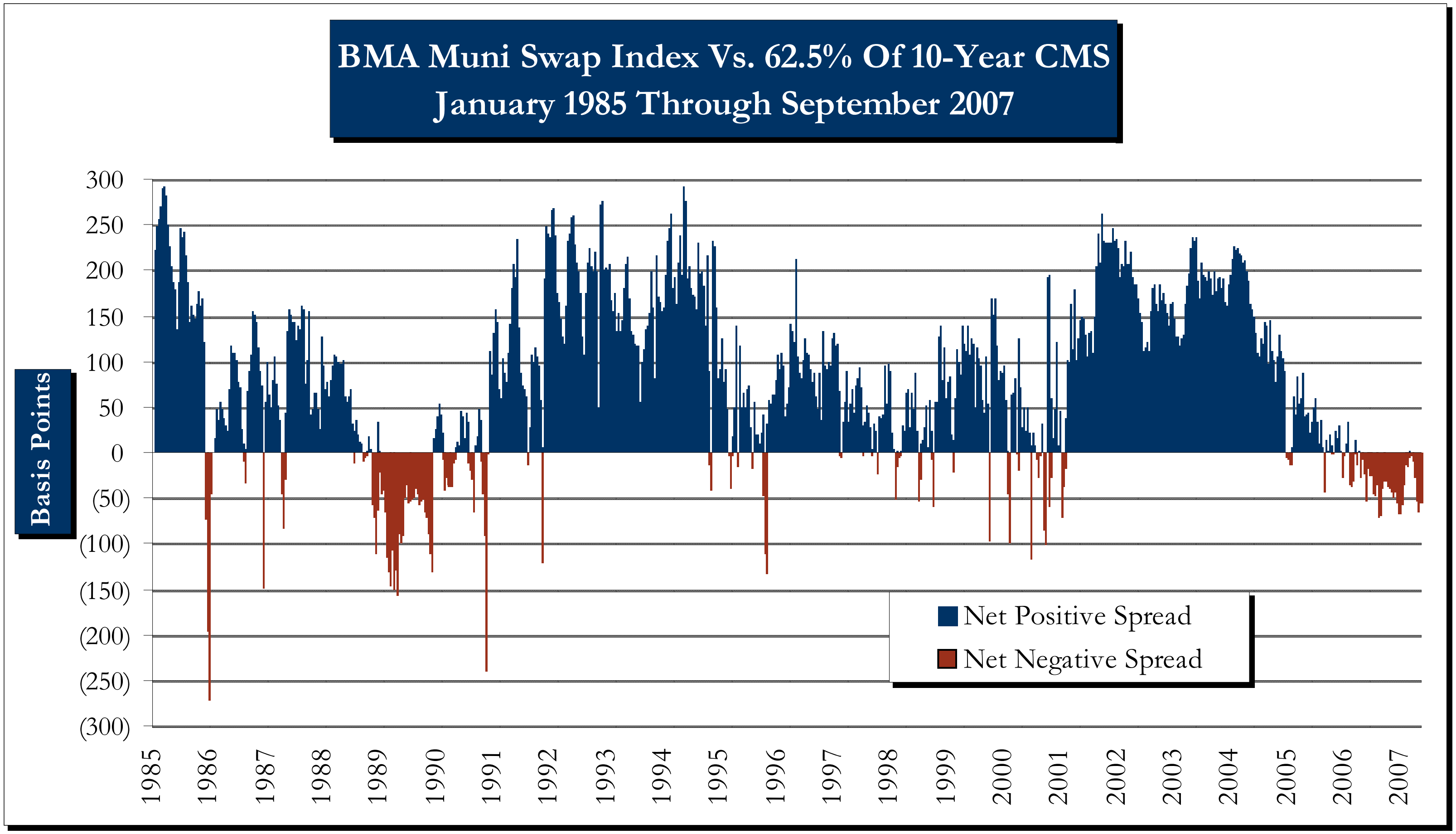
- The 2006 Swap Agreement was structured as a fixed pay, 62.5% of 10-Year Constant Maturity Swap ("CMS") with a notional amount of $30,000,000 and a final maturity of August 1, 2035. The District selected Bear Stearns Financial Products Inc. ("BSFP") to serve as the swap counterparty. The graph below summarizes the financing structure utilized.



- Due to the relatively flat LIBOR yield curve (i.e. difference between a 1-year and 10-year rate) that existed at the time the 2006 Swap Agreement was implemented, the 2006 Swap Agreement was structured to allow the District to receive a variable payment based upon a longer term index (i.e. 10-Year CMS/LIBOR).
- By receiving a variable rate payment based on a longer term index, the District should benefit as the yield curve steepens.
- During the time period of June 29, 2006 (i.e. the date the 2006 Swap Agreement was priced) and September 30, 2007, the LIBOR yield curve has remained relatively flat as shown by the average LIBOR yield curve in the graph below. However, as of September 30, 2007, the LIBOR yield curve was steeper than at the time the 2006 Swap Agreement was completed.



- The following graph demonstrates the historical relationship between BMA and 62.5% 10-Year CMS. As shown below, the relationship between 62.5% of 10-Year CMS and BMA has been negative over the past year. However, from a historical perspective, 62.5% of 10-Year CMS has outperformed BMA 79.74% of the time since 1985.



Original Financing Plan – Comparison Of Fixed Pay Swap And Traditional Fixed Rate Bonds

- The following table presents the District's estimated Fixed Pay Swap Rate, estimated debt service differential and the interest rate on traditional fixed rate bonds at the time the 2006 Swap Agreement was executed.

Estimated Fixed Pay Swap Rate And Debt Service Differential

Description	Without Historical Basis Benefit	With Historical Basis Benefit
Fixed Pay Swap Rate (Including Costs of Issuance)	4.08%	4.08%
Estimated Liquidity & Remarketing Expenses [A]	0.26%	0.26%
Historical Basis Cost/(Benefit)	**0.00%**	**(0.85%)[B]**
Total Fixed Pay Swap Rate	**4.34%**	**3.49%**
Traditional Fixed Rate Bonds	**4.94%**	**4.94%**
Estimated Debt Service Benefit (29-Years)	**$4,747,664**	**$11,376,715**

[A] Current Liquidity and Remarketing Costs are 0.16%.
[B] 0.85% had been the average basis benefit for a 62.5% of 10-Year CMS since 1985.

- As shown, the District anticipated a Fixed Pay Swap Rate ranging from 3.49% to 4.34% over the life of the 2006 Swap Agreement, depending upon the actual level of basis risk incurred. In comparison, the District would have realized an interest rate of approximately 4.94% by issuing traditional fixed rate bonds. Please note, such rates and the anticipated debt service differential are based upon certain assumptions relating to the District's Series 2006-B Bonds, LIBOR rates and liquidity/remarketing costs which may change in the future.

Review Of The District's Basis Risk

- "Basis risk" is the risk that the variable rate payment the District is obligated to make on the Series 2006-B Bonds may exceed the variable rate payment (i.e. 62.5% of 10-Year CMS) received by the District pursuant to the 2006 Swap Agreement.
- To address the potential basis risk, at the time the Series 2006-B Bonds were issued the District was required to establish a 0.70% basis risk reserve. To the extent this reserve is not needed, such funds will be used to pay debt service on the Series 2006-B Bonds.
- The following table summarizes the District's basis risk on the 2006 Swap Agreement from inception through September 30, 2007.

Summary Of District's Basis Risk – July 27, 2006 – September 30, 2007

Period	Interest Due On The Series 2006-B Bonds	Interest Received From Swap Provider	Basis Cost/(Benefit) In Dollars	Average Basis Cost/(Benefit) Percentage
July 27 – September 30, 2006	$ 192,682.20	$ 182,532.69	**$ 10,149.51**	**0.19%**
October 1 – December 31, 2006	272,753.41	240,048.25	**32,705.16**	**0.43%**
January 1 – March 31, 2007	267,928.78	242,945.75	**24,983.03**	**0.34%**
April 1 – June 30, 2007	283,602.74	251,004.00	**32,598.74**	**0.44%**
July 1 – September 30, 2007	**280,808.21**	**253,046.75**	**27,761.46**	**0.37%**
Totals	**$1,297,775.34**	**$1,169,577.44**	**$128,197.90**	**0.36%**

Review Of Actual Fixed Pay Swap Rate To Date

- The table below compares the District's estimated Fixed Pay Swap Rate at the time the 2006 Swap Agreement was completed with the actual results achieved since inception through September 30, 2007.

Comparison Of Estimated And Actual Fixed Pay Swap Rates
July 27, 2006 – September 30, 2007

Description	Estimated Fixed Pay Swap Rate – With Historical Basis Benefit	Estimated Fixed Pay Swap Rate – Without Historical Basis Benefit	Actual Fixed Pay Swap Rate
Fixed Pay Swap Rate (Including Costs of Issuance)	4.08%	4.08%	**4.08%**
Estimated Liquidity & Remarketing Expenses [A]	0.26%	0.26%	**0.16%**
Historical Basis Cost/(Benefit)	**(0.85%)[B]**	**0.00%**	**0.36%**
Total Fixed Pay Swap Rate	**3.49%**	**4.34%**	**4.60%**
Traditional Fixed Rate Bonds	**4.94%**	**4.94%**	**4.94%**

[A] Current Liquidity and Remarketing Costs are 0.16%.
[B] 0.85% had been the average basis benefit for a 62.5% of 10-Year CMS since 1985.

- Based upon the District's actual Fixed Pay Swap Rate of 4.60% and a traditional fixed rate bond cost of 4.94%, the District has realized a debt service savings of $113,267 from inception of the 2006 Swap Agreement through September 30, 2007.
- As shown, although the District has experienced basis risk, the District's Liquidity and Remarketing costs have been less than projected and the 2006 Swap Agreement has performed better than traditional fixed rate bonds.

Market Value Of The 2006 Swap Agreement

- Just like the 2005 Swap Agreements, the 2006 Swap Agreement is considered an asset of the District and as such, retains a market value.

- It is important to note that future fluctuations in interest rates and the steepness of the yield curve will affect the market value of the 2006 Swap Agreement, causing the District to have an unrealized gain or loss. However, the District's financing plan for the Series 2006-B Bonds was formulated on the premise that the 2006 Swap Agreement would not be terminated prior to final maturity.

- As of September 30, 2007, the market value of the 2006 Swap Agreement was ($1,502,455). In other words, if the District had terminated the 2006 Swap Agreement on September 30, 2007, the District would have made a payment of $1,502,455 to the swap provider.

Counterparty Ratings

- The credit ratings of the swap counterparty remain unchanged as BSFP is rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Ratings Services.