
STANDBY BOND PURCHASE AGREEMENT

AMONG

DENTON INDEPENDENT SCHOOL DISTRICT

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
As Tender Agent**

And

As Purchaser

Dated as of _____, 2009

**\$ _____
Denton Independent School District
Variable Rate Unlimited Tax Refunding Bonds,
Series 2009**

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STANDBY BOND PURCHASE AGREEMENT

This Standby Bond Purchase Agreement, dated as of _____, 2009, is made between Denton Independent School District, a political subdivision of the State of Texas (the "Issuer" or "District"), The Bank of New York Mellon Trust Company, N.A., (the "Tender Agent") and _____, (the "Purchaser").

RECITALS:

The Issuer has issued or will issue the Bonds (hereinafter defined);

Pursuant to the Remarketing Agreement (hereinafter defined), the Issuer and the Remarketing Agent (hereinafter defined) have agreed that the Remarketing Agent will attempt, upon the terms and conditions set forth in the Remarketing Agreement, to remarket any Tendered Bonds (hereinafter defined);

If the Remarketing Agent is not able to remarket or place any or all such Tendered Bonds, and the Issuer has not otherwise redeemed, paid or purchased such Tendered Bonds, then the Issuer has agreed to arrange for the purchase of such Tendered Bonds by the Purchaser;

The Purchaser has agreed, upon the terms and conditions of this Liquidity Agreement (herein after defined), to purchase and to hold such Tendered Bonds until the earliest of (a) the remarketing of such Tendered Bonds by the Remarketing Agent or their sale or assignment by the Purchaser; (b) the conversion of such Tendered Bonds to a Fixed Rate (hereinafter defined); or (c) the payment of such Tendered Bonds at maturity, upon redemption or otherwise in accordance with the terms thereof;

The Purchaser has agreed to enter into this Liquidity Agreement solely to provide liquidity for the purchase of Tendered Bonds and not as a guarantor of the Bonds; and

It is the desire of the Issuer and the Purchaser to provide for the terms and conditions which shall govern their obligations in respect of the foregoing and the terms and conditions upon which the Purchaser shall purchase and hold such Tendered Bonds;

NOW THEREFORE, in consideration of the mutual covenants, agreements and undertakings herein, the Purchaser, the Tender Agent and the Issuer agree as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions.

(a) As used in this Liquidity Agreement, and in addition to those terms defined elsewhere in this Liquidity Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"*Amortization End Date*" shall mean with respect to any Purchased Bonds the fifth (5th) anniversary of the Date of Purchase with respect to such Purchased Bonds.

"*Amortization Payment Date*" shall mean with respect to any Purchased Bonds (i) each _____ and _____ occurring after the Amortization Start Date and prior to the Amortization End Date, commencing with _____ of the Issuer's fiscal year immediately following the fiscal year in which the Amortization Start Date occurs and (ii) the Amortization End Date.

"*Amortization Start Date*" shall mean, with respect to any Purchased Bonds, the earlier to occur of (i) the date that is ___ days after the Date of Purchase of such Purchased Bonds and (ii) the date of termination of this Liquidity Agreement pursuant to Section 6.02 or 6.03 hereof.

"*Annual Facility Fee*" shall have the meaning assigned to such term in Section 5.02(a) hereof.

"*Authorized Denominations*" shall mean \$5,000 and integral multiples thereof.

"*Base Rate*" shall mean a fluctuating rate of interest per annum equal to the greater of (a) the _____ and (b) _____.

"*Bonded Debt*" shall mean at any date, debt of the Issuer that is evidenced or otherwise governed by bonds, debentures, notes or other similar instruments payable solely from the Issuer's Debt Service Tax.

"*Bond Enabling Laws*" shall mean Article VII, Section 3 of the Texas Constitution; subchapter A of Chapter 45, Texas Education Code, Chapters 1207 and 1371, Texas Government Code; and the Order.

"*Bond Interest Rate*" shall mean the rate or rates at which interest accrues on the Bonds when held by any Person other than the Purchaser, any assignee or affiliate of the Purchaser or any Participating Bank, pursuant to the terms of the Bonds and the Order.

"*Bonds*" or the "*Series 2009 Bonds*" shall mean the \$_____ in original principal amount of "Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009" issued by the Issuer pursuant to the terms of the Order including Purchased Bonds.

"*Business Day*" shall mean any day other than (a) Saturday, Sunday or legal holiday or (b) a day on which banking institutions located in New York, New York or Denton, Texas or in any city in which the corporate trust office or designated payment/transfer office of the Paying Agent/Registrar, the Tender Agent or the Bank or the primary office of the Remarketing Agent are located, are required or authorized or obligated by law to remain closed, or (c) a day on which the New York Stock Exchange or The Depository Trust Company is closed. Any payments required hereunder to be made on any day which is not a Business Day may be made instead on the next succeeding Business day, and (except as to Purchased Bonds) no interest shall accrue on such payments in the interim.

"*Closing Date*" shall mean _____, 2009, or another date on which all of the conditions precedent set forth in Section 3.01 of this Liquidity Agreement have been satisfied after this Liquidity Agreement has been executed by the Issuer and the Purchaser.

"*Commitment*" shall mean the commitment of the Purchaser, as more fully provided in Section 3.04 of this Liquidity Agreement.

"*Date of Purchase*" shall mean the date on which the Purchaser purchases any Bonds pursuant to this Liquidity Agreement.

"*Date of Sale*" shall mean the date on which (i) the Purchaser sells any Bonds pursuant to this Liquidity Agreement or the Remarketing Agent remarkets any Purchased Bonds pursuant to the Remarketing Agreement and (ii) the Purchaser receives proceeds from such sale or remarketing in an amount equal to the principal amount thereof and accrued interest thereon at the Bond Interest Rate.

"*Debt Service Tax*" shall mean taxes levied to secure debt pursuant to Art. VII, Section 3 of the Texas Constitution.

"*Default*" shall mean any event or condition that constitutes an Event of Default or that with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"*Default Rate*" shall mean a rate of interest per annum equal to the higher of (i) the Maximum Bond Rate plus _____% and (ii) Base Rate in effect from time to time plus _____%; provided that the Default Rate shall never exceed the Highest Lawful Rate.

"*Event of Default*" shall have the meaning assigned to such term in Section 6.02 hereof.

"*Event of Termination*" shall have the meaning assigned to such term in Section 6.03 hereof.

"*Excess Interest*" shall have the meaning assigned to such term in Section 5.01(a) hereof.

"*Federal Funds Rate*" shall mean the rate determined by the Purchaser to be its cost of funding in the over night interbank market in New York, New York. In the case of a Saturday, Sunday or legal holiday, the Federal Funds Rate shall be determined by the Purchaser based upon the rate applicable to the immediately preceding Business Day.

"*Fee Payment Date*" shall have the meaning assigned to such term in Section 5.02(a) hereof.

"*Fitch*" shall mean Fitch Ratings and its successors and assigns.

"*Fixed Rate*" shall mean the rate or rates at which the Bonds shall bear interest from and including the Fixed Rate Conversion Date to the respective maturity dates thereof.

"*Fixed Rate Conversion Date*" shall have the meaning set forth in the Order.

"*Highest Lawful Rate*" means (i) with respect to Bonds other than Purchased Bonds, the lesser of 15% or the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the District in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended, or any successor provision) and (ii) with respect to Purchased Bonds, the maximum net effective lawful rate of interest permitted from time to time by law to be paid on obligations issued or incurred by the District in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended, or any successor provision). The net effective interest rate on the Bonds shall never exceed the Highest Lawful Rate.

"*Interest Commitment*" shall initially mean \$_____ and, upon any change in the amount of the Principal Portion hereunder, means an amount equal to _____ days of accrued interest at _____% per annum on the Principal Portion then in effect computed on the basis of a year of 365 days.

"*Interest Component*" shall have the meaning assigned to such term in Section 5.01(e) hereof.

"*Interest Payment Date*" shall have the meaning assigned to such term in the Order.

"*Investment Grade*" shall mean any rating of Baa3/BBB-/BBB- or above by Moody's, S&P, or Fitch, respectively.

"*Issuer*" shall have the meaning assigned to such term in the preamble.

"*Liquidity Agreement*" shall mean this Standby Bond Purchase Agreement between the Issuer, the Tender Agent and the Purchaser.

"*Maximum Bond Rate*" shall mean the highest interest rate on the Bonds pursuant to the Order.

"*Moody's*" shall mean Moody's Investors Service, Inc., and its successors and assigns.

"*Obligations*" shall mean all obligations and all liabilities of the Issuer under this Liquidity Agreement other than the Issuer's obligations to pay principal of, redemption premium, if any, and interest on the Bonds in accordance with the terms thereof.

"*Offering Memorandum*" shall mean the Official Statement dated _____, 2009 (including any supplements thereto) with respect to the offer and sale of the Bonds.

"*Order*" shall mean the Bond Order adopted _____, 2009 by the Board of Trustees of the Issuer authorizing the issuance of the Bonds.

"*Participating Banks*" shall have the meaning assigned to such term in Section 7.05 hereof.

"*Paying Agent/Registrar*" shall mean, initially, _____, or any successor thereto as provided in the Order.

"*Permanent School Fund*" or "*PSF*" shall mean that certain fund, created by Article VII, Section 5 of the Texas Constitution, pursuant to which the payment of principal and interest on the Bonds has been guaranteed.

"*Person*" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"*Preliminary Offering Memorandum*" shall mean the Preliminary Official Statement, dated _____, 2009, (including any supplements thereto) with respect to the offer and sale of the Bonds.

"*Prime Rate*" shall mean, on any given day, the per annum rate of interest established by the Purchaser from time to time at its offices in New York, New York, as its "prime rate" or "base rate," regardless of whether such rate is actually charged to any customer of the Purchaser. Each determination of the Prime Rate shall be conclusive and binding on the Issuer.

"*Principal Portion*" shall have the meaning assigned to such term in Section 3.04 hereof.

"*PSF Ratings Downgrade*" shall mean each notch downgrade with respect to the long-term rating of on the Bonds based on the existence of the PSF guaranty. PSF Ratings Downgrades shall include numerical or other qualification of ratings (by way of example, a reduction by Moody's of PSF's unenhanced long-term credit rating from "Aaa" to "Aa1" would constitute a notch downgrade).

"*Purchased Bond Holder*" means the Purchaser (but only in its capacity as owner of Purchased Bonds pursuant to this Agreement) and any other Person or its permitted assignee which has purchased or is transferred or assigned Purchased Bonds, including, without limitation, Participating Banks.

"Purchased Bond Rate" shall mean with respect to a Purchased Bond (i) for the period commencing on its Date of Purchase to and including the date that is _____ (____) days after its Date of Purchase, the Base Rate plus ____% and (ii) thereafter, the higher of (a) the Maximum Bond Rate and (b) the Base Rate plus ____%; provided that from and after the occurrence of an Event of Default or an Event of Termination, the "Purchased Bond Rate" shall mean the Default Rate.

"Purchased Bonds" shall mean the Bonds purchased by the Purchaser pursuant to the terms of this Liquidity Agreement from and including the date as of which the Bonds are purchased by the Purchaser to, but not including, the earliest of (a) their maturity, redemption or their satisfaction and discharge by other means, (b) their remarketing by the Remarketing Agent pursuant to the Order and the Remarketing Agreement, and (c) their conversion to a Fixed Rate.

"Purchase Price" shall mean, with respect to each Bond (or any portion thereof tendered for purchase pursuant to Article IV of the Order), the par amount thereof, plus accrued but unpaid interest thereon to the Date of Purchase but in no event accrued interest greater than _____ days accrued interest at a rate not to exceed 8% per annum; provided, however, that the accrued interest amount will not be taken into account in the computation of the Purchase Price with respect to the Bonds if the applicable Date of Purchase is an Interest Payment Date.

"Purchaser" shall have the meaning assigned to such term in the preamble of this Liquidity Agreement.

"Rating Agency" shall mean either of Moody's, Fitch or S&P.

"Related Documents" shall mean and include (without limitation) the Bonds, the Remarketing Agreement, the Tender Agent Agreement, the Order, and any and all other documents which the Issuer has executed and delivered, or may hereafter execute and deliver, to evidence or secure the Issuer's obligations thereunder.

"Remarketing Agent" shall mean, initially, _____ or any successor Remarketing Agent thereto as may be provided for pursuant to the Order.

"Remarketing Agreement" shall mean, initially, the Remarketing Agreement, dated as of _____, 2009, between the Issuer and the Remarketing Agent, pertaining to the Bonds and any subsequent Remarketing Agreement.

"S&P" shall mean Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., its successors and assigns.

"Special Interest" shall have the meaning assigned to such term in the Order.

"Stated Expiration Date" shall mean _____ P.M. (New York City time) on _____, 20____, as it may be extended from time to time pursuant to Section 7.10(b) hereof.

"Substitute Liquidity Facility" shall mean a liquidity facility, provided by a financial institution other than the Purchaser, that shall replace this Liquidity Agreement.

"Tender Agent" shall mean, initially, _____, or any successor Tender Agent thereto as may be provided for pursuant to the Order.

"*Tender Date*" shall mean that date upon which the owner of any Bond provides notice to the Tender Agent of its intention to tender its Bonds in accordance with the provisions set forth therefor in the Order, or any mandatory tender date.

"*Tendered Bonds*" shall mean those Bonds that have been tendered to the Tender Agent for purchase by the owners thereof in accordance with the provisions set forth therefor in the Order.

"*Termination Date*" shall mean the earliest of (i) the Stated Expiration Date, (ii) the date on which the principal of and interest on all of the Outstanding Bonds shall have been paid in full, (iii) the date on which the Commitment shall have been reduced to zero by virtue of the operation of Section 6.02 or Section 6.03 hereof, (iv) the first Business Day following the Fixed Rate Conversion Date for all of the Bonds, (v) the first Business Day following the date on which a Substitute Liquidity Facility shall have become effective and (vi) the date on which Purchased Bonds shall have been redeemed in whole in accordance with Section 5.04 or Section 5.02(c) of the Order and no other Bonds remain outstanding.

ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANING GIVEN THERETO IN THE ORDER.

(b) *Gender; Plural.* All references made herein (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

(c) *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the most recent audited financial statement of the Issuer delivered to the Purchaser.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties. The Issuer represents and warrants to the Purchaser as follows:

(a) *Legal Existence.* The Issuer (i) is an independent school district of the State of Texas, and (ii) has the full legal right, power and authority to (A) own its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Liquidity Agreement and the Related Documents, (C) perform all its obligations and liabilities under this Liquidity Agreement and the Related Documents, (D) levy ad valorem taxes, without limit as to rate or amount, in each year in which Bonds are outstanding on the non-exempt property that is subject to assessment by the Issuer in amounts sufficient to make the payments of principal and interest on the Bonds, in addition to all other outstanding bonds of the Issuer, and (E) pay all of its Obligations hereunder (including, without limitation, the obligation to pay all fees and other amounts payable hereunder) as provided in Section 5.02, hereof.

(b) *Compliance with Law and Contracts.* The issuance of the Bonds, and the execution, delivery and performance by the Issuer of this Liquidity Agreement and the Related Documents in accordance with their respective terms and conditions, have been duly authorized by all necessary action on the part of the Issuer, and do not and will not (i) violate the Bond Enabling Laws pertaining to the Issuer, as amended, or any court order by which the Issuer is bound, (ii) conflict with, violate or contravene any provision of existing law or regulation (including, without limitation, Bond Enabling Laws pertaining to the Issuer) or any order

or decree of any court, tribunal, governmental authority, bureau or agency having authority or jurisdiction over the Issuer, or (iii) conflict with, violate or cause a default under any bond, note or other evidence of indebtedness or mortgage, indenture, contract or other agreement to which the Issuer is a party or that is binding upon it or any of its properties; and no consent of any Person (including, without limitation, any approval of the registered voters within the boundaries comprising the Issuer) and no license, approval or authorization of, or notice to or registration, filing or declaration with, any governmental authority, bureau or agency is required in connection with the execution, delivery, performance, validity or enforceability of this Liquidity Agreement or any of the Related Documents or, if required, the same has been obtained or will be obtained at or prior to the Closing Date, and will be in full force and effect on the Closing Date.

(c) *Authorization and Validity.* This Liquidity Agreement and the Related Documents each constitutes a legal, valid and binding agreement or obligation, as the case may be, of the Issuer, enforceable in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and may be limited by equitable principles of general applicability.

(d) *Litigation.* Except as described in the Offering Memorandum, there are no actions, suits or proceedings at law or in equity pending or, to the knowledge of the Issuer, threatened against or affecting it or its properties before any court or arbitrator or any governmental or nongovernmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially and adversely affect the ability of the Issuer to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds or the payment of the other Obligations of the Issuer under this Liquidity Agreement or which in any manner questions the validity of this Liquidity Agreement or any Related Document or the Issuer's ability to carry out the transactions contemplated hereby and thereby.

(e) *Related Documents.* The representations and warranties of the Issuer in all of the Related Documents are true and correct in all material respects.

(f) *Accuracy and Completeness of Information.* All data, certificates, reports, financial statements, opinions of counsel, documents and other written information furnished to the Purchaser by or on behalf of the Issuer on or prior to the Closing Date in connection with the transactions contemplated hereby were, at the time same were so furnished, complete and correct in all material respects to the extent necessary to give the Purchaser true and accurate knowledge of the subject matter thereof and did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading.

(g) *Offering Memorandum.* The Issuer, acting through duly authorized officials, has duly authorized and approved the Offering Memorandum. Except for the information regarding the Purchaser, the Texas Education Agency and the PSF, and The Depository Trust Company's Book-Entry-Only System (as to which no representation is made), (i) the Offering Memorandum is, and any supplement shall be, and the Preliminary Offering Memorandum was as of its date, accurate in all material respects and (ii) the Offering Memorandum does not, as of its date, any supplement shall not, as of its date, and the Preliminary Offering Memorandum did not as of its date, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Subsequent to the respective dates as of which information is given in the Offering Memorandum, as of the Closing Date, there has not been any material adverse change in the financial position, prospects or projections, results of operations or condition, financial or otherwise, of the Issuer, except as described in the Offering Memorandum.

(h) *Legislation.* Except as described in the Offering Memorandum, no legislation has been enacted which in any way materially adversely affects or which prohibits (i) the issuance or delivery of the Bonds, (ii) the adoption of the Order, (iii) the execution and delivery of this Liquidity Agreement or any of the Related Documents to which the Issuer is a party, (iv) the creation, organization or existence of the Issuer or the titles to office of any officers thereof, or (v) the power of the Issuer to carry out its obligations under the Bond Enabling Laws or under this Liquidity Agreement or any of the Related Documents to which the Issuer is a party.

(i) *Accuracy of Financial Reports.* The most recent financial reports of the Issuer at _____, 20____, copies of which have been furnished to the Purchaser, fairly present the financial position and results of operations of the Issuer, as of the dates and for the periods set forth therein. Since _____, 20____, there has been no material adverse change in the financial condition or operations of the Issuer.

(j) *Ad Valorem Taxes; Other Obligations.* Principal of, redemption premium, if any, and interest on, the Bonds and all Obligations of the Issuer hereunder (including, without limitation, the obligation to pay all fees and other amounts described in Article V hereof) are payable from the Debt Service Tax on all taxable property assessable for such purposes by the Issuer and such amounts levied for payment of the Obligations and the Bonds are and have been unconditionally pledged under the terms of the Order to the payment of all Obligations and the principal of, redemption premium, if any, and interest on the Bonds.

(k) *Guarantee.* On the Closing Date, the guarantee of the Bonds provided by PSF will be in full force and effect.

(l) *No Acceleration.* The Issuer is not a party to any instrument or agreement under which the holder of any indebtedness for borrowed money under such agreement or instrument is permitted to accelerate or otherwise cause the maturity of such indebtedness to become due prior to its scheduled terms.

(m) *Survival of Representations and Warranties.* All representations, warranties and statements of the Issuer contained in any Related Document or in any certificate, financial statement or other instrument delivered by or on behalf of the Issuer pursuant to or in connection with this Liquidity Agreement (including, but not limited to, any such statement made in or in connection with any amendment hereto) or in any Related Document shall constitute representations and warranties made under this Liquidity Agreement and are hereby incorporated herein by this reference as if fully set out herein. No amendment to such representations, warranties and statements shall be effective to amend such representations, warranties or statements as to the Purchaser without the prior written consent of the Purchaser. All representations and warranties made or deemed made under this Liquidity Agreement shall be made and shall be true at and as of (a) the date of any authentication and delivery of Bonds under the Order, (b) the Closing Date and (c) the Termination Date, except to the extent such representations and warranties relate solely to an earlier date.

ARTICLE III CONDITIONS PRECEDENT; AGREEMENT OF THE PURCHASER; COMMITMENT

Section 3.01. Conditions Precedent to Effectiveness. This Liquidity Agreement shall become effective when each of the following conditions precedent have been fulfilled in a manner satisfactory to the Purchaser:

(a) *Delivery of Documents.* The Purchaser shall have received on or before the Closing Date the following, each in form and substance satisfactory to the Purchaser and, unless indicated otherwise, dated the Closing Date:

(i) executed copies of the Related Documents, and in the case of the Bonds, a specimen copy thereof;

(ii) a certificate of a duly authorized officer of the Issuer, certifying as to the incumbency and signature of each of the officers of the Issuer authorized to sign this Liquidity Agreement and the Related Documents;

(iii) certified copy of the Order of the Issuer approving the execution, delivery and performance of this Liquidity Agreement and the Related Documents, certified by a duly authorized officer of the Issuer on the Closing Date, which certificate shall state that the Order has not been amended or repealed, is the only Order relating to the subject matter thereof and is in full force and effect on the Closing Date;

(iv) the most recent financial reports of the Issuer required by Section 4.01(f) of this Liquidity Agreement;

(v) a favorable opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, bond counsel for the Issuer (either addressed to the Purchaser or with a letter to the Purchaser that it may rely on such opinion as if it was addressed to the Purchaser), as to the validity of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes, and as to certain additional matters requested by the Bank and agreed to by bond counsel and;

(vi) a favorable opinion of the Attorney General of the State of Texas as to the validity of the Bonds;

(vii) the favorable opinions of counsel to the Purchaser as to such matters as the Purchaser may reasonably request;

(viii) a certificate of a duly authorized officer of the Issuer, certifying that all conditions precedent set forth in the Order with respect to the issuance of the Bonds have been satisfied;

(ix) a copy of the PSF certificate delivered in conjunction with the Bonds, signed by the Commissioner of Education of the State of Texas and reciting that the PSF guaranty is permitted to be printed on the Bonds;

(x) written confirmation that the Bonds have received long-term ratings of " _____ " by _____; and

(xi) such other documents, instruments, approvals or opinions as the Purchaser may reasonably request.

(b) *Representations; Defaults.* The following statements shall be true and correct on and as of the Closing Date, and the Purchaser shall have received a certificate signed by the appropriate officer of the Issuer, dated the Closing Date, stating that:

(i) the representations and warranties of the Issuer contained in Article II hereof are true and correct in all material respects on and as of the Closing Date as though made on and as of the Closing Date; and

(ii) no Default or Event of Termination shall have occurred and be continuing or would result from the execution of this Liquidity Agreement by the Issuer.

(c) *Issuance of Bonds.* On or before the Closing Date (i) the Order and all other Related Documents to which the Issuer is a party and the guaranty of PSF shall have been duly authorized, adopted, and shall be in full force and effect, (ii) all conditions precedent to the issuance of the Bonds and the guaranty of PSF shall have been satisfied, and (iii) the Issuer shall have duly executed and delivered the Bonds to the Paying Agent/Registrar for authentication and delivery to the original purchasers thereof.

(d) *Fees, Etc.* The Purchaser and its counsel shall have received payment of all fees, costs and expenses due and owing on the Closing Date pursuant to Article V hereof.

(e) *Legality; Material Adverse Change.* As of the Closing Date, the Purchaser shall have determined (in its sole and absolute discretion) that (i) neither the purchase of the Bonds nor the consummation of any of the transactions contemplated by any of the Related Documents will violate any law, rule, guideline or regulation (or interpretation or administration thereof) applicable to the Issuer, the Purchaser or this Liquidity Agreement and (ii) no material adverse change in the financial condition, business, assets, liabilities or prospects of the Issuer shall have occurred.

(f) *Paying Agent/Registrar and Tender Agent.* Each of the Paying Agent/Registrar and the Tender Agent shall be satisfactory to the Purchaser, in its reasonable discretion, such approval to be evidenced by the execution of this Liquidity Agreement by the Tender Agent.

Section 3.02. Agreement of the Purchaser with Respect to the Purchase of Bonds. The Purchaser hereby agrees as follows:

(a) Subject to the terms and conditions set forth below, and upon the basis of the representations and warranties set forth above, the Purchaser hereby agrees to purchase the Bonds presented to the Purchaser by the Tender Agent which have been tendered pursuant to Article IV of the Order in the event that the Remarketing Agent is not required to or has been unable to remarket the Bonds in good faith and in accordance with the terms of the Order. The Purchaser shall only be obligated to purchase Bonds hereunder in Authorized Denominations.

(b) The Purchaser will purchase Bonds and hold them hereunder in an aggregate principal amount that shall at no time exceed the Principal Portion of the Commitment as hereinafter set forth. Upon each Date of Purchase, the Commitment of the Purchaser hereunder shall be reduced by the principal amount of Bonds purchased (together with the corresponding amount of interest on such principal amount at ____% per annum, calculated on the basis of a 365 day year, for a period of ____ days, and upon each Date of Sale, the Commitment of the Purchaser hereunder shall be reinstated upon receipt by the Purchaser of the principal amount of Bonds sold or remarketed (together with the corresponding amount of interest on such principal amount at 8% per annum, calculated on the basis of a 365 day year, for a period of ____ days).

(c) The Purchaser agrees to tender payment for the Bonds to be purchased by the Purchaser pursuant to and subject to subsection (a) hereof to the Tender Agent in immediately available funds of the Purchaser for deposit into the Liquidity Account of the Payment Fund held by the Tender Agent, in an amount equal to the Purchase Price. Provided that the conditions to purchase set forth in Section 3.03 hereof have been

satisfied, the payment of the Purchase Price shall be made by the Purchaser in immediately available funds no later than 2:00 p.m. (New York City time) against delivery of such Bonds in accordance with Section 3.02(d) hereof on the Date of Purchase (which shall not be later than 2:00 p.m., New York City time). Following such tender of payment the Purchaser agrees to give notice by telephone to the Tender Agent as to the aggregate amount in immediately available funds it has so tendered and the Federal Funds wire number with respect to such payment.

(d) Any Purchased Bond shall be registered in the name of the Purchaser or its designee (as specified in writing by the Purchaser) on the applicable Date of Purchase and shall be held by the Tender Agent as agent for the Purchaser in accordance with the Tender Agent Agreement. With respect to a Purchased Bond or portion thereof to be purchased hereunder prior to any Interest Payment Date and after the Record Date in respect thereof, if any, the Tender Agent, concurrently with the delivery of the Purchased Bond, shall deliver to the Purchaser the due-bill check required to be delivered to the Tender Agent.

(e) In the event that the Remarketing Agent is able to remarket the Bonds or any part thereof held by a Purchased Bondholder hereunder, the Purchased Bondholder hereby agrees to sell said Bonds to the buyer thereof, by directing the Tender Agent in writing to release such Bonds to the Remarketing Agent and confirming reinstatement of the Commitment in accordance with Section 3.02(b) hereof, if the Purchased Bondholder receives notice of such sale by 11:00 a.m., New York City time, on a Business Day, and against receipt of the Purchase Price in immediately available funds equal to 100% of the principal amount thereof, plus accrued interest at the Bond Interest Rate to the Date of Sale, no later than 2:00 p.m., New York City time. Subject to Section 5.01 hereof, upon any such sale by the Purchased Bondholder, the Issuer shall pay to the Purchased Bondholder, on the Date of Sale, an amount equal to all unpaid and accrued interest for the period that such Bond or Bonds were held by the Purchased Bondholder at the Purchased Bond Rate, less interest received by the Purchased Bondholder from the buyer thereof at the Bond Interest Rate for such period.

(f) The Purchaser expressly reserves the right to sell at any time Purchased Bonds subject, however, to the express terms of this Liquidity Agreement. The Purchaser agrees that such sales will be made only to (i) institutional investors or (ii) other entities or individuals who customarily purchase tax-exempt securities in large denominations. Any Bond sold pursuant to this Section 3.02(f) shall be excluded from the optional and mandatory tenders of Bonds pursuant to Article IV of the Order while it remains a Purchased Bond. Any such transferee of Purchased Bonds under this Section 3.02(f) may further sell such Purchased Bonds to a subsequent transferee, provided that the subsequent transferee agrees to the restrictions and conditions of this Section 3.02(f) and are notified that the short term ratings by S&P on the Bonds will not be applicable while such Bonds remain Purchase Bonds. All transferees of Purchased Bonds pursuant to this Section 3.02(f) shall be deemed to have agreed to sell such Purchased Bonds only to the Purchaser or institutional investors or other entities or individuals who customarily purchase tax-exempt securities in large denominations or any Person identified by the Remarketing Agent under Section 3.02(e). In the event of any sale by the Purchaser under this Section 3.02(f), the Purchaser shall give notice thereof by telephone, promptly confirmed by facsimile, to the Issuer and the Remarketing Agent, and the Purchaser shall notify the transferee in writing that such Bonds shall be excluded from the optional and mandatory tenders of Bonds pursuant to Article IV of the Order while such Bonds remain Purchased Bonds.

Section 3.03. Conditions Precedent to the Purchase of Bonds. Notwithstanding anything to the contrary contained in this Liquidity Agreement, the Purchaser's obligation to purchase Bonds hereunder is contingent upon the following conditions:

(a) The Purchaser shall have received:

(i) on or before 4:00 p.m. (New York City time) on the Business Day prior to any Tender Date, a notice from the Tender Agent in the form of Exhibit A hereto specifying the applicable Date of Purchase and the aggregate principal amount of Bonds as to which Remarketing Agent has not found a purchaser; and

(ii) on or before 11:00 a.m. (New York City time) on the Date of Purchase, a notice from the Tender Agent in the form of Exhibit B hereto, indicating any amounts that will be required to be paid by the Purchaser in order to pay the Purchase Price of all Tendered Bonds that have not been remarketed at or prior to such time.

(b) No Event of Termination as specified in Section 6.03 hereof and no event described in Section 6.03(a)(iv), Section 6.03(b)(iv) or Section 6.03(b)(vi), which with the giving of notice or passage of time or both would constitute an Event of Termination shall have occurred or be continuing on the Date of Purchase.

Section 3.04. Commitment. Notwithstanding anything contained herein to the contrary, at no time shall the obligation of the Purchaser to purchase Bonds hereunder exceed \$_____, which amount is equal to the aggregate principal amount of the Bonds (the "Principal Portion"), plus the Interest Commitment. The "Principal Portion" plus the "Interest Commitment" is the "Commitment". Said Commitment may be reduced and reinstated as set forth in Section 3.02(b) hereof and shall be reduced immediately and automatically to the extent that a commensurate principal amount of Bonds is no longer deemed outstanding under the Order whether through redemption, maturity or otherwise.

The parties hereto acknowledge that the obligation of the Purchaser hereunder to purchase Bonds pursuant and subject to the terms and conditions of this Liquidity Agreement is irrevocable and constitutes an extension of credit to the Issuer at and upon any Date of Purchase and that the obligation of the Issuer to repay amounts advanced by the Purchaser hereunder in respect of the purchase of Bonds shall be evidenced by the Bonds so purchased. The Purchaser shall pay the Purchase Price of the Tendered Bonds with its own funds.

ARTICLE IV COVENANTS

Section 4.01. Affirmative Covenants. The Issuer covenants and agrees, from the date hereof and until the Termination Date and the payment in full of all Purchased Bonds and Obligations, unless the Purchaser shall otherwise consent in writing:

(a) *Compliance with Laws, etc.* The Issuer shall comply with all material applicable laws, rules, regulations and orders of any governmental authority (including, without limitation, compliance with state securities and blue sky laws in connection with the offering, sale and delivery of the Bonds); provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any service or special consents to service of process under the laws or any jurisdiction.

(b) *Intentionally Deleted.*

(c) *Use of Proceeds.* The Issuer shall use the proceeds of (a) the Bonds solely in accordance with the purposes set forth in the Order and (b) moneys advanced by the Purchaser hereunder solely to pay the Purchase Price of Tendered Bonds.

(d) *Accuracy of Information.* All data, certificates, reports, financial statements, opinions of counsel, documents and other information furnished to the Purchaser, whether pursuant to this Liquidity Agreement,

or in connection with or pursuant to any amendment or modification of, or waiver under, this Liquidity Agreement, shall; at the time that same are so furnished, (i) be complete and correct in all material respects to the extent necessary to give the Purchaser true and accurate knowledge of the subject matter thereof, and (ii) not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of same to the Purchaser shall constitute a representation and warranty by the Issuer to that effect.

(e) *Additional Documents.* The Issuer shall furnish to the Purchaser from time to time, at the Issuer's expense, all further instruments and documents, duly executed and delivered by the Issuer, and take all further action that may be reasonably necessary, or that the Purchaser may reasonably request, in order to (i) perfect and protect any security interest or other right or interest assigned to the Purchaser under or in connection with this Liquidity Agreement, the Order, the PSF guaranty or any other Related Document, or (ii) enable the Purchaser to exercise or enforce its rights or remedies under or in connection with this Liquidity Agreement, the Order, the PSF guaranty or any other Related Document.

(f) *Financial and Other Reports.* The Issuer shall furnish the following reports to the Purchaser:

(i) As soon as available and in any event within 180 days after the end of each fiscal year of the Issuer, a balance sheet of the Issuer as of the end of such fiscal year and a statement of income, a statement of equity and a statement of changes in financial position of the Issuer for such fiscal year, accompanied by an opinion of independent certified public accountants satisfactory to the Purchaser, which opinion shall state that based on an audit using generally accepted auditing standards, such balance sheet and financial statements were prepared in accordance with generally accepted accounting principles and fairly present the financial condition and results of operations of the Issuer;

(ii) As soon as available after the adoption thereof, the annual budget documents of the Issuer, certified by the officers responsible therefor;

(iii) A copy of each annual report (which shall include the Issuer's audited annual financial statement) and any material event notice, as provided to NRMSIRS, the MSRB, or any SID (each defined in the Order) pursuant to the Issuer's continuing disclosure undertakings made in compliance with the Rule (as defined in the Order) in connection with the issuance of Bonds;

(iv) Simultaneously with the delivery of each set of financial statements referred to in clause (i) above, and forthwith upon the occurrence of any Default, a certificate of the chief financial officer or the chief accounting officer of the Issuer, stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which the Issuer is taking or proposes to take with respect thereto;

(v) As soon as available after the promulgation thereof, the annual report of the PSF; and

(vi) From time to time such additional information regarding the financial position or business of the Issuer as the Purchaser may reasonably request.

(g) *Defaults.* The Issuer will promptly notify the Purchaser of the occurrence of any Default or Event of Termination, specifying the details of such Default or Event of Termination and the action that the Issuer proposes to take with respect thereto.

(h) *Books, Records.* The Issuer will permit, during normal business hours and from time to time, upon reasonable prior notice, the Purchaser or any of its agents or representatives to examine and make copies of and abstracts from the records and books of account of the Issuer, and to discuss the affairs, finances and accounts of the Issuer with any representative or any other appropriate officer of the Purchaser or the Issuer's independent public accountants; provided, however, that the foregoing shall not require the Issuer to take any actions that are inconsistent with the Texas Public Information Act.

(i) *Other Obligations.* The Issuer will comply with and observe all other obligations and requirements set forth in the Order and each other Related Document to which it is a party (including without limitation all provisions therein for the benefit of the Purchaser) and in all statutes and regulations binding upon it relating to the Bonds, this Liquidity Agreement, the PSF guaranty or any of the Related Documents.

(j) *Activities of Issuer.* The Issuer will preserve, renew and maintain all material licenses, approvals, authorizations, permits, rights, privileges and franchises necessary or desirable in the normal conduct of its affairs.

(k) *Litigation.* The Issuer shall promptly notify the Purchaser of (i) the existence and status of any litigation which individually or in the aggregate could, in the event of an unfavorable outcome, have a material adverse effect on (A) the financial condition or operations of the Issuer, (B) the Bonds, (C) the Issuer's ability to pay and perform the Obligations, (D) the Issuer's ability to levy or collect ad valorem taxes, or (E) the enforceability or validity of the PSF guaranty or Related Documents, or (ii) any change in any material fact or circumstance represented or warranted in this Liquidity Agreement or in any of the Related Documents.

(l) *Documents Related to Other Securities.* The Issuer shall promptly notify the Purchaser of the sale or placement of any securities of which it is issuer or which are issued for its direct benefit, and as soon as practicable but in any event within 10 days after the issuance and delivery thereof, furnish to the Purchaser copies of any prospectus, offering memorandum, offering circular or placement memorandum, and any supplements thereto, that the Issuer makes available in connection with the offering for sale of any securities of which it is the issuer or which are issued for its direct benefit.

(m) *Remarketing.* The Issuer will use its best efforts to cause the Remarketing Agent to remarket any Bonds purchased with the proceeds of monies available under this Liquidity Agreement for such purposes as soon as possible and to use the proceeds of such remarketing immediately to purchase the Bonds purchased with the proceeds of such moneys from the Purchaser or its designee.

(n) *Obligations Under Related Documents.* The Issuer shall take all actions, as may be reasonably requested by the Purchaser, to enforce the obligations under the Related Documents of each of the other parties thereto.

(o) *Event of Downgrade.* The Issuer shall maintain long-term ratings on all of its Bonded Debt equal to or greater than " _____," in the case of _____.

(p) *Selection of Bonds for Redemption.* The Issuer shall select, or cause to be selected, for redemption the Purchased Bonds prior to selecting, or causing to be selected for redemption any Bonds that are not Purchased Bonds.

(q) *Delivery of Purchased Bonds.* The Issuer will use its best efforts to cause the Tender Agent to present to the Purchaser, on or before 2:00 p.m. (New York City time) on the Date of Purchase, the Bond or

Bonds to be purchased by the Purchaser, together with an appropriate instrument of transfer executed in blank shall be delivered to the Purchaser, or registered in the name of the Purchaser.

Section 4.02. Negative Covenants. The Issuer covenants and agrees, from the date hereof and until the Termination Date and the payment in full of all Purchased Bonds and Obligations, unless the Purchaser shall otherwise consent in writing:

(a) *Amendments to Related Documents.* The Issuer shall not enter into or consent to any amendments of or supplements to the Order or any Related Documents or any waiver of the requirements thereof, that (i) will adversely affect the legality, validity or enforceability of the Order, the PSF guaranty or any of the other Related Documents or any of the rights or remedies of the Purchaser thereunder or (ii) will otherwise have a material adverse effect on the rights, powers, privileges or obligations of the Purchaser under any Related Document.

(b) *Merger; Disposition of Assets.* The Issuer shall not consolidate or merge with or into any Person or sell, lease or otherwise transfer or assign all or substantially all of its assets to any Person nor shall the Issuer take any action or fail to take any action that would diminish or terminate its ability to levy ad valorem taxes, if any of such actions or failures to act on the part of the Issuer could reasonably be expected to, or does, result in a failure to pay the principal of, redemption premium, if any, or interest on the Bonds or any of the Issuer's other Obligations under this Liquidity Agreement.

(c) *Total Outstanding.* At no time shall the Issuer permit the sum of (i) the aggregate principal amount of Bonds outstanding minus the aggregate principal amount of Purchased Bonds, and (ii) the amount of interest on such Bonds equal to _____ days of interest on such Bonds at 8% per annum, calculated on the basis of a 365-day year, to exceed the total Commitment.

(d) *Preservation of Corporate Existence, etc.* The Issuer shall take no action to terminate its existence as a body politic and corporate of the State of Texas, or its rights and privileges in the State of Texas.

(e) *Exempt Status.* The Issuer shall not take any action or omit to take any action that, if taken or omitted, would adversely affect the excludability of interest on the Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

(f) *Substitute Liquidity Facility.* The Issuer will not obtain any Substitute Liquidity Facility except as permitted by Section 7.13 hereof.

(g) *Permanent School Fund.* The Issuer will not, either through any action on its part or omission to act, permit the guarantee of the Bonds provided by the PSF to lapse, expire or otherwise terminate so long as any of the Bonds are outstanding.

(h) *Remarketing Agent; Paying Agent/Registrar; Tender Agent.* The Issuer will not permit or consent to the replacement of the Paying Agent/Registrar, Remarketing Agent or Tender Agent nor consent to the amendment, supplement, unscheduled termination or replacement of the Paying Agent/Registrar Agreement, Remarketing Agreement or the Tender Agent Agreement, in each case without the prior written consent of the Purchaser.

(i) *Investment Practices.* The Issuer:

(A) will not engage in any investment practice prohibited by the Texas Public Funds Investment Act or other applicable Texas law; or

(B) materially deviate from the investment policies of the Issuer as described in the Offering Memorandum.

ARTICLE V
AMOUNTS PAYABLE HEREUNDER

Section 5.01. Interest; Principal Payments. As provided in the Order, Purchased Bonds shall be subject to the following provisions:

(a) Purchased Bonds shall bear interest, for each day elapsed, from and including the date they become Purchased Bonds to and including the day preceding the date they cease to be Purchased Bonds, at the Purchased Bond Rate. If at any time or times the Purchased Bond Rate would exceed the Highest Lawful Rate, the rate of interest to accrue on the unpaid principal balance of the Purchased Bonds and other Obligations of the Issuer under this Liquidity Agreement during all such times shall be limited to the Highest Lawful Rate; provided, however, that if at any time the Purchased Bond Rate shall exceed the Highest Lawful Rate, then (i) interest at the Highest Lawful Rate shall be due and payable and (ii) interest at the rate equal to the difference between (A) the Purchased Bond Rate and (B) the Highest Lawful Rate (the "Excess Interest"), shall be deferred until such date as the Purchased Bond Rate ceases to exceed the Highest Lawful Rate, at which time the Issuer shall pay, to the fullest extent permitted by law, to the Purchaser, with respect to amounts then payable to the Purchaser that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Purchaser to equal the Highest Lawful Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder to the earlier of (i) the date all deferred Excess Interest is fully paid to the Purchaser or (ii) the maturity date of the Purchased Bonds; provided however, if such Purchased Bonds are remarketed prior to all such Excess Interest due hereunder being paid to the Bank, the Issuer agrees, to the extent permitted by law, to pay to the Bank a fee equal to any accrued and unpaid Excess Interest amount including interest due on such Excess Interest.

(b) Interest on Purchased Bonds shall be computed on the actual number of days elapsed in a year consisting of a 365/366-day year, and shall be payable (i) on each Interest Payment Date and (ii) upon the remarketing or sale of each Purchased Bond pursuant to the Order, with the difference between the Bond Interest Rate and the Purchased Bond Rate relating to the Purchased Bonds so remarketed or so sold, as the case may be, becoming an obligation of the Issuer to the Purchaser, due and payable on the date such Purchased Bonds are remarketed or sold, all as more fully provided in the Order; provided, however, that notwithstanding the foregoing or any provision of this Liquidity Agreement or any other Related Document to the contrary, Special Interest with respect to Purchased Bonds for any fiscal year of the Issuer shall not be payable by the Issuer until _____ of the calendar year immediately following the earliest date on which the Issuer is permitted by law to adopt an order levying ad valorem taxes on property subject to taxation by the Issuer for the payment of such Special Interest and such Special Interest shall not accrue interest pending payment.

(c) Within the first _____ (____) days immediately following the Date of Purchase of any Purchased Bonds, and provided that the Remarketing Agent has been unable to remarket the Purchased Bonds and that said Purchased Bonds have not been sold by the Purchaser, the Purchaser shall receive payments of interest only thereon in accordance with the terms of subsections (a) and (b) above. Commencing with the _____ (____) day subsequent to such Date of Purchase, the Purchased Bonds shall become subject to a special mandatory redemption as described in Section 5.04 of the Order. The

principal amount of any Purchased Bonds subject to this subsection (c) and Section 5.04 of the Order shall be payable in substantially equal semi-annual installments of principal which shall be due on each Amortization Payment Date with respect to such Purchased Bonds; provided, however, that said Purchased Bonds will be subject to earlier repayment as a result of redemption, maturity or other means applicable to all the Bonds subject to the Order; and provided further, however, the Issuer may, at its option, if all deferred Excess Interest due under Section 5.01(a) hereof has been paid in full, including, to the extent permitted by law, interest due on Excess Interest which shall accrue at the Purchase Bond Rate, and all Special Interest due under Section 5.01(b) hereof has been paid in full, redeem the Purchased Bonds, in whole or in part, as more fully provided in Section 5.02(c) of the Order. During the amortization period described herein and provided by Section 5.04 of the Order, the Purchased Bonds shall continue to bear interest at the Purchased Bond Rate payable as hereinabove set forth in subsections (a) and (b).

(d) The interest due on the Issuer's other Obligations hereunder shall be computed on the same basis as interest on the Purchased Bonds and shall be due and payable monthly in arrears on the first business day of each month.

(e) In the event that a Bond is purchased with moneys made available to the Tender Agent by the Purchaser pursuant to Section 3.02 hereof, the Issuer shall pay the Purchaser the accrued interest component, if any, of the Purchase Price of such Bond (the "Interest Component") on the next succeeding Interest Payment Date for such Bond, such Interest Component to be included in (and reimbursed as) the interest paid on such Bond on such date. The Issuer may reimburse the Purchaser for such Interest Component at any time prior to such date. Until reimbursed, the Interest Component shall bear interest at the Purchased Bond Rate from and including the Date of Purchase to but excluding the date of reimbursement, payable on such date of reimbursement.

Section 5.02. Payment of Fees.

(a) In consideration of the services to be performed by the Purchaser under this Liquidity Agreement, the Issuer agrees to pay to the Purchaser a fee in an amount equal to ____ basis points per annum (the "Annual Facility Fee"), payable quarterly in arrears on each _____, _____, _____ and _____, beginning _____, 20____, and on the date of expiration or termination of this Liquidity Agreement (a "Fee Payment Date") (or, if any such date is not a Business Day, then on the next succeeding Business Day), in the case of any particular Fee Payment Date for the period from and including the later of the Closing Date and the next preceding Fee Payment Date to but not including such particular Fee Payment Date, based on the average daily principal amount of the Commitment outstanding during the preceding quarterly period and on the basis of a year of 365/366 days; provided however that the Annual Facility Fee then in effect shall be increased automatically as set forth in Schedule I after each PSF Ratings Downgrade by Moody's, Fitch and S&P, respectively, and (z) an additional ____ basis points (____%) if the ratings on the PSF shall have been suspended or withdrawn by any Rating Agency; provided, further, however, that the Annual Facility Fee will be reduced by the amounts described above on such date that the Rating Agency whose action shall have caused the increase described hereinabove shall have publicly announced the re-establishment of such credit rating to that level which was applicable thereto prior to such PSF Ratings Downgrade, suspension or withdrawal, as the case may be; provided further, however, that the Annual Facility Fee shall be increased by an additional ____ basis points (____%) upon the ratings downgrade by any Rating Agency below Investment Grade or upon the occurrence of an Event of Default. Any amount due to the Purchaser in excess of the Annual Facility Fee stated above incurred by the Issuer as a result of a PSF Ratings Downgrade shall be deemed an Obligation hereunder and shall be payable to the Purchaser at such time or times as the Annual Facility Fee shall be due and payable as hereinabove provided. With respect to any PSF Ratings Downgrade, in the event of a split rating by the Rating Agencies, the lowest rating by any Rating Agency shall be used to establish the Annual Facility Fee.

(b) In the event this Liquidity Agreement is amended, or there is an amendment of any of the Related Documents which requires approval or any other action by the Bank, the Issuer agrees to pay the Purchaser's reasonable out-of-pocket disbursements (including reasonable attorney's fees and out-of-pocket disbursements) plus an amendment fee equal to \$_____.

(c) In the event this Liquidity Agreement is terminated prior to one year from the Effective Date, the Issuer shall pay the Purchaser one year Annual Facility Fee, less any amounts already paid (the "Termination Fee"); provided however, no Termination Fee shall be due to the Purchaser if the termination of the Liquidity Agreement by the Issuer is a result of a downgrade, suspension or withdrawal of the Purchaser's short-term credit rating.

(d) A drawing fee equal to \$_____ each time the Purchaser purchases any Bonds.

(e) All fees payable under this Article V are to compensate the Purchaser for its commitment to lend, will be non-refundable and will be deemed earned when paid.

Section 5.03. Form of Payment. All payments by the Issuer or Remarketing Agent to the Purchaser hereunder shall be made in lawful currency of the United States of America at the address set forth in Section 7.02 hereof by wire transfer in immediately available funds to _____, _____, Reference: Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009 (or to such other account of the Purchaser as the Purchaser may specify by written notice to the Issuer), so that the same is received in immediately available funds not later than 3:00 p.m. (New York City time) on the due date thereof. Any payment to the Purchaser hereunder received after such time shall be deemed to have been received on the next Business Day. All payments by the Purchaser to the Tender Agent hereunder shall be made by wire transfer in immediately available funds to the Tender Agent at _____ ABA: _____, GLA Number: _____, Account Number: _____, Reference: Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009, Attention: _____.

Section 5.04. Indemnification.

(a) To the extent permitted by law, the Issuer hereby indemnifies and holds harmless the Purchaser from and against, and will on demand reimburse the Purchaser for, any and all claims, damages, losses, liabilities (whether asserted by cross-claim, claim for contribution, in tort, in contract, or otherwise), costs or expenses whatsoever (including reasonable attorney's fees) that the Purchaser may incur (or that may be claimed against the Purchaser by any Person whatsoever, but not including the Issuer):

(i) by reason of any untrue statement or alleged untrue statement of any material fact contained in the Preliminary Offering Memorandum or Offering Memorandum, or the omission or alleged omission to state therein a material fact necessary to make such statements, in light of the circumstances under which they are or were made, not misleading; provided that the Issuer shall not be required to indemnify the Purchaser under this clause (i) for any claims, damages, losses liabilities, costs or expenses incurred by reason of any untrue statement of a material fact contained therein with respect to the Purchaser if and to the extent it is finally determined by a court of competent jurisdiction that such information contained an untrue statement of a material fact; and provided further, that if any such action or proceeding shall be settled by the Purchaser without there being a final determination by a court of competent jurisdiction that such information contained an untrue statement of a material fact, then the Issuer shall be required to indemnify the Purchaser pursuant to this Section only if such action or proceeding is settled with the Issuer's consent; or

(ii) by reason of or in connection with the execution, delivery or performance of this Liquidity Agreement, the Bonds, the Order, the PSF guaranty, or any other Related Document, or any transaction contemplated by this Liquidity Agreement, the Bonds, the Order, the PSF guaranty or any other Related Document; provided, however, that (A) the Issuer shall not be required to indemnify the Purchaser for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Purchaser, and (B) litigation, claims and causes of action solely between the Purchaser and any Participating Bank (as defined in Section 7.05 hereof) shall be excluded from the operation of this Section.

In furtherance and not in limitation of the foregoing, the Purchaser may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the Paying Agent/Registrar or the Issuer have notified the Purchaser in writing that specifically identified documents to be presented to the Purchaser do not comply with this Liquidity Agreement. Nothing in this Section shall limit the Issuer's obligations contained under this Article. Notwithstanding anything to the contrary herein, if any action or proceeding shall be settled by the Purchaser, the Issuer shall be required to indemnify the Purchaser pursuant to this Section 5.04 only if such action or proceeding is settled with the Issuer's consent.

(b) Promptly following receipt by the Purchaser under paragraph (a) of this Section of notice of the commencement of any action, the Purchaser, if a claim is made against the Purchaser under paragraph (a) of this Section, shall notify the Issuer in writing of the commencement of such action, but the omission to do so by the Purchaser shall not relieve the Issuer from any liability which it may have to the Purchaser under such paragraph (a). The Issuer shall be entitled to participate in the defense thereof, with counsel selection by the Purchaser to be with the advice and consent of the Issuer (which advice and consent shall not be unreasonably withheld) and, subject to the second proviso in clause (i) of paragraph (a) of this Section, the Issuer shall be liable to the Purchaser under paragraph (a) of this Section for any legal or other expenses incurred by such Person in connection with the defense thereof.

Section 5.05. Increased Costs.

(a) If the Purchaser shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by, any court, central bank or other administrative or governmental authority (in each case, whether or not having the force of law), or compliance by the Purchaser with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (A) change the basis of taxation of payments to the Purchaser of any amounts payable hereunder (except for taxes on the overall net income of the Purchaser), (B) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Liquidity Agreement or assets held by, or deposits with or for the account of, the Purchaser or (C) impose on the Purchaser any other condition regarding this Liquidity Agreement, and the result of any event referred to in clause (A), (B) or (C) above shall be to increase the cost to the Purchaser of making or maintaining its obligations hereunder, or to reduce the amount of any sum received or receivable by the Purchaser hereunder, then, the Issuer shall pay to the Purchaser, at such time and in such amount as is set forth in subsection (c) below, such additional amount or amounts as will compensate the Purchaser for such increased costs or reductions in amount.

(b) If the Purchaser shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Purchaser with any directive of or compliance by the Purchaser with any directive of or

guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Purchaser allocates capital resources to its commitments, including its obligations under lines of credit) that either (A) affects or would affect the amount of capital to be maintained by the Purchaser or (B) reduces or would reduce the rate of return on the Purchaser's capital to a level below that which the Purchaser could have achieved but for such circumstances (taking into consideration the Purchaser's policies with respect to capital adequacy) then, the Issuer shall pay to the Purchaser, at such time and in such amount as is set forth in subsection (c) below, such additional amount or amounts as will compensate the Purchaser for such cost of maintaining such increased capital or such reduction in the rate of return on the Purchaser's capital.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be due five (5) Business Days following the Issuer's receipt of notice thereof and shall be payable, in full, on the next succeeding quarterly payment date that the fee described in Section 5.02(a)(ii) is due and payable; provided, however, if the amount referenced in (a) or (b) above exceeds \$_____, such amount shall be due on the date specified in the Issuer's notice thereof which shall not be earlier than 30 days after the adoption of the Issuer's next subsequent budget and appropriation therefore. Interest on the sums due as described in clauses (a) and (b) above, and in the preceding sentence, shall begin to accrue from the date when the payments were first due and shall otherwise be payable in accordance with Section 5.01 hereof, provided, that from and after the required date of payment, interest shall begin to accrue on such Obligations at an amount equal to the Default Rate until such delinquent payments have been paid in full. A certificate as to such increased cost, increased capital or reduction in return incurred by the Purchaser as a result of any event mentioned in clause (a) or (b) of this Section setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Purchaser to the Issuer and shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Purchaser may make such reasonable estimates, assumptions, allocations and the like that the Purchaser in good faith determines to be appropriate. Notwithstanding anything contained in clause (a) or (b) above, the Issuer shall have no liability to the Purchaser for any increased costs, increased capital or reduction in return incurred by the Purchaser as a result of any event mentioned therein that shall have occurred prior to the date of this Liquidity Agreement.

Section 5.06. Costs, Expenses and Taxes. The Issuer shall pay on the Closing Date (a) all reasonable costs and expenses in connection with the preparation, execution and delivery of this Liquidity Agreement for the Series 2009 Bonds and any other documents or instruments that may be delivered in connection therewith including the fees of domestic and foreign counsel for the Purchaser (such costs and expenses to be capped as set forth in the term sheet of the Bank dated _____, 20__), (b) all costs and expenses paid or incurred by the Purchaser, including the reasonable fees and out-of-pocket expenses of counsel for the Purchaser, otherwise arising in connection with this Liquidity Agreement and the Related Documents, including, without limitation, in connection with any amendment to hereto or thereto, the enforcement hereof or thereof or the protection of the rights of the Purchaser hereunder or thereunder, and (c) any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Liquidity Agreement and any other documents or instruments that may be delivered in connection herewith.

Section 5.07. Taxes.

(a) Any and all payments by the Issuer hereunder or under the Purchased Bonds shall be made, in accordance with this Liquidity Agreement, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings imposed by the United States or the States of New York or Texas (including any political subdivision or taxing authority thereof), to the extent

such items are in the nature of taxes, and all liabilities with respect thereto (all such imposts, deductions, charges or withholdings and liabilities with respect thereto being hereinafter referred to as "Taxes "); provided, that Taxes shall not include taxes imposed on the Purchaser's income by the United States or the States of New York or Texas (or any political subdivision or taxing authority thereof), capital or franchise taxes imposed upon the Purchaser by the United States or the States of New York or Texas (or any political subdivision or taxing authority thereof) or any tax imposed in lieu of and as a direct substitute for any such taxes by the United States or the States of New York or Texas (or any political subdivision or taxing authority thereof). If the Issuer shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Purchased Bonds to the Purchaser, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this provision), the Purchaser receives an amount equal to the sum it would have received had no such deductions been made and (ii) the Issuer shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Issuer shall make any payment under this Section 5.07 to or for the benefit of the Purchaser with respect to Taxes and if the Purchaser shall claim any credit or deduction for such Taxes against any other taxes payable by the Purchaser to any taxing jurisdiction in the United States then the Purchaser shall pay to the Issuer an amount equal to the amount by which such other taxes are actually reduced; provided that the aggregate amount payable by the Purchaser pursuant to this sentence shall not exceed the aggregate amount previously paid by the Issuer with respect to such Taxes.

(b) In addition to the payment of Taxes as above, the Issuer agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from payment made hereunder or under the Purchased Bonds or from the executions delivery or registration of, or otherwise with respect to, this Liquidity Agreement or the Purchased Bonds imposed by the United States or any State thereof (including any political subdivision or taxing authority thereof) (hereinafter referred to as "Other Taxes").

(c) The Issuer will reimburse the Purchaser for the full amount of Taxes or Other Taxes on amounts payable under this provision paid by the Purchaser and any liability (including penalties, interest and expenses) arising therefor or with respect thereto, likewise paid whether or not such Taxes, Other Taxes or liabilities were correctly or legally asserted provided that the Issuer shall not be obligated to indemnify the Purchaser for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Purchaser's negligence or willful misconduct. Promptly, but in any event within 30 days of the Purchaser's learning of such Taxes or Other Taxes, the Purchaser shall notify the Issuer thereof. This reimbursement shall be made within 30 days from the date the Purchaser makes written demand therefor, which demand shall set forth the amount paid, the basis therefor and the taxing authority paid.

(d) Within 30 days after the date the Issuer receives a receipt evidencing any payment of Taxes or other Taxes, the Issuer will furnish to the Purchaser the original or a certified copy of a receipt evidencing payment thereof.

Section 5.08. Levy of Taxes. Pursuant to the authority granted by the Constitution and laws of the State of Texas, the Issuer will levy for the current year and for each succeeding year hereafter while any of the Bonds or any interest thereon is outstanding and unpaid, an ad valorem tax, without legal limit as to rate or amount, on all taxable property within the Issuer at a rate sufficient to pay the Obligations and the principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the Obligations and the interest on and principal of the Bonds. The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the Issuer most recently approved in accordance with law and the money thus collected shall be deposited as collected into the Interest and Sinking Fund. Said ad valorem tax, the

collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are pledged and committed irrevocably to the payment of the Obligations and the principal of and interest on the Bonds.

Section 5.09. Survival. Without prejudice to the survival of any other agreement of the Issuer hereunder, the agreements and obligations of the Issuer contained in Sections 5.04 through 5.07 shall survive the payment in full of principal and interest hereunder and under the Purchased Bonds, subject, however, to applicable statutes of limitation.

ARTICLE VI RIGHTS OF PURCHASER

Section 6.01. Rights of Purchaser as Bondholder. The Purchaser, while it holds any Purchased Bond or Bonds, shall be entitled to all rights and remedies of a Bondholder under the Order.

Section 6.02. Events of Default. If one or more of the following events (each an "Event of Default") shall have occurred and be continuing:

(a) the principal or interest on the Bonds (including Purchased Bonds) shall not be paid when same has become due and payable; or

(b) the Issuer shall fail to pay, within five (5) Business Days after written demand by the Purchaser, any amount payable under this Liquidity Agreement; or

(c) any representation, warranty, certification or statement made by the Issuer in this Liquidity Agreement or in any Related Document or in any certificate, financial statement or other document delivered pursuant to this Liquidity Agreement or any Related Document shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(d) the Issuer shall default in the due performance or observance of any term, covenant or agreement contained in Section 4.01(c), 4.01(o) or 4.02 hereof; or

(e) the Issuer shall default in the due performance or observance of any term, covenant or agreement contained in Section 4.01 hereof (other than those covered by clause (d) of this Section) and such default, if capable of being remedied, shall remain unremedied for 30 days after written notice thereof shall have been given to the Issuer by the Purchaser; provided, that so long as the Issuer shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such 30-day period shall be extended to the extent as shall be necessary to enable the Issuer to begin and complete the remedying of such default through the exercise of due diligence; provided, further that in no event shall such period be extended by more than 60 days; or

(f) this Liquidity Agreement, the Order, the PSF guaranty or any material provision hereof or thereof at any time after its execution and delivery, or any Bond shall, for any reason, cease to be valid and binding on the Issuer or in full force and effect or shall be declared to be null and void, or any pledge or security interest created by the Order or this Liquidity Agreement to secure any amount due under this Liquidity Agreement shall fail to be fully enforceable with the priority required under this Liquidity Agreement and the Order, or the validity or enforceability of this Liquidity Agreement, the Order or any Bond shall be contested (i) by the Issuer or (ii) by any governmental agency or authority having jurisdiction over the Issuer, unless, with respect to clause (ii) above, the same is being contested by the Issuer in good faith and by

appropriate proceedings; or the Issuer shall deny that it has any further liability or obligations under this Liquidity Agreement, the Order or any Bond; or

(g) in connection with any bonds guaranteed by the PSF, PSF shall have failed to honor its guaranty to pay principal and interest thereon subsequent to a default on said bonds in accordance with the terms thereof; or

(h) the Issuer shall default in the due performance or observance of any term, covenant or agreement contained in any of the Related Documents and same shall not have been cured within any applicable cure period; or

(i) the Issuer shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, demand or otherwise) any Bonded Debt of the Issuer, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying indenture, contract or instrument providing for the creation of or concerning such Bonded Debt; or (y) any other default under any indenture, contract or instrument providing for the creation of or concerning such Bonded Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to require prepayment, or permit prepayment of, such Bonded Debt; or pursuant to the provisions of any such indenture, contract or instrument the Bonded Debt of the Issuer shall have been or may be required to be prepaid prior to the stated maturity thereof; or

(j) a judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$5 million shall be rendered against the Issuer, and such judgment or court order shall continue unsatisfied and in effect for a period of 60 consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal; or

(k) the obligation of the Issuer to levy ad valorem taxes to provide for the payment of the Obligations and the principal of and interest on the Bonds shall at any time cease to exist or be unenforceable or the Issuer shall so assert; or

(l) the Bond Enabling Laws are repealed, re-enacted, amended or otherwise modified (whether directly or indirectly, and including, without limitation, by legislative or judicial action), and in the event of a repeal, re-enactment, amendment or modification, such repeal, re-enactment, amendment or modification has, in the reasonable discretion of the Purchaser, an adverse effect on the power or authority of the Issuer to levy taxes on all non-exempt land, improvements and any other property assessed for tax purposes to provide for the payment of the Obligations and the principal of and interest on the Bonds and such repeal, re-enactment, amendment or modification does not otherwise provide for a source of funds available to the Issuer sufficient, in the reasonable discretion of the Purchaser, to pay the Obligations and the principal and interest on the Bonds, or such repeal, re-enactment, amendment or modification otherwise has, in the reasonable discretion of the Purchaser, an adverse effect on the repayment of the principal of and interest on the Bonds; or

(m) during any period when the PSF guaranty is in effect with respect to the Bonds, any Rating Agency then rating the Bonds shall have downgraded any indebtedness, the payment of which is guaranteed by the PSF, below "___" (or its equivalent) by S&P or Fitch or "___" by Moody's (or its equivalent) or withdrawn its rating on any such indebtedness due to credit considerations relating to the PSF; or

(n) during any period when the PSF guaranty is not in effect with respect to the Bonds or if the long-term rating on the Bonds is otherwise equal to or less than the long-term rating assigned to the Issuer (regardless of the status of the PSF guaranty), any Rating Agency then rating the Bonds shall have

downgraded any Bonded Debt of the Issuer to "BBB" or lower by S&P or Fitch (or its equivalent) or "Baa2" by Moody's (or its equivalent) or withdrawn its rating on any Bonded Debt of the Issuer due to credit considerations;

Then, the Purchaser may (A) by notice to the Issuer and the Paying Agent/Registrar, declare the obligation of the Purchaser under this Liquidity Agreement to be terminated automatically on the _____ (____)th business day following receipt by the Issuer and the Paying Agent/Registrar of such notice (which notice shall be given by an overnight delivery service of generally recognized quality and specify the date upon which the Purchaser's obligation hereunder shall terminate), whereupon the obligation of the Purchaser under this Liquidity Agreement shall automatically terminate on such _____ (____)th business day (it being understood that nothing in this paragraph shall affect the rights, powers and remedies of the Purchaser if such Event of Default also constitutes an Event of Termination, in which case, such _____ (____) business days notice shall not be required), (B) by notice to the Issuer, advise the Issuer that an Event of Default under this Liquidity Agreement has occurred and is continuing and, furthermore, advise the Issuer that the Purchaser deems that, from and after the delivery of the notice herein described, the redemption provisions of Section 5.04 of the Order are applicable with respect to the Purchased Bonds and (C) by notice to the Issuer, the Purchaser may pursue any other rights or remedies under this Liquidity Agreement applicable law or otherwise. Except as expressly provided above in this Section 6.02, presentment, demand, protest and all other notices of any kind are hereby expressly waived. Purchaser agrees to use its best efforts to also provide the notice set forth in clause (A) to the Remarketing Agent, provided however, the failure to give such notice by the Purchaser to the Remarketing Agent or the failure to receive such notice by the Remarketing Agent shall not be deemed the failure of a condition precedent to the Purchaser's rights.

Section 6.03. Events of Termination. If one or more of the following events (each an "Event of Termination") shall have occurred and be continuing:

- (a) if during any period when the PSF guaranty is in effect with respect to the Bonds:
 - (i) the PSF shall fail to pay any amount of principal of or interest on any Bond when the same shall become due and payable; or
 - (ii) the PSF guaranty or any material provision thereof, relating to the payment of principal and interest on the Bonds, at any time after its execution and delivery, shall cease to be valid and binding on the PSF or in full force and effect or shall be declared to be null and void by any court, legislative body, governmental agency or other authority having jurisdiction over the PSF, or any pledge or security interest created by the PSF guaranty shall fail to be fully enforceable with the priority required under the PSF guaranty and the Order, or the validity or enforceability of the PSF guaranty shall be (A) contested by the PSF or (B) declared invalid, unenforceable or null and void by any court, legislative body, governmental agency or authority having jurisdiction over the PSF; or (c) the PSF shall deny that it has any further liability or obligation under the PSF guaranty, the Order or any Bond, as appropriate; or
 - (iii) the PSF shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its

property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or

(iv) a case or other proceeding shall be commenced against the PSF in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in effect) or under any other law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like for the PSF, or for all or a substantial part of its property, and any such case or proceeding shall continue undismissed and unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against the PSF (including but not limited to an order for relief under such Federal bankruptcy laws) shall be entered and shall remain in effect and unstayed for a period of 60 consecutive calendar days; or

(v) the PSF shall fail to pay any amount of principal of or interest on any other obligation or debt guaranteed by the PSF when the same shall become due and payable; or

(b) if during any period when the PSF guaranty is not in effect with respect to the Bonds or if the PSF Guaranty is in effect and the long-term rating on the Bonds is otherwise equal to or less than the long-term rating assigned to the Issuer:

(i) the Issuer shall fail to pay any amount of principal of, premium, if any, or interest on any Bond when the same shall become due and payable; or

(ii) this Liquidity Agreement, the Order or any material provision hereof or thereof, relating to payment of interest or principal on the Bonds, at any time after its execution and delivery or any Bond shall cease to be valid and binding on the Issuer or in full force and effect or shall be declared to be null and void by any court, legislative body, governmental agency or other authority having jurisdiction over the Issuer, or any pledge or security interest created by the Order or this Liquidity Agreement shall fail to be fully enforceable with the priority required under this Liquidity Agreement and the Order, or the validity or enforceability of this Liquidity Agreement, the Order or any Bond shall be (A) contested by the Issuer or (B) declared invalid, unenforceable or null and void by any court, legislative body, governmental agency or authority having jurisdiction over the Issuer; or the Issuer shall deny that it has any further liability or obligation under this Liquidity Agreement (except for fees payable pursuant to Section 5.02 hereof), the Order or any Bond, as appropriate; or

(iii) the Issuer shall (A) commence a voluntary case under the Federal bankruptcy laws (as now or hereafter in effect), (B) file a petition seeking to take advantage of any other law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (C) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy or other laws, (D) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, (E) admit in writing its inability to pay, or generally not be paying, its debts as they become due, (F) make a general assignment for the benefit of creditors, or (G) take any official action for the purpose of effecting any of the foregoing; or

(iv) a case or other proceeding shall be commenced against the Issuer in any court of competent jurisdiction seeking (A) relief under the Federal bankruptcy laws (as now or hereafter in

effect) or under any other law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (B) the appointment of a trustee, receiver, custodian, liquidator or the like for the Issuer, or for all or a substantial part of its property, and any such case or proceeding shall continue undismissed and unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against the Issuer (including but not limited to an order for relief under such Federal bankruptcy laws) shall be entered and shall remain in effect and unstayed for a period of 60 consecutive calendar days; or

(v) the Issuer shall fail to pay any amount of principal of, premium, if any, or interest on any Bonded Debt of the Issuer when the same shall become due and payable; or

(vi) a final, non-appealable judgment or court order for the payment of money exceeding any applicable insurance coverage by more than \$5 million shall be rendered against the Issuer, and such judgment or court order shall continue unsatisfied and in effect for a period of 60 consecutive days;

then, (A) automatically the obligation of the Purchaser under this Liquidity Agreement shall immediately terminate, unless the Purchaser shall have, in its sole discretion instead declared the occurrence giving rise to such Event of Termination an Event of Default pursuant to Section 6.02 hereof, in which case the obligation of the Purchaser under this Liquidity Agreement shall terminate as provided in such Section 6.02, (B) the redemption provisions of Section 5.04 of the Order shall become applicable with respect to the Purchased Bonds, and (C) the Purchaser may pursue any other rights or remedies under this Liquidity Agreement or applicable law. The Purchaser agrees to give the Issuer and the Paying Agent/Registrar and Tender Agent prompt notice of the occurrence of any Event of Termination hereunder and Purchaser agrees to use its best efforts to also give such notice to the Remarketing Agent, it being understood and agreed by the parties hereto, however, that the failure to give such notice by the Purchaser or the failure to receive such notice by the Issuer shall not be deemed the failure of a condition precedent to the Purchaser's rights under this Article VI or under the Order following the occurrence of an Event of Termination.

Section 6.04. Repayment Obligations under Section 6.02 or 6.03.

(a) As provided in Section 5.04 of the Order, following the Amortization Start Date, the principal on all Purchased Bonds shall be subject to special mandatory redemption, provided, that said Purchased Bonds will be subject to earlier repayment as and to the same extent as the other Bonds subject to the Order, including the option of the Issuer to redeem Purchased Bonds, in whole, pursuant to Section 5.02(c) of the Order; and provided, further, that the Purchased Bonds shall bear interest at the Default Rate from and including the date of the first occurrence of such Event of Default or Event of Termination, as the case may be. Such interest, at the Default Rate, shall be computed on the basis of a year consisting of 365/366 days, and shall be payable on each principal payment date described herein based on the principal amount of Purchased Bonds outstanding (without taking into account the principal payment being made on such date). The principal amount and interest due on the Issuer's other Obligations under this Liquidity Agreement following an Event of Default or an Event of Termination shall be due and payable on the same terms and at the same rate of interest as described hereinabove regarding repayment of the Purchased Bonds.

(b) Notwithstanding anything to the contrary contained in this Liquidity Agreement or in any other agreement or instrument to which the Issuer is a party, to the extent that the holder of any general obligation indebtedness for borrowed money under such agreement or instrument is permitted to accelerate or otherwise cause the maturity of such general obligation indebtedness to become due prior to its scheduled terms, the Purchaser shall be entitled to declare the principal of and interest on any and all Obligations, including,

without limitation, Purchased Bonds, to be immediately due and payable to the same extent, and under the same conditions provided for with respect to, such other general obligation indebtedness.

**ARTICLE VII
MISCELLANEOUS**

Section 7.01. Amendments Etc. No amendment or waiver of any provision of this Liquidity Agreement or consent to any departure by the parties therefrom shall in any event be effective unless the same shall be in writing and signed by the other parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.02. Notices.

(a) Any request, demand, authorization, direction, notice, consent, or other document provided or permitted by this Liquidity Agreement to be made upon, given or furnished to, or filed with, the Issuer or the Purchaser shall be sufficient for every purpose hereunder if in writing and (except as otherwise provided in this Liquidity Agreement) either (i) delivered personally to the party or, if such party is not an individual, to an officer or other legal representative of the party to whom the same is directed, or (ii) mailed by registered or certified mail, addressed as follows:

(1) if to the Issuer, at Denton Independent School District, 1307 N. Locust, Denton, Texas 76201; Attention: _____; Telephone (940) 369-000; Telefax (940) 369-4981;

(2) if to the Purchaser, _____,
_____, _____,
_____; Attention: _____; Telephone _____;
Telefax _____.

(3) if to the Paying Agent/Registrar, at _____,
_____, _____; Attention: _____;
Telephone _____; Telefax _____;

(4) if to the Tender Agent, at _____,
_____, _____,
_____; Attention: _____; Telephone _____; Telefax _____.

The Issuer, the Purchaser and the Paying Agent/Registrar may specify a different address for the receipt of such documents by mail by giving notice of the change in address to the other party as provided in this Section.

(b) Any such notice or other document shall be deemed to be received (i) as of the date delivered, if delivered personally in accordance with subsection (a) of this Section, or (ii) as of 3 days after the date deposited in the mail, if mailed in accordance with subsection (a) of this Section. For greater certainty, the Parties agree that notice by electronic mail is not acceptable and will be ineffective hereunder.

Section 7.03. Liability of the Purchaser. For the exclusive benefit of the Purchaser and as between the Purchaser and the Issuer only, the Issuer assumes all risks of the acts or omissions of the Paying

Agent/Registrar. Neither the Purchaser nor any of its officers or directors shall be liable or responsible for: (i) the use which may be made of the proceeds of the Bonds or for any acts or omissions of the Paying Agent/Registrar, the Remarketing Agent and any transferee in connection therewith; (ii) the form, validity, sufficiency, accuracy or genuineness of documents, or of any endorsement(s) thereon; (iii) payment by the Purchaser against presentation of documents which do not strictly comply with the terms of this Liquidity Agreement and the Order; (iv) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign the rights or benefits hereunder in whole or in part; (v) errors, omissions, interruptions or delays in transmission or delivery of any messages by mail, cable, telegraph, telex, telephone or otherwise; (vi) any loss or delay in the transmission or otherwise of any document or draft required in order for the Purchaser to purchase Bonds on a timely basis; or (vii) any other circumstances whatsoever in making or failing to make payment under this Liquidity Agreement, except only that the Issuer shall have a claim against the Purchaser, and the Purchaser shall be liable to the Issuer, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Issuer which the Issuer proves were caused by (A) the Purchaser's willful misconduct or negligence in determining whether documents presented under this Liquidity Agreement comply with the terms hereof or (B) the Purchaser's willful failure to purchase Bonds pursuant to this Liquidity Agreement after the presentation to it by the Tender Agent of the documents specified in this Liquidity Agreement and otherwise strictly complying with the terms and conditions of this Liquidity Agreement, unless the Purchaser in good faith and upon advice of nationally recognized banking counsel believes that it is prohibited by law or other legal authority from making such purchase. In furtherance, and not in limitation, of the foregoing, the Purchaser may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 7.04. Continuing Obligation. This Liquidity Agreement is a continuing obligation and shall (i) be binding upon the Issuer and the Purchaser, their successors and assigns, and (ii) inure to the benefit of and be enforceable by the Issuer and the Purchaser and their successors and assigns; provided, that neither the Issuer nor the Purchaser may assign all or any part of this Liquidity Agreement without the prior written consent of the other party, which consent from the Issuer shall not be unreasonably withheld, provided that the Purchaser shall not assign all or any part of this Liquidity Agreement unless the rating agency then rating Bonds confirms that such assignment will not adversely affect the ratings on the Bonds.

Section 7.05. Participation. Notwithstanding any other provision of this Liquidity Agreement, the Issuer understands that the Purchaser may at any time enter into participation agreements with one or more participating banks ("Participating Banks") whereby the Purchaser will allocate to the Participating Banks certain percentages of the Purchased Bonds held by the Purchaser and the future purchasing obligations of the Purchaser under this Liquidity Agreement. The Issuer acknowledges that, for the convenience of all parties, this Liquidity Agreement is being entered into with the Purchaser only and that the Issuer's obligations under this Liquidity Agreement are and will be undertaken for the benefit of, and as an inducement to, the Participating Banks as well as the Purchaser. Without limiting the foregoing, the Issuer acknowledges that Sections 5.04, 5.05, 5.07 and 7.03 are for the benefit of the Participating Banks as if such Sections specifically referred to the Participating Banks and their participations in the payment obligations of the Issuer and the funding obligations of the Purchaser, and the Issuer agrees to make any payments required by such provisions for the account of any one or more Participating Banks to the Purchaser on demand of the Purchaser. The Purchaser will furnish the Issuer with a list of all Participating Banks, if any, on the date of execution and delivery of any participation agreement among them, and will give the Issuer written notice of any changes to such list from time to time. Nothing contained in this Section 7.05 may be construed as relieving in any way the obligations of the Purchaser to the Issuer under this Liquidity Agreement. Notwithstanding anything to the contrary herein, the Issuer shall be required to deal only with the Purchaser with respect to any matters under this Liquidity Agreement and no such Participating Bank shall be entitled to enforce directly against the Issuer any provision hereunder.

Section 7.06. Severability. Any provision of this Liquidity Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.07. Conflict with Order. To the extent that any provision of this Liquidity Agreement conflicts with any provision of the Order, the terms of the Order shall be the controlling provision.

Section 7.08. Governing Law. This Liquidity Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas and the United States of America except that the rights, duties and obligations of the Purchaser hereunder shall be construed in accordance with and governed by the laws of the State of New York without regard to choice of law rules.

Section 7.09. Headings. Section headings in this Liquidity Agreement are included herein for convenience of reference only and shall not constitute a part of this Liquidity Agreement for any other purpose.

Section 7.10. Term of this Liquidity Agreement; Extension.

(a) Subject to subsection (b) below, this Liquidity Agreement shall remain in full force and effect until the Termination Date or until it is otherwise terminated prior to such date; provided, that the Issuer's Obligations under Sections 5.04, 5.05 and 5.07 hereof shall remain in full force and effect until otherwise satisfied and discharged; and provided, further, that following a Termination Date, any Purchased Bonds held by the Purchaser which are subject to the repayment provisions of Section 5.01 or 6.04 hereof shall continue to be payable in accordance with the terms of the controlling Section and the Order.

(b) Anytime after the first year of the Effective Date, the Issuer may request in writing to the Purchaser (each such request being irrevocable) to extend for one year the Stated Expiration Date of this Liquidity Agreement. If the Issuer makes such a request, the Purchaser will, not less than two (2) months after such request, notify the Issuer in writing whether or not the Purchaser consents to such request, and, if the Purchaser consents to such request, the terms under which the Purchaser will consent to such request. If the Purchaser does not so notify the Issuer, the Purchaser shall be deemed not to have consented to such request. Notwithstanding anything else herein or elsewhere to the contrary, the Purchaser shall have the right to accept or reject any request for extension of the Stated Expiration Date in its sole and absolute discretion. Purchaser agrees to use its best efforts to provide notice to the Remarketing Agent of Purchaser's consent to an extension; provided however, the failure to give such notice by the Purchaser to the Remarketing Agent or the failure to receive such notice by the Remarketing Agent shall not be deemed the failure of any condition precedent to the Purchaser's rights.

(c) The parties hereto agree to promptly notify the Rating Agencies of any termination of this Liquidity Agreement.

Section 7.11. No Waiver; Remedies. No failure on the part of the Purchaser to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 7.12. Counterparts. This Liquidity Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Liquidity

Agreement shall become effective when each party hereto shall have received a counterpart hereof duly executed by the other party hereto.

Section 7.13. Substitution of Purchaser and Liquidity Facility. If:

(a) the Issuer shall have furnished the Purchaser with (i) written evidence from a Rating Agency that the rating which was assigned by such Rating Agency to the short-term indebtedness of the Purchaser on the Closing Date has been downgraded, suspended or withdrawn, (ii) a certificate from the Remarketing Agent that such downgrading, suspension or withdrawal of the rating adversely affects the interest rate associated with the remarketing of the Bonds and (iii) either (A) written evidence from such Rating Agency that the rating assigned to the Bonds immediately after the replacement of the Purchaser with another financial institution or the delivery of a Substitute Liquidity Facility shall be higher than the rating then assigned to the short-term indebtedness of the Purchaser, or (B) a certificate from the Remarketing Agent stating that the interest rate on the Bonds will decrease if the Purchaser were replaced with another financial institution or if a Substitute Liquidity Facility issued by another financial institution were substituted for this Liquidity Agreement; or

(b) the Purchaser shall have unreasonably refused to consent to amendments or supplements to this Liquidity Agreement or any Related Document that are required by the Rating Agency in order to prevent such Rating Agency from downgrading, suspending or withdrawing the rating then assigned by such Rating Agency to the Bonds (or, if such Rating Agency has not then assigned a rating to the Bonds, to prevent such Rating Agency from assigning a rating to the Bonds which is in a lower rating category than the equivalent rating then assigned by a Rating Agency which has assigned a rating to the Bonds) and such downgrading, suspension, withdrawal or assignment would, in the opinion of the Remarketing Agent as evidenced by its certificate to such effect, adversely affect the interest rate associated with the remarketing of the Bonds; or

(c) the Purchaser shall fail to purchase Bonds in accordance with the terms hereof and notwithstanding the satisfaction of the conditions precedent contained herein, or the Purchaser shall fail to comply with any other material obligation under this Liquidity Agreement; or

(d) (i) the Purchaser or any Participating Bank shall have submitted to the Issuer a certificate, pursuant to Section 5.05 hereof, requiring additional compensation which the Issuer reasonably determines is material, (ii) the Issuer shall have delivered to the Purchaser a certificate which identifies a financial institution other than the Purchaser which will either assume the obligation of the Purchaser hereunder or provide a Substitute Liquidity Facility which is either not subject to such increased cost or requires less compensation than the Purchaser for such increased cost and (iii) the Purchaser shall not, within ten days following receipt of such certificate from the Issuer, have agreed to reduce its required compensation under Section 5.05 hereof to an amount not greater than that specified in the Issuer's certificate; or

(e) the Purchaser shall not consent, or be deemed hereunder not to have consented, to any requested extension of the Stated Expiration Date; or

(f) the Purchaser consents to the acquisition of a Substitute Liquidity Facility,

then the Issuer may seek a substitute bank or banks to purchase the Purchased Bonds then held by the Purchaser and provide a Substitute Liquidity Facility, provided that the Issuer shall pay all Obligations owed to the Purchaser and all Purchased Bonds then held by the Purchaser shall be purchased by such substitute bank or banks on or before the date of such substitution.

Section 7.14. Usury Not Intended: Refund of Any Excess Payments. It is the intent of the parties in the execution and performance of this Liquidity Agreement to contract in strict compliance with the usury laws of the State of Texas and the United States of America from time to time in effect. In furtherance thereof, the Purchaser and the Issuer stipulate and agree that none of the terms and provisions contained in this Liquidity Agreement shall ever be construed to create a contract to pay for the use, forbearance or detention of money with interest at a rate in excess of the Highest Lawful Rate and that for purposes hereof "interest" shall include the aggregate of all charges which constitute interest under such law that are contracted for, charged or received under this Liquidity Agreement. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Issuer and the Purchaser shall, to the maximum extent permitted under applicable law, (a) characterize any non principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) "spread" the total amount of interest throughout the entire contemplated term of this Liquidity Agreement. The provisions of this Section shall control over all other provisions of this Liquidity Agreement which may be in apparent conflict herewith. In the event the Purchaser shall collect moneys which are deemed to constitute interest at a rate in excess of the Highest Lawful Rate, all such sums deemed to constitute interest in excess of the legal rate shall be immediately returned to the payor thereof (or, at the option of the Purchaser, credited against the unpaid principal of the obligations of the Issuer hereunder).

Section 7.15. Right to Set-off.

(a) Upon the occurrence and during the continuance of any Event of Default, the Purchaser is hereby authorized at any time and from time to time, without notice to the Issuer (any such notice being expressly waived by the Issuer) and to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by the Purchaser to or for the credit or the account of the Issuer against any and all of the obligations of the Issuer now or hereafter existing under this Liquidity Agreement or the Bonds, irrespective of whether or not the Purchaser shall have made any demand hereunder.

(b) The Purchaser agrees promptly to notify the Issuer in writing after any such set-off and application; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Purchaser under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Purchaser may have.

Section 7.16. Entire Agreement. This Liquidity Agreement, and the other Related Documents embody the entire agreement and understanding between the Purchaser and the Issuer and supersede all prior agreements and understandings between such parties relating to the subject matter hereof and thereof.

Section 7.17. Exhibits. The exhibits attached to this Liquidity Agreement are incorporated herein and shall be considered a part of this Liquidity Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Liquidity Agreement, the provisions of this Liquidity Agreement shall prevail.

Section 7.18. Titles of Articles, Sections, and Subsections. All titles or headings to articles, sections, subsections, or other divisions of this Liquidity Agreement or the exhibits hereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections, or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 7.19. Business Days. In any case where the date of any payment to the Purchaser or the expiration of the time period hereunder occurs on a day which is not a Business Day, then such payment or

expiration of such time period need not occur on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the day of maturity or expiration of such period except that interest shall continue to accrue for the period after such date to the next Business Day.

Section 7.20. Effective Date. Notwithstanding that this Liquidity Agreement is dated as of _____, 2009, this Liquidity Agreement shall not become effective, and neither the Issuer nor the Purchaser shall have any obligations hereunder, until the Closing Date, whereupon this Liquidity Agreement and all provisions hereof shall be in full force and effect.

[Execution Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Liquidity Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

DENTON INDEPENDENT SCHOOL DISTRICT

By: _____

Title: _____

By: _____

Title: _____

By: _____

Title: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.

By: _____

Title: _____

Schedule I

The Annual Facility Fees shall increase on a cumulative basis based on the lowest rating then assigned by any Rating Agency.

<u>Ratings of Moody's, Fitch and S&P</u>	<u>Annual Facility Fee</u>
Aa1/AA+/AA+	Annual Facility Fee then in effect + _____ Basis Points
Aa2/AA-/AA-	Annual Facility Fee then in effect + _____ Basis Points
A1/A+/A+	Annual Facility Fee then in effect + _____ Basis Points
A3/A-/A-	Annual Facility Fee then in effect + _____ Basis Points
Baa1/BBB+/BBB+	Annual Facility Fee then in effect + _____ Basis Points
Baa3/BBB-/BBB-	Annual Facility Fee then in effect + _____ Basis Points

EXHIBIT A

**NOTICE OF DATE OF PURCHASE
AND FAILURE TO REMARKED**

The undersigned, a duly authorized officer of the undersigned Tender Agent (the "Tender Agent") hereby certifies pursuant to the Standby Bond Purchase Agreement (the "Agreement"), dated as of _____, 2009, among Denton Independent School District (the "Issuer"), the Tender Agent and _____ (the "Purchaser") (the terms defined therein and not otherwise defined herein shall be used as defined in the Agreement) that:

The Tender Agent is the Tender Agent under the Order.

The Date of Purchase is _____.

The aggregate principal amount of Bonds that have not been remarketed is \$_____.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of the _____ day of _____, 20_____.

_____,
as Tender Agent

By: _____

Title: _____

EXHIBIT B

NOTICE OF PURCHASE PRICE

The undersigned, a duly authorized officer of the undersigned Tender Agent (the "Tender Agent"), hereby certifies pursuant to the Standby Bond Purchase Agreement (the "Agreement"), dated as of _____, 2009, by and between Denton Independent School District (the "Issuer"), the Tender Agent and _____ ("Purchaser") (the terms defined therein and not otherwise defined herein shall be used as defined in the Agreement) that:

The Tender Agent is the Tender Agent under the Order.

- (1) The Bondholders are selling Bonds to the Purchaser in an aggregate principal amount of \$_____.
- (2) The accrued interest at the Bond Interest Rate through the Date of Purchase is \$_____.
- (3) The total Purchase Price for such Bonds is \$_____.
- (4) The Date of Purchase for such Bonds is _____.
- (5) Wiring Instructions for Tender Agent:_____.

IN WITNESS WHEREOF, the Tender Agent has executed and delivered this Certificate as of the day of the _____ day of _____, 20_____.

_____,
as Tender Agent

By: _____

Title: _____