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ORDER  
AUTHORIZING THE ISSUANCE OF

DENTON INDEPENDENT SCHOOL DISTRICT  
VARIABLE RATE  
UNLIMITED TAX REFUNDING BONDS  
SERIES 2009

Adopted: December 9, 2008

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**AN ORDER BY THE BOARD OF TRUSTEES OF DENTON INDEPENDENT SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF DENTON INDEPENDENT SCHOOL DISTRICT VARIABLE RATE UNLIMITED TAX REFUNDING BONDS, SERIES 2009; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; DELEGATING CERTAIN MATTERS RELATING TO THE SALE, DELIVERY AND TERMS OF SAID BONDS TO AUTHORIZED DISTRICT OFFICERS; AUTHORIZING THE EXECUTION OF AGREEMENTS WITH A PAYING AGENT/REGISTRAR, AN ESCROW AGENT, A REMARKETING AGENT, A TENDER AGENT AND A LIQUIDITY BANK WITH RESPECT TO THE BONDS; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT**

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WHEREAS, Denton Independent School District (the "Issuer") has previously issued, and there are presently outstanding, bonds of the Issuer payable from ad valorem taxes levied and to be levied, assessed and collected within the Issuer, without legal limit as to rate or amount;

WHEREAS, the Issuer now desires to refund all or part of the bonds described in Schedule I attached hereto, collectively, the "Eligible Refunded Obligations", that may be refunded and the Issuer comply with the provisions of Section 10.03 hereof, and those Eligible Refunded Obligations designated by the Authorized Representative in the Pricing Certificate, each as defined below, to be refunded are herein referred to as the "Refunded Obligations";

WHEREAS, Chapter 1207, Texas Government Code, authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources directly with a paying agent for the Refunded Obligations or a trust company or commercial bank that does not act as a depository for the Issuer and such deposit, if made before the payment dates of the Refunded Obligations, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations;

WHEREAS, the Board of Trustee of the Issuer hereby finds and determines that it is a public purpose and in the best interests of the Issuer to refund the Refunded Obligations in order to restructure the outstanding debt service payments of the Issuer, to revise and replace variable rate and other covenants in the orders authorizing such outstanding bonds and to enable the Issuer to address the termination of the liquidity agreements for such outstanding bonds, and hereby further finds and determines that the manner in which the refunding is being executed, in that the pricing and terms of the bonds hereinafter authorized are to be determined at a future date pursuant to the provisions of this Order and that the refunded obligations bear interest at a variable rate, does not make it practicable to determine the amount of debt service loss or debt service savings that will result from the refunding of the Refunded Obligations;

WHEREAS, all the Refunded Obligations mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized;

WHEREAS, the bonds hereafter authorized are being issued and delivered pursuant to Chapter 45, Texas Education Code, and Chapters 1207 and 1371, Texas Government Code; and

WHEREAS, it is officially found, determined and declared that the meeting at which this Order has been adopted was open to the public, and public notice of the date, hour, place and subject of said meeting, including this Order, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code, as amended;

THEREFORE, BE IT ORDERED BY THE BOARD OF TRUSTEES OF THE DENTON INDEPENDENT SCHOOL DISTRICT:

ARTICLE I  
DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise in this Order, the following terms shall have the meanings specified below:

"Acts" means Chapter 45, Texas Education Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended.

"Additional Mandatory Redemption" shall have the meaning assigned to such term in Section 5.03 of this Order.

"Amortization End Date" shall have the meaning assigned to such term in the Pricing Certificate.

"Amortization Payment Date" shall have the meaning assigned to such term in the Pricing Certificate.

"Amortization Start Date" shall have the meaning assigned to such term in the Pricing Certificate.

"Authorized Denominations" shall mean, with respect to Bonds bearing interest at the Initial Rate, or a Variable Rate, \$5,000 and integral multiples thereof, with respect to Bonds bearing interest at a Flexible Rate, \$100,000 and integral multiples of \$5,000 in excess thereof, and with respect to Bonds bearing interest at a Fixed Rate, \$5,000 and integral multiples thereof.

"Authorized Representative" shall mean one or more of the following officers of the District: the Superintendent of Schools or the Executive Director of Budget and Finance, or such other officer or employee of the District authorized by the Board to act as an Authorized Representative.

"Bank" shall mean, initially, the financial institution or other entity identified and designated in the Pricing Certificate that is providing the initial Liquidity Agreement, or the provider of any Substitute Liquidity Facility.

"Bank Obligations" shall mean the obligations of the District to the Bank due or to become due under the Liquidity Agreement or under the Purchased Bonds.

"Board" shall mean the Board of Trustees of the District.

"Bond Date" shall have the meaning assigned to such term in the Pricing Certificate.

"Bonds" shall mean the "Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009," authorized for issuance pursuant to the terms of this Order and the Pricing Certificate.

"Book-Entry System" shall mean the system maintained by the Securities Depository described in Section 2.07 and 2.09.

"Business Day" shall mean any day other than (a) a Saturday, Sunday or legal holiday, or (b) a day on which banking institutions located in New York, New York, 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 by law to remain closed, or (c) a day on which the New York Stock Exchange or DTC 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 no interest shall accrue on such payments in the interim.

"Code" shall mean the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Issuance Date, including applicable regulations, published rulings, and court decisions.

"Conversion Date" shall mean: (a) with respect to Bonds converted to a Fixed Rate, the Fixed Rate Conversion Date; and (b) with respect to Bonds converted to a particular type of Variable Rate Period, the Weekly Rate Conversion Date and the Term Rate Conversion Date, as applicable; and (c) with respect to Bonds converted to a Flexible Rate Period or Periods, the Flexible Rate Conversion Date.

"Costs of Credit Agreements" shall mean, collectively, Bank Obligations, any fees of the Remarketing Agent, any fees of the Tender Agent, and any other costs, fees or expenses with respect to or in connection with the Liquidity Agreement, the Remarketing Agreement, the Tender Agent Agreement or any other Credit Agreement entered into in connection with the Bonds.

"Credit Agreement" has the meaning assigned to that term by Section 1371.001(1), Texas Government Code, as amended.

"Daily Flexible Rate Period" shall mean a period effective from and including the commencement date thereof and remaining in effect to, but not including, the next succeeding Business Day.

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

"Defeased Bond" shall have the meaning assigned to such term in Section 12.01 of this Order.

"Defeasance Securities" shall have the meaning assigned to such term in Section 12.01 of this Order.

"District" shall mean the Denton Independent School District, located in Denton County, Texas.

"DTC" shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Eligible Account" means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has an S&P short-term debt rating of at least A-2 (or, if no short-term debt rating, a long-term debt rating of BBB+); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

"Escrow Agreement" shall mean the escrow agreement authorized pursuant to Section 16.01.

"Event of Default" shall mean any event of default as defined in Section 11.01 of this Order.

"Event of Termination" shall have the meaning assigned to such term in the Liquidity Agreement.

"Excess Interest Funds" shall have the meaning assigned to such term in Section 5.03 of this Order.

"Fixed Rate" shall mean the per annum rate or rates of interest the Bonds shall bear during a Fixed Rate Period.

"Fixed Rate Conversion Date" shall mean the date on which all or a part of the Bonds begin to bear interest at the Fixed Rate pursuant to Section 3.04 of this Order.

"Fixed Rate Period" shall mean the period beginning on a Fixed Rate Conversion Date and ending at the stated maturity or maturities of the Bonds, during which Bonds bear interest at one or more Fixed Rates.

"Flexible Rate" shall mean, with respect to any particular Bond, the per annum interest rate determined for each Flexible Rate Period applicable thereto.

"Flexible Rate Conversion Date" shall mean the date on which the Bonds first begin to bear interest at Flexible Rates pursuant to Section 3.03(b) of this Order.

"Flexible Rate Period" shall mean each period (not to exceed 270 calendar days) during which a Bond bears interest at a Flexible Rate, including a Daily Flexible Rate Period or Seven Day Flexible Rate Period established pursuant to Section 3.03(a)(iii).

"Highest Lawful Rate" shall mean 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 (as currently prescribed in Chapter 1204, Texas Government Code, as amended, or any successor statute).

"Initial Bond" shall mean the initial Bond authorized by Section 2.04(d) of this Order.

"Initial Purchaser" means the initial purchaser or purchasers of the Bonds as designated in the Pricing Certificate.

"Initial Rate" shall mean the interest rate the Bonds shall bear during the Initial Rate Period, which rate shall be designated in the Pricing Certificate.

"Initial Rate Period" shall mean the period commencing on the Issuance Date and ending on the date set forth in the Pricing Certificate.

"Interest and Sinking Fund" shall mean the interest and sinking fund established by Section 2.14 of this Order.

"Interest Payment Date" shall mean: (a) with respect to Bonds bearing interest at the Initial Rate, February 1, 2009 and August 1, 2009; (b) with respect to Bonds bearing interest at a Weekly Rate, the first Business Day of each calendar month beginning on the first such date occurring after the Weekly Rate Conversion Date; (c) with respect to Bonds bearing interest at a Term Rate, each February 1 and August 1, beginning on the first such date occurring after the Term Rate Conversion Date, (d) with respect to Bonds bearing interest at a Fixed Rate, each February 1 and August 1, beginning on the first such date occurring after the Fixed Rate Conversion Date; (e) with respect to any particular Bond bearing interest at a Flexible Rate for a Flexible Rate Period of 183 days or shorter, the first Business Day after the last day of each Flexible Rate Period applicable thereto; (f) with respect to any particular Bond bearing interest at a Flexible Rate for a Flexible Rate Period of longer than 183 days, the first Business Day after the last day of the Flexible Rate Period and each August 1 and February 1 occurring within such Flexible Rate Period, beginning



on the first such date occurring after the applicable Flexible Rate Conversion Date; (g) with respect to the Purchased Bonds, the respective dates set forth in the Liquidity Agreement, and (h) each mandatory tender date pursuant to Section 4.07 of this Order.

"Interest Period" shall mean (a) the period from and including the Issuance Date to and including the day immediately preceding the first Interest Payment Date on the Bonds, and (b) thereafter, the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

"Issuance Date" shall mean the date the Bonds are delivered to and paid for by the Initial Purchaser.

"Liquidity Agreement" shall mean, initially, the Standby Bond Purchase Agreement among the District and the Bank, or, in the case of any Substitute Liquidity Facility, a successor Liquidity Agreement.

"Maximum Interest Rate" shall have the meaning set forth in the Pricing Certificate or such other higher rate of interest as shall be approved by the District, but in no event to exceed the lesser of (a) 15% per annum or (b) the Highest Lawful Rate. Regardless of such approval by the District, no such higher rate of interest shall be effective unless and until (x) the District and the Bank amend the Liquidity Agreement accordingly, (y) the District is able to demonstrate that the District has the projected ability to pay the principal and interest on the Bonds assuming such higher interest rate in the manner required by Section 45.0031, Texas Education Code, or any successor statute in effect at such time, and (z) the District shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that such change in the Maximum Interest Rate will not have an adverse effect on the exclusion from federal income tax of the interest on the Bonds.

"Minimum Mandatory Redemptions" shall have the meaning assigned to such term in Section 5.03 of this Order.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"NRMSIR" shall mean each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Opinion of Bond Counsel" shall mean an opinion of nationally recognized bond counsel addressed to the District and the Paying Agent/Registrar and stating, unless otherwise specified herein, that the action proposed to be taken is authorized or permitted by this Order and State law and will not adversely affect the excludability from gross income for federal income tax purposes of interest on the Bonds.

"Optional Redemption Date" shall mean the any date on which Bonds may be redeemed at the option of the District pursuant to Section 5.02 hereof.

"Order" shall mean this order authorizing the issuance of the Bonds.

"Outstanding" shall mean when used to modify Bonds, Bonds issued, authenticated and delivered under this Order, excluding (i) Bonds which have been exchanged or replaced or otherwise surrendered for cancellation, (ii) Bonds which have been paid, (iii) Bonds which have become due and for the payment of which moneys have been duly provided, (iv) Bonds deemed tendered for purchase and not delivered to the Tender Agent on the applicable purchase date, provided sufficient funds for payment of the Purchase Price are on deposit with the Tender Agent, and (v) Bonds with respect to which this Order have been defeased pursuant to Article XII.

"Owner" shall mean the person who is the registered owner of a Bond or Bonds, as shown in the Register, including the Bank in its capacity as purchaser of Purchased Bonds.

"Paying Agent/Registrar" shall mean, initially The Bank of New York Mellon Trust Company, N.A., or any successor thereto as provided in this Order.

"Payment Fund" shall mean the fund described in Section 4.01(d)(ii) hereof.

"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.

"Pricing Certificate" shall mean a certificate signed by an Authorized Representative setting forth certain terms and provisions of the Bonds as authorized by Sections 1207.007 and 1371.056, Texas Government Code and Section 2.01 hereof.

"Purchased Bond Rate" shall have the meaning assigned to such term in the Liquidity Agreement.

"Purchased Bonds" shall mean the Bonds purchased by the Bank pursuant to the terms of the Liquidity Agreement from and including the Date of Purchase to, but not including, the earliest of (a) their maturity or redemption or their satisfaction and discharge by other means, (b) their remarketing by the Remarketing Agent pursuant hereto and the Remarketing Agreement (or the election by the Bank or other holder of Purchased Bonds to retain such Bonds), or (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 hereof, the par amount thereof, plus accrued but unpaid interest thereon to the date of purchase of such Bond; provided, however, that accrued interest will not be taken into account in the computation of the Purchase Price with respect to Bonds if the applicable purchase date is an Interest Payment Date.

"Rate Determination Date" shall mean the date on which the Remarketing Agent determines the rate of interest to be borne by Variable Rate Bonds pursuant to Section 3.02(b) or (c), as applicable, or by Flexible Rate Bonds pursuant to Section 3.03(a).

"Rate Period" shall mean the period during which a particular rate of interest determined for the Bonds is to remain in effect pursuant to Article III of this Order.

"Rating Agency" shall mean S&P or any other national credit rating agency then rating the Bonds.

"Record Date" shall mean (a) with respect to Bonds bearing interest at the Initial Rate, a Variable Rate or Flexible Rate, the close of business on the Business Day immediately preceding the Interest Payment Date, and (b) with respect to Bonds bearing interest at a Fixed Rate, the fifteenth calendar day of the month immediately preceding the Interest Payment Date.

"Register" shall mean the Register specified in Section 2.06(a) of this Order.

"Related Documents" shall mean and includes the Bonds, the Remarketing Agreement, the Tender Agent Agreement, the Liquidity Agreement, this Order and any and all other documents which the District has executed and delivered, or may hereafter execute and deliver, to evidence or secure the District's obligations thereunder.

"Remarketing Agent" shall mean, initially, J.P. Morgan Securities Inc., and any successor thereto.

"Remarketing Agreement" shall mean the Remarketing Agreement pertaining to the Bonds between the District and the Remarketing Agent, or any similar agreement pertaining to the Bonds entered into from time to time with any successor Remarketing Agent.

"Rule" shall mean SEC Rule 15c2-12, as amended from time to time.

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

"SEC" shall mean the United States Securities and Exchange Commission.

"Seven Day Flexible Rate Period" shall mean a period of seven calendar days.

"SID" shall mean the Municipal Advisory Council of Texas, which has been designated by the State of Texas as, and determined by the SEC staff to be, a state information depository within the meaning of the Rule.

"Special Interest" shall mean with respect to any Purchased Bonds and for any fiscal year of the District that portion (if any) of the interest on such Purchased Bonds which exceeds the interest which accrues thereon calculated, (i) if the Bonds are in a Weekly Rate or Flexible Rate mode, at the Maximum Interest Rate for Bonds other than Purchased Bonds, or (ii) if the Bonds are in a Term Rate mode, at the rate of interest that would have been applied by the District for such Bonds in setting its tax rate under Section 2.13(a) hereof assuming no other unencumbered or lawfully available funds of the District were on deposit in the Interest and Sinking Fund at such time.

"Special Record Date" shall have the meaning assigned to such term in Section 2.03(f) of this Order.

"Specified Event" means the receipt by the District of a notice from the Bank of the termination of the Liquidity Agreement due to the occurrence of an Event of Default described under Section 6.02 of the Liquidity Agreement, or the equivalent section under a Substitute Liquidity Facility.

"Stated Expiration Date" shall have the meaning set forth in the Liquidity Agreement, as may be extended from time to time in accordance with the provisions of the Liquidity Agreement.

"Substitute Liquidity Facility" shall mean a liquidity facility, provided by a financial institution other than the initial Bank, that shall replace the Liquidity Agreement. The District shall not execute a Substitute Liquidity Facility unless it first receives an Substitute Liquidity Facility Opinion of Bond Counsel.

"Substitute Liquidity Facility Opinion of Bond Counsel" shall mean an opinion of nationally recognized bond counsel, to the effect that the execution of a Substitute Liquidity Facility will not have an adverse effect on the exclusion from federal income tax of the interest on the Bonds and is in compliance with State law.

"Tender Agent" shall mean, initially, The Bank of New York Mellon Trust Company, N.A., or any successor thereto.

"Tender Agent Agreement" shall mean the Tender Agent Agreement among the District, the Tender Agent and the Remarketing Agent, pertaining to the Bonds or any similar agreement entered into from time to time with any successor Tender Agent.

"Term Rate" shall mean the per annum rate of interest the Bonds shall bear during a Term Rate Period.

"Term Rate Conversion Date" shall mean the day the Bonds first bear interest at a Term Rate pursuant to Section 3.01 of this Order or pursuant to Section 3.02(c) of this Order.

"Term Rate Period" shall mean each period in which the interest rate on the Bonds is fixed for periods of at least twelve (12) months duration pursuant to Section 3.02(c) of this Order.

"Unclaimed Payments" shall mean money deposited with the Paying Agent/Registrar or Tender Agent for the payment of principal, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity or for the payment of the Purchase Price of Bonds, which money is not claimed by the Owners of such Bonds.

"Undelivered Bonds" shall mean Bonds which are required to be delivered to the Tender Agent pursuant to the terms of this Order and which are not in fact delivered.

"Variable Rate" shall mean, as the context requires, the Weekly Rate or Term Rate applicable to the Bonds.

"Variable Rate Conversion Date" shall mean the day the Bonds first bear interest at a Variable Rate pursuant to Section 3.02(d) or (e) of this Order.

"Variable Rate Period" shall mean each period during which the Bonds bear interest at a specific Variable Rate.

"Weekly Rate" shall mean the per annum interest rate to be determined for the Bonds on a weekly basis pursuant to Section 3.02(b) of this Order.

"Weekly Rate Conversion Date" shall mean the day the Bonds first bear interest at a Weekly Rate pursuant to Section 3.02(d) or (e) of this Order.

"Weekly Rate Period" shall mean the period during which the Bonds bear interest at a Weekly Rate.

Section 1.02. Table of Contents, Titles, and Headings. The table of contents, titles, and headings of the Articles and Sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Order or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

(c) Unless expressly provided otherwise, all references to article and section numbers herein shall be to the article and section numbers of this Order.

Section 1.04. Findings. The declarations, determinations and findings declared, made and found in the preamble to this Order are hereby adopted, restated and made a part of the operative provisions hereof.

ARTICLE II  
AUTHORIZATION; GENERAL TERMS; TAX LEVY;  
INTEREST AND SINKING FUND

Section 2.01. Authorization; Delegation to Authorized Representative.

(a) The bonds of Denton Independent School District (the "Issuer") are hereby authorized to be issued and delivered in the maximum aggregate principal amount hereinafter set forth for the public purpose of providing funds to refund a portion of the Issuer's outstanding indebtedness payable from ad valorem taxes and to pay the costs incurred in connection with the issuance of the Bonds.

(b) Each bond issued pursuant to this Order shall be designated: "DENTON INDEPENDENT SCHOOL DISTRICT VARIABLE RATE UNLIMITED TAX REFUNDING BOND, SERIES 2009," and initially there shall be issued, sold, and delivered hereunder fully registered Bonds, without interest coupons, payable to the respective registered owners thereof (with the initial bonds being made payable to the initial purchaser as described in Section 8.01 hereof), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"). The Bonds shall be in the respective denominations and principal amounts, shall be numbered, shall mature and be payable on the date or dates in each of the years and in the principal amounts or amounts due at maturity, as applicable, and shall bear interest to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the Pricing Certificate.

(c) As authorized by Section 1207.007 and Chapter 1371, Texas Government Code, as amended, the Authorized Representative is hereby authorized to act on behalf of the Issuer in selling and delivering the Bonds, determining which of the Eligible Refunded Obligations shall be refunded and carrying out the other procedures specified in this Order, including, determining the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the Initial Rate and Initial Rate Period for the Bonds, the designation of the Bank to provide the Liquidity Agreement for the Bonds and to approve the specific terms thereof, including, amortization of Bonds purchased thereunder, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the interest payment and record dates, the price and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds and the refunding of the Refunded Obligations, including without limitation establishing the redemption date for and effecting the redemption of the Refunded Obligations and obtaining the Permanent School Fund guarantee for the Bonds, if available, and/or procuring municipal bond insurance, and approving modifications to this Order and executing such instruments, documents and agreements as may be necessary with respect thereto, if it is determined that such insurance would be financially desirable and advantageous, all of which shall be specified in the Pricing Certificate; provided that:

(i) the aggregate original principal amount of the Bonds shall not exceed \$32,800,000;

(ii) the Initial Rate shall not exceed 5.00% and the interest rate on the Bonds shall not exceed the Highest Lawful Rate, provided that the net effective interest rate on the Bonds shall not exceed the maximum rate set forth in Chapter 1204, Texas Government Code, as amended;

(iii) the final maturity of the Bonds shall not be later than August 1, 2030;

(iv) the Bank must have a rating from the Rating Agency of not less than BBB from S&P;

(v) the principal portion of the Liquidity Agreement shall not exceed \$32,800,000;

(vi) the term of the Liquidity Agreement shall not exceed August 1, 2030;

(vii) the interest rate to be paid under the Liquidity Agreement shall not exceed the Highest Lawful Rate; and

(viii) the delegation made hereby shall expire if not exercised by the Authorized Representative on or prior to April 1, 2009.

(d) In establishing the aggregate principal amount of the Bonds, the Authorized Representative shall establish an amount not exceeding the amount authorized in Subsection (a) above, which shall be sufficient in amount to provide for the purposes for which the Bonds are authorized and to pay costs of issuing the Bonds. The Bonds shall be sold with and subject to such terms as set forth in the Pricing Certificate.

#### Section 2.02. Date, Denomination Maturities, and Interest.

(a) The Bonds shall be dated the Bond Date, shall bear interest during the Initial Rate Period at the Initial Rate and shall mature on the date or dates, all as set forth in the Pricing Certificate. Principal of and interest on each Bond shall be paid as set forth in this Order. The Bonds shall be in fully registered form, without coupons, in Authorized Denominations, the Initial Bond shall be numbered T-1 and the definitive Bonds shall be numbered separately from R-1 upward in order of their authentication. Bonds delivered upon transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Paying Agent/Registrar.

(b) Interest shall accrue on each Bond respectively until its maturity or prior redemption from the later of the Issuance Date or the most recent Interest Payment Date to which interest has been paid or duly provided, at the rate or rates per annum all as specified in Article III of this Order and shall be paid on each Interest Payment Date. Interest on Bonds bearing interest at a Weekly Rate or Flexible Rate will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed. Interest on Bonds bearing interest at the Initial Rate, a Term Rate or a Fixed Rate shall be calculated on the basis of a 360-day year composed of 12 months of 30 days each. Interest on Purchased Bonds shall bear interest at the Purchased Bond Rate and shall be calculated on the basis of the actual number of days elapsed in a year of 360 days.

#### Section 2.03. Medium, Method, and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) The principal of each Bond shall be paid to the Owners on the due date, whether at the maturity date or the date of prior redemption, only upon presentation and surrender of such Bond at the designated office of the Paying Agent/Registrar.

(c) Interest on the Bonds shall be payable to the Owners appearing in the Register at the close of business on the Record Date.

(d) Other than as provided in Section 2.08 with respect to Bonds held in the Book-Entry System, principal and interest shall be paid (i) with respect to Bonds bearing interest at a Weekly Rate or Flexible Rate by federal funds by wire transfer within the continental United States upon written instruction from the Owner to the Paying Agent/Registrar, and otherwise by check dated the Interest Payment Date and mailed by first class mail, (ii) with respect to Bonds bearing interest at the Initial Rate, a Term Rate or Fixed Rate, by check, dated as of the Interest Payment Date, and sent by first class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown in the Register on the applicable Record Date, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Owner, and (iii) with respect to Bonds bearing interest at the Purchased Bond Rate, in accordance with the Liquidity Agreement.

(e) If the date for the payment of the principal of or interest on the Bonds is not a Business Day, the date for such payment shall be the next succeeding Business Day and payment on such date shall for all purposes be deemed to have been made on the due date thereof.

(f) With respect to Bonds bearing interest at a Fixed Rate, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

(g) Unclaimed Payments that remain unclaimed by the Owners for ninety days after the applicable payment or redemption date shall be held in trust, uninvested by the Paying Agent/Registrar or Tender Agent, as applicable, for the account of the Owners of the Bonds to which the Unclaimed Payments pertain. Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be reported and disposed of by the Paying Agent/Registrar or Tender Agent, as applicable, in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

#### Section 2.04. Execution and Registration of Bonds.

(a) The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the District shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, as set forth in this Order, including the Form of Bond in Exhibit A attached to this Order. The Bond initially issued and delivered pursuant to this Order is not required to be, and shall not be, authenticated by the Paying

Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the Paying Agent/registrar's Authentication Certificate, in the Form of Bond set forth in Exhibit A attached to this Order.

(b) The Bonds shall be executed on behalf of the District by the President and Secretary of the Board, by their manual or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds. If any officer of the District whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except for the Initial Bond, which need not be authenticated, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar.

(d) On the Issuance Date, one Initial Bond representing the entire principal amount of the Bonds, payable to the initial purchaser, or its designee, executed by the manual or facsimile signature of the President and Secretary of the Board, approved by the Attorney General, and registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed thereto, will be delivered to the Initial Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall insert the Issuance Date on the Initial Bond, cancel the Initial Bond and deliver registered definitive Bonds through DTC in accordance with instructions received from the Initial Purchaser or its designee. To the extent the Paying Agent/Registrar is eligible to participate in DTC's FAST System, as evidenced by agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

#### Section 2.05. Ownership.

(a) The District, the Paying Agent/Registrar, the Tender Agent and any other person may treat the person whose name appears in the Register as the registered owner of any Bond as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (except interest shall be paid to the person in whose name the Bond is registered on the "Record Date"), and for all other purposes, whether or not such Bond is overdue, and none of the District, the Tender Agent or the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Bond shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

#### Section 2.06 Registration, Transfer, and Exchange.

(a) While any Bonds remain outstanding, the District shall cause the Paying Agent/Registrar to keep at its designated office in Texas the Register, in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall record the names and addresses of the Owners of the Bonds and information relating the payment and transfer of Bonds in accordance with this Order.



(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the designated trust office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the designated office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar are hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, as applicable, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

(f) Following the Fixed Rate Conversion Date, neither the District nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

#### Section 2.07. Book-Entry Only System.

(a) The definitive Bonds shall be initially issued in the form of a single fully registered Bond. Upon initial issuance, the ownership of such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 2.09 hereof, all of the outstanding bonds shall be registered in the name of Cede & Co., as nominee of DTC. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the Owner at the close of business on the Record Date, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District, the Tender Agent and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District, the Tender Agent and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (b) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any DTC Participant or any other person, other than an Owner, as shown on the Register of any amount with respect to principal of Bonds, premium, if any, or interest on the Bonds.

(c) Notwithstanding any other provision of this Order to the contrary, the District, the Tender Agent and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of,

premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of Bonds, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payments of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Order.

(d) The previous execution and delivery of the Blanket Letter of Representations with respect to obligations of the District is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Bonds.

Section 2.08. Payments and Notices to Cede & Co. Notwithstanding any other provision of this Order to the contrary, while any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on the Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the representation letter of the District to DTC.

Section 2.09. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the District or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the District to DTC, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District or the Paying Agent/Registrar shall (a) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (b) notify DTC of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Order.

Section 2.10. Variable Rate and Flexible Rate Bonds Held in Book-Entry Only System. This Section 2.10 shall apply with respect to tenders and purchases of Variable Rate and Flexible Rate Bonds held in the Book Entry System. The Remarketing Agent will transfer proceeds from the remarketing of tendered Variable Rate or Flexible Rate Bonds directly to DTC to be distributed in accordance with DTC's normal procedures. Evidence of beneficial ownership in Variable Rate or Flexible Rate Bonds purchased with such remarketing proceeds shall be provided to the purchasers thereof according to DTC's normal procedures. To the extent the Remarketing Agent is unable to successfully remarket tendered Variable Rate or Flexible Rate Bonds, and any portion of the Purchase Price shall have been paid pursuant to the Liquidity Agreement or any successor Liquidity Agreement, then upon the Bank's purchase of such Variable Rate or Flexible Rate Bonds, such Purchased Bonds shall be transferred to the DTC Participant account of the Bank or, if directed in writing by the Bank, to the DTC Participant account of the Tender Agent or other nominee or designee of the Bank, for the benefit of the Bank as beneficial owner of such Purchased Bonds. Pursuant to the Remarketing Agreement, the Remarketing Agent shall continue its attempts to remarket the Purchased Bonds.

Section 2.11. Cancellation. All Bonds paid or redeemed before scheduled maturity in accordance with this Order, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and

delivered in accordance with this Order, shall be canceled and proper records made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar shall treat such canceled Bonds in accordance with its document retention policies.

Section 2.12. Replacement Bonds.

(a) In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the District and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the District and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the District whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the District or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 2.06 for Bonds issued in conversion and exchange for other Bonds.

Section 2.13. Tax Levy.

(a) Pursuant to the authority granted by the Constitution and laws of the State of Texas, there shall be levied and there is hereby levied for the current year and for each succeeding year hereafter while the Bonds or any interest thereon is outstanding and unpaid or any of the Costs of Credit Agreements are unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the District at a rate sufficient, without limit as to rate or amount, to pay, without duplication, the principal of and interest on the Bonds and the Costs of Credit Agreements when due and payable, full allowance being made for delinquencies and costs of collection, taking into account otherwise unencumbered or lawfully available funds

of the District which are on deposit in the Interest and Sinking Fund and are available to pay debt service on the Bonds and the Costs of Credit Agreements, assuming (if no Specified Event or Event of Termination has occurred) an interest rate for Bonds bearing interest at a Variable Rate or Flexible Rate equal to (A) with respect to the principal amount of the Bonds for which the interest rate on such Bonds is not then known through the period for which taxes are then being assessed, the Maximum Interest Rate, or (B) with respect to the principal amount of the Bonds for which the interest rate on such Bonds is known for the period for which taxes are then being assessed, the interest rate on such Bonds for such period. If a Specified Event or Event of Termination has occurred, the District will assume that the interest rate on the Bonds is the Highest Lawful Rate.

(b) The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the District most recently approved in accordance with law and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

(c) 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 hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds and Costs of Credit Agreements when and as due and payable in accordance with their terms and this Order.

Section 2.14. Interest and Sinking Fund.

(a) The District hereby establishes a special fund or account, to be designated the "Denton Independent School District Variable Rate Unlimited Tax Refunding Bonds, Series 2009, Interest and Sinking Fund," said fund to be kept at an official depository bank of the District and established and maintained on the books and records of the District separate and apart from all other funds and accounts of the District.

(b) Money on deposit in or required by this Order to be deposited to the Interest and Sinking Fund shall be used solely for the purpose of paying Costs of Credit Agreements and the interest on and principal of the Bonds when and as due and payable in accordance with their terms and this Order.

(c) Regarding any Costs of Credit Agreements to become due and payable prior to January 1, 2010, sufficient current funds will be available and are hereby appropriated to make such payments; and proper officials of the District are hereby authorized and directed to transfer and deposit in the Interest and Sinking Fund such current funds which will be sufficient to pay such payments on the Bonds and Costs of Credit Agreements.

Section 2.15. Application of Chapter 1208, Government Code. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under Section 2.13, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under Section 2.13 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Bonds and the Bank or any other provider of Credit Agreements relating to the Bonds the perfection of a security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 2.16. Facilities Allotment Funds; State Assistance Funds.

(a) In connection with the issuance of the Bonds, the District may receive financial assistance from the Texas Education Agency in accordance with the instructional facilities allotment program established pursuant to Chapter 46, Texas Education Code, as amended (the "Program"). In each fiscal year in which the District receives funding under the Program or other successor State funding program which provides a debt service subsidy for the Bonds and, in either case, which requires the District to deposit such debt service subsidy into the Interest and Sinking Fund for the Bonds (such funds being collectively referred to herein as "Debt Subsidy Funds"), the District shall deposit immediately upon receipt the Debt Subsidy Funds received to the credit of the Interest and Sinking Fund for the Bonds created pursuant to Section 2.14. Notwithstanding the requirements of Section 2.13, if Debt Subsidy Funds are actually on deposit in the Interest and Sinking Fund for the Bonds in advance of the time when ad valorem taxes are scheduled to be levied for any fiscal year, then the amount of ad valorem taxes which otherwise would have been required to be levied pursuant to Section 2.13 shall be reduced to the extent and by the amount of the Debt Subsidy Funds then on deposit in the Interest and Sinking Fund for the Bonds.

(b) To the extent that the District demonstrates to the Texas Attorney General that the District's ability to comply with the requirements of Section 45.0031, Texas Education Code, as amended, is contingent on receiving State assistance, the District covenants, to the extent required, and for so long as required, to comply with the provisions of said Section 45.0031 and to not set a tax rate for a year until the District has credited to the account of the Interest and Sinking Fund for the Bonds the amounts of State assistance received or to be received in accordance with the terms of said Section 45.0031.

ARTICLE III  
INTEREST RATES ON BONDS

Section 3.01. Initial Interest Rate; Subsequent Interest Rates. The Bonds shall bear interest at the Initial Rate for the Initial Rate Period as set forth in the Pricing Certificate. At the end of the Initial Rate Period, the Bonds shall be subject to mandatory tender without right of retention by the Owners pursuant to Section 4.08 hereof. Thereafter, the Bonds shall bear interest at the Term Rate for a Term Rate Period of one year in duration unless a different Rate Period is specified pursuant to written direction of an Authorized Representative, until the Bonds are converted to a different Rate Period as provided herein. In connection with the conversion at the end of the initial rate period, the District shall deliver an Opinion of Bond Counsel to the Paying Agent/Registrar. At any time, the Rate Period applicable to the Bonds may be converted to or from a different Variable Rate Period, or to or from Flexible Rate Periods, or to the Fixed Rate Period, pursuant to this Article III.

Section 3.02. Variable Rates; Conversions to Variable Rate Periods.

(a) Determination by Remarketing Agent. Subject to the further provisions of this Article III with respect to particular Variable Rates or conversions between or to Variable Rate modes, the Variable Rate to be applicable to the Bonds during any Variable Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Variable Rate in accordance with this section on the Rate Determination Date, and all Bonds shall be issued in the same Variable Rate mode. The Variable Rate so determined shall become effective on the first day of the next succeeding Rate Period.

(i) In each case, the Variable Rate for the Variable Rate Period in question shall be determined by the Remarketing Agent on the Rate Determination Date required pursuant to Section 3.02(b), (c) or (d) below, as is applicable.

(ii) Each Variable Rate determined by the Remarketing Agent shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof, plus accrued interest, under prevailing market conditions as of the Rate Determination Date; provided that in no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Interest Rate; provided further, that if such Bonds become Purchased Bonds, the provisions of Section 3.05 hereof shall govern the interest rate on such Purchased Bonds.

(iii) In determining the interest rates, the Remarketing Agent shall take into account to the extent applicable market interest rates and indices, general economic conditions, and general market conditions as they relate to comparable securities which are held by institutional and private investors with substantial portfolios (1) with a term equal to the applicable Rate Period for the Bonds; (2) the interest on which is exempt from federal income taxation; (3) rated, if the Bonds are rated, by a national credit rating agency in the same rating category as the Bonds; (4) with security or credit support similar to the Bonds; and (5) with redemption provisions similar to those of the Bonds.

(iv) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding, absent manifest error, upon the District, the Tender Agent, the Paying Agent/Registrar, the Bank, and the Owners of the Bonds to which such rates are applicable. The District, the Tender Agent, the Paying Agent/Registrar and the Remarketing Agent shall not be liable to any Owners for failure to give any notice required above or for failure of any Owners to receive such notice.

(b) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence on Thursday of each week and end on Wednesday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period from a different Rate Period, the initial Weekly Rate Period shall commence on the Weekly Rate Conversion Date and end on Wednesday of the following week, and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such Rate Period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent by 12:00 p.m., New York City time on the Rate Determination Date, which date shall be the Business Day immediately preceding the commencement date of the Weekly Rate Period to which it relates, and each such Weekly Rate shall be made available including but not limited to via electronic means to the Bank, the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent by the close of business on its Rate Determination Date.

(iii) In the event the Remarketing Agent fails for any reason to determine the Weekly Rate or to notify the Paying Agent/Registrar or Tender Agent when required hereunder of the Weekly Rate for any Weekly Rate Period, the Weekly Rate for such Bond shall be the Weekly Rate then in effect, until the Remarketing Agent determines a new Weekly Rate.

(iv) Notice of Weekly Rates determined for each Weekly Rate Period shall be given promptly by the Paying Agent/Registrar to DTC (and any successor to DTC). In the event the Book-Entry System is discontinued, notice of Weekly Rates determined for each Weekly Rate Period shall be given by the Paying Agent/Registrar by first class mail or by electronic means to each Owner by monthly statement within seven (7) Business Days after each Interest Payment Date on which interest

at a Weekly Rate is to be paid. The Paying Agent/Registrar shall include in the notice a telephone number Owners may call to ascertain the Weekly Rate in effect from time to time.

(c) Term Rates. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall be periods of at least twelve (12) months duration and shall (A) commence initially on the Term Rate Conversion Date and subsequently on the August 1 which is at least twelve (12) calendar months after the Term Rate Conversion Date; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different interest rate mode shall become effective; provided, however, that (1) the Bonds cannot be converted to a Term Rate Period unless the Liquidity Facility will be in effect at the end of the Term Rate Period, and (2) the Stated Expiration Date of the Liquidity Agreement shall be not less than five (5) days after the last day of any Term Rate Period.

(ii) While Bonds are bearing interest at a Term Rate and prior to the commencement of a subsequent Term Rate Period, an Authorized Representative may change the duration of such subsequent Term Rate Period to a different duration.

(A) The District shall give written notice of any such change to the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent and the Bank not less than thirty (30) days prior to the commencement date of such Term Rate Period. Such notice shall specify the Term Rate Period to which such change will be made, and the duration of such Term Rate Period. Such notice shall also specify the conditions to the change and the consequences of such conditions not being fulfilled.

(B) Any change in duration of a Term Rate Period pursuant to this Section 3.02(c)(ii) from a Term Rate Period of one year duration to a Term Rate Period with a duration of more than one year or from a Term Rate Period with a duration of more than one year to a Term Rate Period of one year duration shall be subject to the condition that the District shall have delivered to the Paying Agent/Registrar and the Remarketing Agent, along with the notice required in Section 3.02(c)(ii)(A) above, an Opinion of Bond Counsel (which opinion shall be confirmed on the commencement date of the subject Term Rate Period). If such Opinion of Bond Counsel is not delivered, such change shall not occur and the Bonds shall remain in the same Term Rate Periods.

(C) If the confirmation of the Opinion of Bond Counsel is not delivered on the commencement date of the subject Term Rate Period pursuant to Section 3.02(c)(ii)(B), the change in duration shall not occur and the Bonds shall remain in the same Term Rate Periods; provided, however, that such Bonds shall be subject to mandatory tender as provided herein.

(iii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such Rate Period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period no later than 12:00 p.m. on the Rate Determination Date, which date shall be a Business Day not less than one (1) Business Day preceding the commencement date of such Term Rate Period, and each such Term Rate shall be made available including but not limited to via electronic means to the Bank, the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent by the close of business on its Rate Determination Date.

(iv) In the event the Remarketing Agent fails for any reason to determine the Term Rate for any Term Rate Period, or to provide notice thereof to the Paying Agent/Registrar or Tender Agent when required hereunder, the interest mode on the Bonds shall be (A) converted to a Weekly Rate equal to 100% of the commercial paper rate (30 days) for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer (or if The Bond Buyer or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, with Weekly Rate Periods, until the Remarketing Agent determines a new Weekly Rate for such Bonds, but only if the District delivers to the Paying Agent/Registrar an Opinion of Bond Counsel, or (B) if the Opinion of Bond Counsel in clause (A) is not delivered, converted to a Term Rate for a Term Rate Period ending on the day prior to the next succeeding August which Term Rate is equal to 100% of the one-year rate for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer (or if The Bond Buyer or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, until the Paying Agent/Registrar is notified of a new Term Rate and Term Rate Period for such Bonds.

(v) Notice of Term Rates determined for each Term Rate Period shall be given promptly by the Paying Agent/Registrar to DTC (and any successor to DTC). In the event the Book-Entry System is discontinued, notice of Term Rates determined for each Term Rate Period shall be given by the Paying Agent/Registrar by first class mail or by electronic means to each Owner by monthly statement within seven (7) Business Days after each Rate Determination Date. The Paying Agent/Registrar shall include in the notice a telephone number Owners may call to ascertain the Term Rate in effect from time to time.

(d) Conversions To or Between Variable Rate Interest Modes. At the option of the District, and pursuant to an order of the Board, the Bonds may be converted from one Variable Rate mode to another Variable Rate mode. The conversion shall be accomplished as follows:

(i) The Conversion Date for a conversion from one Variable Rate mode to a different Variable Rate mode shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate mode to a Weekly Rate mode, the Conversion Date shall be limited to an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(c) above.

(ii) The District shall give written notice of any such conversion to the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent and the Bank not less than thirty (30) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Variable Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate interest mode, the duration of the Term Rate Periods. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Paying Agent/Registrar shall send (by first class mail or by other customary means) a written notice of the conversion to the Owners. Such notice shall:



(A) contain the information set forth in the notice from the District pursuant to Section 3.02(d)(ii) above, and

(B) set forth the matters required to be stated pursuant to Section 4.04(d) with respect to purchases of Bonds governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b) or (c) above, whichever is applicable to the Variable Rate Period to which the conversion shall be made.

(v) Any conversion pursuant to this Section 3.02 from a Weekly Rate Period to a Term Rate Period with a duration of more than one year, or from a Term Rate Period with a duration of more than one year to a Weekly Rate Period, shall be subject to the condition that the District shall have delivered to the Paying Agent/Registrar and the Remarketing Agent, along with the notice required in Section 3.02(d)(ii) above, an Opinion of Bond Counsel (which opinion shall be confirmed on the Conversion Date). If such Opinion of Bond Counsel is not delivered, the conversion shall not occur, the Paying Agent/Registrar shall not deliver notice to the Owners and the Bonds shall not be converted but shall remain in the same interest rate mode.

(vi) If the confirmation of the Opinion of Bond Counsel is not delivered on the proposed Conversion Date pursuant to Section 3.02(d)(v), the conversion shall not occur and the Bonds shall remain in the same Rate Period; provided, however, that such Bonds shall be subject to mandatory tender as provided herein.

(e) Conversions from Flexible Periods. At the option of the District, and pursuant to an order of the Board, the Bonds may be converted from Flexible Rate Periods to a Variable Rate Period. To accomplish the proposed conversion, the District shall give written notice of the proposed conversion pursuant to subparagraph 3.02(e)(ii), together with a copy of the Opinion of Bond Counsel if converting to a Term Rate Period with a duration of more than one year. The conversion shall be accomplished as follows:

(i) The Conversion Date shall be both (A) the first Business Day of a calendar month, and (B) the last Interest Payment Date on which interest is payable for any Flexible Rate Periods theretofore established for the Bonds to be converted pursuant to Section 3.03.

(ii) The District shall give written notice of any such conversion to the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent and the Bank in the manner and at the times prescribed by Section 3.02(d)(ii). The Paying Agent/Registrar shall give notice of conversion to Owners prior to the Conversion Date in the manner prescribed by Section 3.02(d)(iii).

(iii) Notwithstanding the foregoing, no conversion shall be effected unless the Paying Agent/Registrar shall have received (A) on or before five (5) days prior to the date on which such notice is required to be given to the Owners, written confirmation from the Remarketing Agent to the effect that it has not established and will not establish any Flexible Rate Period extending beyond the Conversion Date, and (B) if applicable, the Opinion of Bond Counsel (which opinion shall be confirmed on the Conversion Date). If such Remarketing Agent confirmation or Opinion of Bond Counsel is not delivered, the conversion shall not occur, the Paying Agent/Registrar shall not deliver notice to the Owners and the Bonds shall remain in the Flexible Rate interest mode.

(iv) If the confirmation of the Opinion of Bond Counsel is not delivered on the proposed Conversion Date pursuant to Section 3.02(e)(iii), the conversion shall not occur and the Bonds shall remain in the same Rate Period; provided, however, that such Bonds shall be subject to mandatory tender as provided herein.

(v) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be established and notice thereof shall be given in the same manner as is provided for conversions from one Variable Rate Period to another pursuant to Section 3.02(d)(iii) above.

Section 3.03. Flexible Rates; Conversions to Flexible Rate Periods.

(a) Flexible Rates. A Flexible Rate for each Flexible Rate Period shall be determined as follows:

(i) The Flexible Rate Period for each Bond shall be of such duration, not less than seven (7) days unless a Substitute Liquidity Facility is in effect or except as provided in subsection (iii) below, and not exceeding 270 days, as may be offered by the Remarketing Agent and any Bond may bear interest at a Flexible Rate for a Flexible Rate Period different from any other Bond; provided that each such Flexible Rate Period shall (A) commence on a Business Day (initially, the Flexible Rate Conversion Date), and (B) end on a day prior to a Business Day which is not less than five (5) days prior to the stated expiration date of the Liquidity Agreement then in effect. Each Flexible Rate Period shall be made available to the Bank, the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent including but not limited to via electronic means by on its date of determination.

(ii) The Flexible Rate for each Flexible Rate Period shall be effective from and including the commencement date of such period through and including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Bond or Bonds to which it relates pursuant to Section 4.02 or 4.04. Flexible Rates shall be determined for Bonds no later than 12:00 p.m. New York City time on the Rate Determination Date, which shall be the Business Day immediately preceding the commencement date of each Flexible Rate Period with respect to such Bond, by the Remarketing Agent in connection with the remarketing of the Bonds at a rate or rates which in its judgment would cause such Bond to have a market value equal to 100% of the principal amount thereof, plus accrued interest, under prevailing market conditions, provided, however, that such Flexible Rate shall never exceed the Maximum Interest Rate. All determinations of Flexible Rates pursuant to this Section shall be conclusive and binding, absent manifest error, upon the District, the Tender Agent, the Paying Agent/Registrar, the Bank, and the Owners of the Bonds to which such rates are applicable. Each Flexible Rate shall be made available to the Bank, the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent including but not limited to via electronic means by 12:00 p.m. on its Rate Determination Date.

(iii) In the event the Remarketing Agent fails for any reason to determine the Flexible Rate or Flexible Rate Period for any Bond, or to provide notice thereof to the Paying Agent/Registrar or Tender Agent when required hereunder, the Flexible Rate Period for such Bond shall be a Seven Day Flexible Rate Period (or a Daily Flexible Rate Period if a Substitute Liquidity Facility is in effect) and the Flexible Rate for such Bond shall be equal to 100% of the commercial paper rate (30 days) for the most recent date shown in the table captioned "Short-Term Tax-Exempt Yields" in the edition of The Bond Buyer (or if The Bond Buyer or such table is no longer published, any other published similar rate as is determined by the District in its sole discretion to be appropriate) published on the day on which such rate is determined or, if such rate is not published on that day, the most recent publication of such rate, until the Remarketing Agent determines a new Flexible Rate and Flexible Rate Period for such Bond.

(b) Conversions to Flexible Rate Periods. At the option of the District, and pursuant to an order of the Board, the Bonds may be converted from a Variable Rate Period to Flexible Rate Periods; provided, however, that the stated expiration date of the Liquidity Agreement will be a day at least five (5) days after the last day of the Flexible Rate Period. To accomplish the proposed conversion, the District shall give written notice of the proposed conversion to the Remarketing Agent not less than one day prior to the date that notice is required to be given pursuant to Section 3.03(b)(iii). The conversion shall be accomplished as follows:

(i) The Flexible Rate Conversion Date for a conversion from a Variable Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided however, that in the case of a conversion from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(c).

(ii) The District shall give written notice of any such conversion to the Paying Agent/Registrar, the Tender Agent the Remarketing Agent and the Bank not less than thirty (30) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the Flexible Rate Period or Periods to which the conversion will be made. Such notice shall also specify the conditions, if any, to the conversion and the consequences of such conditions not being fulfilled.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Paying Agent/Registrar shall send (by first class mail or by other customary means) a written notice of the conversion to the Owners of the Bonds. Such notice shall:

(A) contain the information set forth in the notice from the District pursuant to Section 3.03(b)(ii) above, and

(B) set forth the matters required to be stated pursuant to Section 4.04(d) with respect to purchases of Bonds governed by such Section.

(iv) The Flexible Rate or Rates for the Flexible Rate Period or Periods commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner and on the date provided in Section 3.03(a) above.

(v) Any conversion pursuant to this Section 3.03(b) from a Term Rate Period with a duration of more than one year shall be subject to the condition that the District shall have delivered to the Paying Agent/Registrar and the Remarketing Agent, along with the notice required in Section 3.03(b)(ii) above, an Opinion of Bond Counsel (which opinion shall be confirmed on the Conversion Date). If such Opinion of Bond Counsel is not delivered, the conversion shall not occur, the Paying Agent/Registrar shall not deliver notice to the Owners and the Bonds shall remain in the same Variable Rate interest mode.

(vi) If the confirmation of the opinion of counsel is not delivered on the proposed Conversion Date pursuant to Section 3.03(b)(v), the conversion shall not occur and the Bonds shall remain in the same Rate Period; provided, however, that such Bonds shall be subject to mandatory tender as provided herein.

Section 3.04. Fixed Rate Conversion at Option of the District. At the option of the District, and pursuant to an order of the Board, the Bonds bearing interest at a Variable Rate or Flexible Rate may be

converted in whole or in part to a Fixed Rate or Rates to their maturity or prior redemption. In the event of a partial conversion pursuant to this Section, the Paying Agent/Registrar shall select by lot or other customary random method the Bonds to be converted to a Fixed Rate, assuming the Bonds then Outstanding are each in a minimum Authorized Denomination; provided, however that in the event of a partial conversion, Purchased Bonds, if any, shall be converted prior to any other Bonds.

In determining the Fixed Rate, the Remarketing Agent shall take into account to the extent applicable (1) market interest rates for comparable securities which are held by institutional and private investors with substantial portfolios (a) with a term equal to the period to maturity remaining on the Bonds, (b) the interest on which is exempt from federal income taxation, (c) rated, if the Bonds are rated, by a national credit rating agency in the same rating category as the Bonds, (d) with security or credit support similar to the Bonds, and (e) with redemption provisions similar to those of the Bonds; (2) other financial market rates and indices which have a bearing on the fixed rate (including but not limited to rates borne by general obligation bonds, United States Treasury obligations, commercial bank prime rates, certificate of deposit rates, federal funds rates, indices maintained by The Bond Buyer, and other publicly available tax-exempt interest rate indices); (3) general financial market conditions (including current forward supply); and (4) industry, economic, or financial conditions which may affect or be relevant to the Bonds.

Any such conversion shall be made as follows:

(a) The Fixed Rate Conversion Date for a conversion from a Variable Rate Period or a Flexible Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made or an Interest Payment Date on which interest is payable for all Bonds to be converted which are bearing interest at a Flexible Rate; provided, however, that if the conversion is from a Term Rate Period, the Fixed Rate Conversion Date shall be limited to an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(c) hereof; provided further, that Purchased Bonds may be converted to a Fixed Rate or Rates on any Business Day.

(b) (i) The District shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent/Registrar, the Tender Agent and the Bank not less than thirty (30) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date and the principal amount of Bonds to be converted.

(ii) Not less than fifteen (15) days prior to the Fixed Rate Conversion Date, the Paying Agent/Registrar shall send (by first class mail or by other customary means) a written notice of the conversion to the Owner of all Bonds to be converted, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.04(c).

(c) Notice of conversion shall be given by first class mail or by other customary means by the Paying Agent/Registrar to each Rating Agency and the Owners of all Bonds to be converted. Such notice shall inform the Owners of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the conditions to the conversion pursuant to Section 3.04(e) below; and

(iii) the matters required to be stated pursuant to Section 4.05(b) with respect to purchases of Bonds governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on or before the seventh (7th) Business Day prior to the Fixed Rate Conversion Date the Remarketing Agent shall, in consultation with and subject to the approval of the District, determine the Fixed Rate or Rates (not in excess of the Maximum Interest Rate) for the Bonds which will cause the Bonds to have a market value equal to the principal amount thereof; provided, however, the market value of the Bonds may exceed par for the purpose of obtaining the lowest reoffering yield to the District and to pay remarketing costs, but the tendering Owners will only receive the Purchase Price of the tendered Bonds. The Bonds shall have the redemption dates and prices determined pursuant to Section 3.04(f) hereof, and the Remarketing Agent shall make the Fixed Rate or Rates available to the Paying Agent/Registrar, including but not limited to via electronic means, on the date of determination. Each maturity of the Bonds may have a different Fixed Rate but there shall be only one rate per maturity. Such determination, absent manifest error, shall be conclusive and binding upon the District, the Paying Agent/Registrar and the Owners of the Bonds to which such rate will be applicable. Promptly after the date of determination, the Paying Agent/Registrar shall give notice of such Fixed Rate or Rates by first class mail to the Tender Agent, the Bank and the Owners (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.04 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, the District shall have delivered to the Paying Agent/Registrar and the Remarketing Agent an Opinion of Bond Counsel; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Bonds which are then required to be purchased pursuant to Section 4.05.

If the foregoing conditions are not met for any reason, the conversion shall not be effective and the Bonds shall continue to bear interest at the last effective Variable Rate or Flexible Rates, as applicable; provided, however, that such Bonds shall be subject to mandatory tender as provided herein. The Paying Agent/Registrar shall promptly notify the Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.06.

(f) Unless the second sentence under this Section 3.04(f) applies, the Bonds converted to a Fixed Rate on a Fixed Rate Conversion Date shall mature, be subject to redemption and have the same terms and features as set forth in Section 2.02 and Section 5.03 hereof. Notwithstanding the previous sentence, in connection with a conversion to a Fixed Rate, the District may elect, at its sole option, to provide for serial or term maturities, revised redemption provisions and other terms applicable to the pricing of the Bonds on and after the Fixed Rate Conversion Date. If the District so elects, the serial or term maturities for the Bonds converted to a Fixed Rate shall be determined on the basis of providing similar relative principal and interest payments on such Bonds, including the principal payment schedule set forth in Section 5.03 (after giving pro rata effect for any prior sinking fund redemptions of the Bonds, if any, not then converted to a Fixed Rate), commencing in the fiscal year in which the conversion occurs, and any revised redemption provisions shall provide for such Fixed Rate Bonds to be subject to optional redemption in whole or in part without premium on the redemption date, which shall be set at the lesser of (i) 10 years from the February 1 or August 1 next preceding the Fixed Rate Conversion Date, or (ii) 55% of the term of the Bonds, rounded to the nearest February 1 or August 1, remaining at the time of conversion. If the principal payment schedule for the Bonds established by the District pursuant to this Section 3.04(f) is not substantially similar to the principal payment schedule set forth in Section 5.03, at the time of the conversion the District must be able to demonstrate that the District has the projected ability to pay the principal and interest on the Bonds after the conversion in the manner required by Section 45.0031, Texas Education Code, or any successor statute in effect at the time of the conversion.

Section 3.05. Interest on Purchased Bonds.

(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 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 any subsequent reduction below the Highest Lawful Rate in the Purchased Bond Rate to be paid hereunder will not effect a reduction in such rate below the Highest Lawful Rate until the total amount of interest accrued on the unpaid principal balance of the Purchased Bonds equals the amount of interest which would have accrued if the Purchased Bond Rate (without giving effect to this Section 3.05) had at all times been in effect. The District shall pay such interest based on a certificate from the Bank stating the amount of interest to be paid.

(b) Interest on Purchased Bonds shall accrue at the Purchased Bond Rate, and shall be payable (i) on each Interest Payment Date and (ii) upon the remarketing of each Purchased Bond pursuant to this Order, with the difference between the Variable Rate or the Flexible Rate, as applicable, and the Purchased Bond Rate relating to the Purchased Bonds so remarketed becoming an obligation of the District to the Bank, due and payable on the date such Purchased Bonds are remarketed. Notwithstanding the foregoing or any provision of the Liquidity Agreement or any other Related Document, (i) subject to clause (ii) hereinafter, Special Interest with respect to Purchased Bonds for any fiscal year of the District shall not be payable by the District until February 1 of the calendar year immediately following the earliest date on which the District is permitted by law to adopt an order levying ad valorem taxes on property subject to taxation by the District for payment of such Special Interest, and such Special Interest shall not accrue interest pending payment, and (ii) the District shall pay Special Interest in connection with a conversion to a Fixed Rate in accordance with Section 3.04.

(c) Until the Amortization Start Date with respect to any Purchased Bonds, and provided that the Remarketing Agent has been unable to remarket the Purchased Bonds, the Bank shall be paid payments of interest only in accordance with subsections (a) and (b) above. Commencing with the Amortization Start Date, the Purchased Bonds shall be subject to special mandatory redemption as provided in Section 5.04. The principal amount of any Purchased Bonds subject to this subsection (c) shall be payable in substantially equal installments of principal and accrued interest 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 District may, at its option, redeem the Purchased Bonds, in whole or in part, as more fully provided in Section 5.02(b) of this Order. During the amortization period described in the Liquidity Agreement and Section 5.04 of this 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 Remarketing Agent shall offer for sale and use its best efforts to find purchasers for Purchased Bonds throughout the period during which such Bonds constitute Purchased Bonds.

Section 3.06. Requirement for Interest Coverage. As a condition to converting the interest rate mode, the District shall provide liquidity coverage for the longest Interest Period in the interest rate mode proposed in an amount at least equal to the number of days in such Interest Period, plus a cushion of at least one day and at a rate equal to the Maximum Interest Rate. No conversion shall occur unless the District provides notice to each Rating Agency and receives confirmation of the short-term rating and evidence to the Remarketing Agent that the requirement of this Section 3.06 has been satisfied.

ARTICLE IV  
TENDER AND PURCHASE OF BONDS

Section 4.01. Optional Tenders During Variable Rate Periods.

(a) Purchase Dates. While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, the Owners of Bonds bearing interest at Weekly Rates may elect to have their Bonds (or portions thereof in amounts equal to the lowest Authorized Denomination) tendered for purchase on any Thursday at the Purchase Price payable in immediately available funds, or if such Thursday is not a Business Day, on the next following Business Day, upon delivery of a written notice of tender to the Tender Agent not later than 3:00 p.m., New York City time, on a Business Day not less than seven (7) calendar days prior to the purchase date stated in such notice.

(b) Notice of Tender. Each notice of tender:

(i) shall be delivered to the Tender Agent at its designated office and be in form satisfactory to the Tender Agent;

(ii) shall state (A) the principal amount and the bond number (if not held in a book-entry-only system) of the Bond to which the notice relates, (B) that the Owner irrevocably demands purchase of such Bond or a specified portion thereof in an amount equal to an Authorized Denomination, (C) the date on which such Bond or portion thereof is to be purchased, and (D) payment instructions with respect to the Purchase Price; and

(iii) shall automatically constitute (A) an irrevocable offer to sell the Bond (or the specified portion thereof) to which the notice relates on the purchase date to any purchaser selected by the Remarketing Agent, at a price equal to the principal amount of the Bond (or the specified portion thereof) plus any interest accrued thereon and unpaid as of the purchase date, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Bond (or the specified portion thereof) upon payment of such price to the Tender Agent on the purchase date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or the specified portion thereof), and (D) an acknowledgment that such Owner will have no further rights with respect to such Bond (or the specified portion thereof) upon payment of the purchase price thereof to the Tender Agent on the purchase date, except for the right of such Owner to receive such Purchase Price upon surrender of such Bond to the Tender Agent and that after the purchase date such Owner will hold an undelivered certificate as agent for the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner. The Tender Agent may waive nonconforming tenders.

(c) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds or portions thereof for which notice of tender has been received pursuant to Section 4.01(b) above. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price for tendered Bonds by the Remarketing Agent to the Tender Agent (in exchange for new registered Bonds) in immediately available funds at or before 10:30 a.m., New York City time, on the purchase date. Notwithstanding the foregoing, the Remarketing Agent shall not sell any Bond for which a notice of conversion from one type of Variable Rate Period to another, from or to Flexible Rate

Periods or to a Fixed Rate Period has been given by the Paying Agent/Registrar unless the Remarketing Agent has advised the person to whom the sale is being made of the conversion.

(d) Purchase of Tendered Bonds.

(i) Notice. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Bonds, the Remarketing Agent shall give notice by telephone, telegram, teletype, time-sharing terminal, telex, electronic, facsimile transmission, or other similar communication to the Tender Agent of the principal amount of tendered Bonds which were not remarketed. Not later than 4:00 p.m., New York City time, on the date of receipt of such notice the Tender Agent shall give notice by telephone, telegram, teletype, facsimile transmission, or other similar communication to an Authorized Representative, the Bank and the Paying Agent/Registrar specifying the principal amount of tendered Bonds as to which the Remarketing Agent has not found a purchaser. At or before 3:00 p.m., New York City time on the Business Day prior to the purchase date, to the extent known to the Remarketing Agent, but in any event, no later than 10:30 a.m., New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Tender Agent by telephone (promptly confirmed in writing) of any change in the names, addresses, and taxpayer identification numbers of the purchaser, the Authorized Denominations of the Bonds to be delivered to each purchaser and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. At or before 10:30 a.m., New York City time, the Remarketing Agent shall cause to be paid to the Tender Agent for deposit in the "Denton Independent School District Remarketing Proceeds Payment Fund (the "Payment Fund") on the date fixed for purchase of tendered Bonds, all amounts representing proceeds of the remarketing of such Bonds, such payments to be made in the manner and at the time specified in Section 4.01(c) above. If such amounts, plus all other amounts received by the Tender Agent for the purchase of tendered Bonds, are not sufficient to pay the Purchase Price, the Tender Agent shall immediately notify the Bank and an Authorized Representative of any deficiency no later than 11:00 a.m., New York City time, on such date in the form required pursuant to the Liquidity Agreement. The Bank shall deliver to the Tender Agent immediately available funds in an amount at least equal to the Purchase Price agreed to be paid on the tender date of such unremarketed tendered Bonds not later than 2:00 p.m., New York City time, on the date set for purchase of such tendered Bonds. Draws by the Tender Agent under the Liquidity Agreement shall be made in accordance with its terms. All monies received by the Tender Agent as remarketing proceeds and additional amounts, if any, received from the Bank to pay the Purchase Price of the tendered Bonds shall be deposited by the Tender Agent in the Payment Fund to be used solely for the payment of the Purchase Price of tendered Bonds and shall not be commingled with other funds held by the Tender Agent and shall remain uninvested; if any such money representing amounts received from the Bank exceed the amount required to pay the Purchase Price of tendered Bonds, such excess shall be paid back to the Bank.

(iii) Payments by the Tender Agent. At or before 2:30 p.m., New York City time, on the date set for purchase of tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Bonds to the Owners thereof at its designated office or by bank wire transfer. Such payments shall be made in immediately available funds. The Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent, and (B) moneys paid pursuant to the Liquidity Agreement, if any. If sufficient funds are not available for the purchase of all tendered Bonds, no purchase shall be consummated.



(iv) Registration and Delivery of Tendered or Purchased Bonds. On the purchase date, the Tender Agent shall register and deliver (or hold) or cancel all Bonds purchased on any purchase date as follows: (A) Bonds purchased or remarketed by the Remarketing Agent shall be registered by the Tender Agent and delivered to the new registered owner in accordance with the instructions of the Remarketing Agent; and (B) Bonds purchased with amounts paid pursuant to the Liquidity Agreement, if any, shall be registered in the name of and delivered to the Bank or its nominee by 2:00 p.m., New York City time.

Notwithstanding anything to the contrary in the foregoing paragraph, for so long as the Bonds are held in the Book-Entry System of DTC in accordance with Section 2.07 hereof, (i) any Bond remarketed by the Remarketing Agent shall be delivered to the new beneficial owner thereof by a transfer in the Book-Entry System of DTC of such remarketed Bond to the applicable DTC Participant account for such beneficial owner; and (ii) Purchased Bonds shall be delivered to the Bank by a transfer in the Book-Entry System of DTC of such Purchased Bonds to the DTC Participant account of the Tender Agent for the benefit of the Bank, as beneficial owner of such Purchased Bonds.

Notwithstanding anything to the contrary herein, the Tender Agent shall not release Purchased Bonds to the purchaser of such Purchased Bonds until the Bank has received the proceeds of such remarketing and all such other sums required to be paid thereupon under the terms of the Liquidity Agreement and (unless the Liquidity Agreement is no longer to remain in effect) the Bank has delivered to the Tender Agent written notice (which may be by telecopy, answerback received) that a portion of the principal commitment under the Liquidity Agreement has been reinstated in an amount equal to the principal amount of such Purchased Bonds and the corresponding amount of interest calculated in accordance with the Liquidity Agreement.

(v) Delivery of Bonds; Effect of Failure to Surrender Bonds. All Bonds to be purchased on any date shall be required to be delivered to the office of the Tender Agent at or before 5:00 p.m., New York City time, on the Business Day next preceding the purchase date (12:00 noon New York City time on the purchase date for Bonds held in the Book-Entry System). Such Bonds shall be accompanied by an instrument of transfer satisfactory to the Tender Agent, executed in blank by the Owner. The Tender Agent may refuse to accept delivery of any Bond for which an instrument of transfer satisfactory to it has not been provided and shall have no obligation to pay the Purchase Price of such Bond until a satisfactory instrument is delivered. If the Owner of any Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Bond to the Tender Agent for purchase on the purchase date, and if the Tender Agent is in receipt of the Purchase Price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and shall constitute an Undelivered Bond. Ownership of Undelivered Bonds (or portions thereof) shall be transferred to the purchaser thereof as provided in Section 4.01(d)(iv) above and the Paying Agent/Registrar shall authenticate and deliver substitute Bonds in lieu of such Undelivered Bonds (or portions thereof). Any Owner of Undelivered Bonds shall have no further right thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Bond to the Tender Agent. The Tender Agent shall, as to any Undelivered Bonds, (A) promptly notify the Remarketing Agent of such nondelivery and (B) place a stop transfer against such Undelivered Bonds.

#### Section 4.02. Mandatory Tender After Flexible Rate Periods.

(a) Purchase Dates. While the Bank is obligated to advance funds to facilitate the purchase of Bonds pursuant to the Liquidity Agreement, each Bond bearing interest at a Flexible Rate shall be subject to

mandatory tender for purchase on the first Business Day after the end of the Flexible Rate Period applicable to such Bond at its Purchase Price. The Owners of such Bonds shall not have the right to elect to retain their Bonds. Each Flexible Rate Period and mandatory tender date for a Bond shall be established on the date of purchase of such Bond as hereinafter provided. The Owner of any Bond bearing interest at a Flexible Rate and tendered for purchase as provided in this Section 4.02(a) shall provide the Tender Agent with payment instructions for the Purchase Price of its Bond upon tender thereof to the Tender Agent.

(b) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds bearing interest at Flexible Rates required to be purchased on the ensuing purchase date. Subject to the provisions of Section 3.03, in remarketing the Bonds, the Remarketing Agent shall offer and accept purchase commitments for the Bonds for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Bonds under prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, under prevailing market conditions, a lower net interest cost on the Bonds can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 270 days or is less than 7 days, unless a Substitute Liquidity Facility is in effect, or, if the Remarketing Agent has given or received notice of any conversion to a Variable Rate Period or Fixed Rate Period, the remaining number of days prior to the Conversion Date. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the Purchase Price by the Remarketing Agent to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time, on the purchase date.

(c) Purchase of Tendered Bonds. The provisions of Section 4.01(d) shall apply to tenders pursuant to this Section 4.02.

#### Section 4.03. Mandatory Tender After Term Rate Periods.

(a) Purchase Dates. While the Bank is obligated to advance funds to facilitate the purchase of Bonds pursuant to the Liquidity Agreement, each Bond bearing interest at a Term Rate shall be subject to mandatory tender for purchase on the first Business Day after the end of the Term Rate Period applicable to such Bond at its Purchase Price. The Owners of such Bonds shall not have the right to elect to retain their Bonds. The Owner of any Bond bearing interest at a Term Rate and tendered for purchase as provided in this Section 4.03(a) shall provide the Tender Agent with payment instructions for the Purchase Price of its Bond upon tender thereof to the Tender Agent.

(b) Notice to Owners. The District shall give written notice of any such mandatory tender to the Remarketing Agent, the Paying Agent/Registrar, the Tender Agent and the Bank not less than thirty (30) days prior to the mandatory tender date. Such notice shall specify the mandatory tender date and the principal amount of Bonds to be tendered. Not less than fifteen (15) days prior to the mandatory tender date, the Paying Agent/Registrar shall send (by first class mail or by other customary means) a written notice of the mandatory tender to the Owner of all Bonds to be tendered, specifying the mandatory tender date and stating that Owners shall not have the right to retain their Bonds and that Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Bonds and such Undelivered Bonds shall no longer be entitled to the benefits of this Order.

(c) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds bearing interest at Term Rates required to be purchased on the ensuing

purchase date. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the Purchase Price by the Remarketing Agent to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time, on the purchase date.

(d) Purchase of Tendered Bonds. The provisions of Section 4.01(d) shall apply to tenders pursuant to this Section 4.02.

Section 4.04. Mandatory Tender Upon Variable Rate or Flexible Rate Conversion.

(a) Conversions to Variable Rate Periods. While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, on any Variable Rate Conversion Date pursuant to Section 3.02(d) or 3.02(e), the Bonds shall be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Purchase Price. The Owners of such Bonds shall not have the right to elect to retain their Bonds.

(b) Conversion to Flexible Rate Periods From Variable Rate Periods. On any Flexible Rate Conversion Date pursuant to Section 3.03(b), the Bonds, while the Bank is obligated to purchase the Bonds pursuant to the Liquidity Agreement, are subject to mandatory tender for purchase on the applicable Conversion Date at the appropriate Purchase Price. The Owners of such Bonds shall not have the right to elect to retain their Bonds.

(c) Notice to Owners. Any notice of a Conversion Date given to Owners pursuant to Section 3.02(d)(iii), 3.02(e)(ii), 3.02(e)(v) or 3.03(b)(iii), shall, in addition to the requirements of such Section, state that the Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Bonds are to be tendered for purchase.

(d) Remarketing. On the date any notice of a Conversion Date is given to Owners pursuant to Section 3.02(d)(iii), 3.02(e)(ii), 3.02(e)(v) or 3.03(b)(iii), the Tender Agent shall notify an Authorized Representative, the Remarketing Agent and the Bank by telephone, telegram, telecopy, facsimile transmission or other similar communication, of the principal amount of Bonds to be tendered for purchase on the Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Bonds. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price of tendered Bonds to the Remarketing Agent in immediately available funds at or before 10:30 a.m., New York City time, on the Conversion Date.

(e) Purchase of Tendered Bonds. The provisions of Section 4.01(d) shall apply to tenders pursuant to this Section.

Section 4.05. Mandatory Tender Upon Fixed Rate Conversion.

(a) Mandatory Tender Upon Conversion. While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, any Bond to be converted to a Fixed Rate pursuant to Section 3.04 shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at the Purchase Price. The Owners of such Bonds shall not have the right to elect to retain their Bonds.

(b) Notice to Owners. Any notice of conversion given to Owners pursuant to Section 3.04(c) shall, in addition to the requirements of such Section, state that Owners shall not have the right to waive mandatory tender and that Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Bonds and such Undelivered Bonds shall no longer be entitled to the benefits of this Order.

(c) Remarketing. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Bonds; provided that in no event shall the Remarketing Agent offer any such Bond for sale to any person unless the Remarketing Agent has advised such person of the fact that, after the Fixed Rate Conversion Date, the Bond will no longer be subject to tender at the option of the Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the Purchase Price to the Remarketing Agent of the tendered Bonds in immediately available funds at or before 9:30 a.m., New York City time on the Fixed Rate Conversion Date.

(d) Purchase of Tendered Bonds. The provisions of Section 4.01(d) shall apply to mandatory tenders pursuant to this Section 4.05.

Section 4.06. Mandatory Tender Upon Occurrence of Specified Event.

(a) Purchase Dates. While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, the Bonds shall be subject to mandatory tender at the Purchase Price, without the right of Owners to retain their Bonds, on any date specified in a notice of mandatory tender upon the occurrence of a Specified Event. The Paying Agent/Registrar shall give notice to Owners with a copy to the Remarketing Agent of a mandatory tender pursuant to this Section within one Business Day of receipt of the notice from the Bank of the occurrence of a Specified Event. Such notice of mandatory tender shall state that the Bonds are subject to mandatory tender on the date specified therein, which date shall be a Business Day not later than the fifteenth (15th) day after which the Paying Agent/Registrar and the Tender Agent have received notice from the Bank that a Specified Event has occurred, and that Owners do not have a right to retain their Bonds.

(b) Purchase of Tendered Bonds. Bonds shall be required to be delivered to the Tender Agent against payment therefor in accordance with the provisions of Section 4.01(d) of this Order.

(c) No Remarketing. No remarketing of the Bonds shall occur after the receipt by the Paying Agent/Registrar of the notice of occurrence of a Specified Event pursuant to this Section 4.06 and prior to the tender date specified in the notice of tender delivered to the Owners pursuant to Section 4.06(b). No remarketing of the Bonds shall occur after a mandatory tender pursuant to this Section 4.06 until such time as a Substitute Liquidity Facility is in place.

Section 4.07. Mandatory Tender Upon Expiration, Substitution or Voluntary Termination of Liquidity Agreement.

(a) Purchase Dates. While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, at all times prior to conversion to a Fixed Rate, the Bonds shall be subject to mandatory purchase at the Purchase Price, without the right of the Owners thereof to retain such Bonds:

(i) on the second Business Day prior to the Stated Expiration Date for the Liquidity Agreement, provided that no such tender and purchase shall be required if the Liquidity Agreement is renewed or extended prior to the date of notice to the Owner pursuant to subsection 4.07(b) below; or

(ii) on the second Business Day prior to the assignment of the Liquidity Agreement by the Purchaser or the substitution of a new Liquidity Agreement; or

(iii) on the second Business Day prior to the date the Liquidity Agreement is to terminate as a result of the voluntary action of the District.

(b) Notice to Owners. Not later than thirty (30) days prior to the purchase date, the Paying Agent/Registrar shall mail a written notice of the purchase to the Owners of the Bonds subject to purchase, with a copy to the Remarketing Agent which notice shall specify (i) the purchase date, (ii) the event requiring the purchase pursuant to subsection (a) above and (iii) inform the Owners that there shall be no right to retain their Bonds.

(c) Purchase of Tendered Bonds. Bonds required to be delivered to the Tender Agent pursuant to this Section 4.07 shall be tendered in accordance with the provisions of Section 4.01(d).

(d) No Remarketing. No remarketing of the Bonds shall occur after a mandatory tender pursuant to this Section 4.07 until such time as a Substitute Liquidity Facility is in place.

Section 4.08. Mandatory Tender at End of Initial Rate Period.

(a) Purchase Date. Notwithstanding any provisions of this Order to the contrary, so long as the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, the Bonds shall be subject to mandatory tender on the day following the Initial Rate Period at the Purchase Price, without right of retention by the Owners.

(b) Notice to Owners. The District shall give written notice of any such mandatory tender to the Remarketing Agent, the Paying Agent/Registrar, the Tender Agent and the Bank not less than thirty (30) days prior to the mandatory tender date. Such notice shall specify the mandatory tender date and the principal amount of Bonds to be tendered. Not less than fifteen (15) days prior to the mandatory tender date, the Paying Agent/Registrar shall send (by first class mail or by other customary means) a written notice of the mandatory tender to the Owner of all Bonds to be tendered, specifying the mandatory tender date and stating that Owners shall not have the right to retain their Bonds and that Bonds not delivered to the Tender Agent for purchase on the date specified in the notice shall be deemed tendered on such date and that after such date Owners will not be entitled to any payment (including interest to accrue subsequent to the required purchase date) other than the Purchase Price for such Undelivered Bonds and such Undelivered Bonds shall no longer be entitled to the benefits of this Order.

(c) Remarketing of Tendered Bonds. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Bonds required to be purchased on the ensuing purchase date. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the Purchase Price by the Remarketing Agent to the Tender Agent in immediately available funds at or before 10:30 a.m., New York City time, on the purchase date.

(d) Purchase of Tendered Bonds. The provisions of Section 4.01(d) hereof shall apply to mandatory tenders pursuant to this Section 4.08.

ARTICLE V  
REDEMPTION OF BONDS BEFORE MATURITY

Section 5.01. Limitation on Redemption. The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article V.

Section 5.02. Optional Redemption.

(a) Bonds bearing interest at a Weekly Rate or Flexible Rate are subject to redemption at the option of the District, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on any Interest Payment Date.

(b) Bonds bearing interest at a Term Rate are subject to redemption at the option of the District, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, on the first Business Day after the last day of any Term Rate Period.

(c) Purchased Bonds are subject to redemption, in whole or in part, at the option of the District, at a redemption price equal to the principal amount thereof plus interest (including any unpaid Special Interest) accrued thereon at the Purchased Bond Rate (calculated in accordance with Section 3.05 hereof) to the redemption date, on any Business Day.

(d) Bonds bearing interest at a Fixed Rate are subject to redemption at the option of the District, in whole or in part, on the dates and at the prices determined and established by the District on the Fixed Rate Conversion Date in accordance with Section 3.04(f) of this Order.

(e) The District shall deliver notice to the Paying Agent/Registrar of its intention to redeem Bonds, which notice shall specify the principal amount of the Bonds to be redeemed (i) with respect to Purchased Bonds and Bonds bearing interest at a Flexible Rate or Weekly Rate at least fifteen (15) days prior to the redemption date; and (ii) with respect to Bonds bearing interest at a Term Rate or at a Fixed Rate at least thirty-five (35) days prior to the redemption date.

(f) On or prior to the date established for optional redemption of any Bonds, the District shall have deposited an amount sufficient to pay the redemption price of the Bonds to be redeemed with the Paying Agent/Registrar. Such moneys shall be invested in legally authorized investments for funds of the District, having maturities which coincide with the redemption date, and bearing the highest rating of each Rating Agency then providing a rating with respect to the Bonds.

Section 5.03. Scheduled Mandatory Redemption. The Bonds may be subject to mandatory redemption from money on deposit in the Interest and Sinking Fund as set forth in the Pricing Certificate (referred to as "Minimum Mandatory Redemptions"):

In addition, in each fiscal year in which the Bonds are Outstanding and accruing interest at a Flexible Rate or Weekly Rate, the District shall budget (in accordance with Section 2.13(a) hereof) for such fiscal year for the payment of interest on the Bonds at a rate equal to at least 5% per annum. The District shall instruct the Paying Agent/Registrar to call and redeem Bonds on the August 1 next following the end of such fiscal year (or the Optional Redemption Date next following such August 1 if such August 1 is not also an Optional Redemption Date for Bonds in a Flexible Rate or Weekly Rate mode, as applicable) in the event and to the extent that interest paid on the Bonds during such fiscal year is less than the amount payable at a 5% per annum interest rate (the "Excess Interest Funds"); provided the amount of such Excess Interest Funds is equal to or greater than \$100,000. The mandatory redemption feature described in this paragraph is referred to herein as "Additional Mandatory Redemption."

At least 45 days prior to each mandatory redemption date the Bonds are to be mandatorily redeemed, the District will notify the Paying Agent/Registrar in writing of the principal amount of Bonds to be mandatorily redeemed on such mandatory redemption date, and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the Bonds or portions thereof to be redeemed.

The principal amount of Bonds subject to Minimum Mandatory Redemption shall be reduced, in inverse chronological order of redemption dates, by the amount of Bonds previously redeemed pursuant to the Additional Mandatory Redemption provisions.

Bonds to be redeemed in any year by mandatory redemption shall be redeemed at par, plus accrued interest to the date of redemption, and shall be selected by lot. The District, at its option, may credit against any mandatory redemption requirement, Bonds which have been purchased by the District, using funds other than remarketing proceeds or moneys drawn under the Liquidity Agreement, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase and canceled by or on behalf of the District, or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Section 5.04. Special Mandatory Redemption. Purchased Bonds shall be subject to special mandatory redemption after an Amortization Start Date. Such Purchased Bonds shall be redeemed on each Amortization Payment Date in the principal amounts described in the Pricing Certificate together with the interest then accrued. Interest on such Purchased Bonds shall accrue at the Purchased Bond Rate and, subject to Section 3.05(b) hereof, shall be payable on each Interest Payment Date.

Section 5.05. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed, the District shall direct the Paying Agent/Registrar to call Purchased Bonds first and then to call Bonds or portions thereof by lot or other random selection method for redemption.

(b) A portion of a single Bond of a denomination greater than a minimum Authorized Denomination may be redeemed but only in a principal amount equal to a minimum Authorized Denomination or any integral multiple thereof. The Paying Agent/ Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 5.06. Notice of Redemption.

(a) The Paying Agent/Registrar shall cause notice of redemption of any Bond to be redeemed in whole or in part to be mailed first class mail or provided by other customary means to each Rating Agency and to the Owner thereof at the address of the Owner appearing in the Register (i) with respect to Purchased Bonds or to a Bond bearing interest at a Flexible Rate or Weekly Rate, at least ten (10) days prior to the redemption date; and (ii) with respect to a Bond bearing interest at a Term Rate or a Fixed Rate, at least thirty (30) days prior to the redemption date.

(b) The notice of redemption shall identify the Bonds to be redeemed, and shall specify the numbers thereof, the redemption date and the redemption price. The notice shall state that (i) on the redemption date the Bonds called for redemption will be payable at the designated office of the Paying Agent/Registrar, and (ii) on the redemption date the redemption price will become due and payable upon such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date (unless sufficient monies are not available to the Paying Agent/Registrar to pay the redemption price).

(c) With respect to redemptions at the option of the District, such notice shall be conditional upon moneys being on deposit with the Paying Agent/Registrar on or prior to the redemption date in an amount sufficient to pay the redemption price on the redemption date. If sufficient moneys are not received, such notice shall be of no force and effect, the Paying Agent/Registrar shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

(d) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 5.07. Payment Upon Redemption.

(a) By each redemption date, the District shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/ Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

Section 5.08. Effect of Redemption.

(a) Notice of redemption having been given, and due provision having been made for payment, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the District shall fail to make provision for the payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption shall continue to bear interest until due provision is made for the payment of same by the District.

ARTICLE VI  
PAYING AGENT/REGISTRAR; REMARKETING AGENT;  
TENDER AGENT; LIQUIDITY PROVIDER

Section 6.01. Appointment of Initial Paying Agent/ Registrar. The Bank of New York Mellon Trust Company, N.A., is hereby appointed as the initial Paying Agent/Registrar for the Bonds, and the Paying Agent/Registrar Agreement in substantially the form presented herewith is hereby approved and authorized to be executed by the President or Vice President of the Board for and on behalf of the District and this Board. Such Agreement as executed by the President or Vice President of the Board shall be deemed to be the Paying Agent/Registrar Agreement herein approved and authorized to be executed and delivered for and on behalf of the District and this Board.

Section 6.02. Qualifications. Each Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.



Section 6.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the District will maintain a Paying Agent/Registrar that is qualified under Section 6.02 of this Order. The President or Vice President of the Board is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the District and the Paying Agent/ Registrar.

(b) If the Paying Agent/Registrar resigns, is terminated or otherwise ceases to serve as such, the District will promptly appoint a replacement with the consent of the Bank, such consent not to be unreasonably withheld.

Section 6.04. Termination. The District, upon not less than sixty (60) days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering written notice of such termination.

Section 6.05. Notice of Change to Owners. Promptly upon each change in the entity serving as Paying Agent/Registrar, the District will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address shown in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 6.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar and executing a paying agent/registrar agreement with the District, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Order and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby. In no event shall the Paying Agent/Registrar request or require indemnification from the District as a condition to taking any action in connection with any draw or claim under the Liquidity Agreement or any credit facility, to making any deposits, payments or transfers when required under this Order, or to delivery of any notice when required under this Order.

Section 6.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 6.08. Appointment of Initial Remarketing Agent. The District hereby appoints J.P. Morgan Securities Inc. as Remarketing Agent for the Bonds. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of the Remarketing Agreement, the execution of which is hereby approved. One or more of the Authorized Representatives are hereby authorized and directed to execute and deliver the Remarketing Agreement, in substantially the form presented herewith, with such changes as the Authorized Representative executing the same may approve. Such agreement as executed by a Authorized Representative shall be deemed to be the Remarketing Agreement herein approved and authorized to be executed and delivered for and on behalf of the District and this Board.

Section 6.09. Appointment of Initial Tender Agent. The District hereby appoints The Bank of New York Mellon Trust Company, N.A., as initial Tender Agent for the Bonds. The Tender Agent shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of the Tender Agent Agreement, the execution of which is hereby approved. One or more of the Authorized Representatives are hereby authorized and directed to execute and deliver the Tender Agent Agreement, in substantially the form presented herewith, with such changes as the Authorized Representative executing the same may approve. Such agreement as executed by a Authorized Representative shall be deemed to be the Tender Agent Agreement herein approved and authorized to be executed and delivered for and on behalf of the District and this Board.

Section 6.10. Appointment of Bank. The Bank for the Bonds shall be designated by the Authorized Representative in the Pricing Certificate. The District hereby approves the Liquidity Agreement in substantially the form presented herewith and one or more of the Authorized Representatives of the District are hereby authorized and directed to execute and deliver the Liquidity Agreement with such changes as the Authorized Representative executing the same may approve. Such agreement as executed by a Authorized Representative shall be deemed to be the Liquidity Agreement herein approved and authorized to be executed and delivered for and on behalf of the District and this Board. The District will promptly notify the Paying Agent/Registrar, Tender Agent, and each Rating Agency of any expiration, termination, or extension of the Liquidity Agreement, and any substitution of another Bank or Liquidity Agreement.

Section 6.11. Maintaining Remarketing Agent, Tender Agent and Bank.

(a) The District hereby agrees that, while any of the Bonds bear interest at the Initial Rate or a Flexible Rate or a Variable Rate, it will maintain a Remarketing Agent, Tender Agent and Bank with respect to the Bonds, qualified to act in such respective capacity.

(b) No removal of the Remarketing Agent by the District or removal or resignation of the Tender Agent shall become effective until a successor has been appointed and accepted such appointment, and the Bank shall have consented to such appointment, such consent not to be unreasonably withheld. A successor Tender Agent shall be a commercial bank with trust powers or a trust company and shall have stated capital of not less than \$50,000,000. The Tender Agent shall deliver the Liquidity Agreement to the successor Tender Agent.

(c) The Remarketing Agent may at any time resign and be discharged of the duties and obligations under this Order and the Remarketing Agreement by giving at least thirty (30) days' written notice to the District, with a copy to the Bank; provided, however, subject to Section 6.11(d) hereof, such resignation shall not be effective until a successor Remarketing Agent is appointed and accepts such appointment.

(d) Upon delivery of notice of resignation by the Remarketing Agent as described above, the Issuer covenants to use its best efforts to engage a successor Remarketing Agent within sixty (60) days of receipt of such notice. Notwithstanding anything to the contrary in this Order, if no successor Remarketing Agent is appointed within thirty (30) days after the delivery of notice of the Remarketing Agent's resignation as described above, the Remarketing Agent may petition a court of competent jurisdiction to appoint a successor Remarketing Agent, and in the event that no successor Remarketing Agent is appointed within sixty (60) days after the delivery of notice of the Remarketing Agent's resignation as described above, the Remarketing Agent may resign by the delivery of written notice of such resignation to the District and the Bank whether or not a successor Remarketing Agent has been appointed.

(e) In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, and the District shall not have appointed its successor as Remarketing Agent, the Tender Agent shall ipso facto be deemed to be the Remarketing Agent for the purpose of setting the default interest rate pursuant to Section 3.02 or 3.03 of this Order, as applicable, until the appointment by the District of the Remarketing Agent or a successor Remarketing Agent, as the case may be. For purposes of clarification, the Tender Agent, in its capacity as Remarketing Agent, shall not be required to sell Bonds or determine the interest rates on the Bonds or to perform the duties set forth in Article III with respect to remarketing of the Bonds, except as expressly set forth in this Section 6.11(e).

(f) Promptly upon each change in the entity serving as Remarketing Agent, Tender Agent, or Bank, the District will cause notice of such change to be sent to each Owner by first class mail.

## ARTICLE VII FORM OF THE BONDS

### Section 7.01. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Bonds: (i) shall be substantially in the form set forth in Exhibit A attached hereto, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order, and with the Bonds to be completed with information set forth in the Pricing Certificate; and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District or by the officers executing such Bonds, as evidenced by their execution.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds may be typewritten, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 7.02. CUSIP Registration. The District may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 7.03. Legal Opinion. The obligation of the Initial Purchaser to accept delivery of the Bonds is subject to its being furnished a final opinion of McCall, Parkhurst & Horton L.L.P., Attorneys, Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion or an executed counterpart thereof is hereby authorized to be either printed on definitive printed obligations or deposited with DTC along with the global certificates for the implementation and use of the Book Entry Only System used in the settlement and transfer of the Bonds.

## ARTICLE VIII SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

### Section 8.01. Sale of Bonds; Official Statement.

(a) The Bonds shall be sold and delivered subject to the provisions of Section 2.01 and pursuant to the terms and provisions of a bond purchase agreement (the "Purchase Agreement") which the Authorized

Representative is hereby authorized to execute and deliver and in which the purchaser or purchasers (the "Underwriters") of the Bonds shall be designated. The Bonds shall initially be registered in the name of the purchaser thereof as set forth in the Pricing Certificate.

(b) The Authorized Representative is hereby authorized, in the name and on behalf of the Issuer, to approve, distribute, and deliver a preliminary official statement and a final official statement relating to the Bonds to be used by the Underwriters in the marketing of the Bonds.

(d) All officers of the District are authorized and directed to execute such documents, certificates and receipts as they may deem appropriate to consummate the issuance and delivery of the Bonds.

(e) The obligation of the Initial Purchaser to accept delivery of the Bonds is subject to such Initial Purchaser being furnished with the final, approving opinions of the Attorney General of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel for the District. The engagement of such firm as bond counsel to the District in connection with issuance, sale and delivery of the Bonds is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the President of the Board of Trustees or the Superintendent and the President or Superintendent are hereby authorized to execute such engagement letter.

#### Section 8.02. Control and Delivery of Bonds.

(a) The President of the Board is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Initial Purchaser against receipt by the District of all amounts due to the District under the terms of sale.

(c) Any amounts received as accrued interest shall be deposited to the Interest and Sinking Fund.

(d) Premium in the amount of \$252,141.45 shall be used to pay costs of issuance, with any remainder to be deposited to the Interest and Sinking Fund to pay capitalized interest. The remaining proceeds of the Bonds shall be deposited to appropriate funds or accounts of the District or as otherwise may be directed by an authorized officer of the District, such moneys to be dedicated and used solely for the purposes for which the Bonds are being issued.

### ARTICLE IX INVESTMENTS

#### Section 9.01. Investments.

(a) Money in the Interest and Sinking Fund created by this Order, at the option of the District, may be invested in such securities or obligations as permitted under applicable law, and pending the disbursement of the proceeds of sale of the Bonds for authorized purposes, such proceeds of sale may be invested in authorized investments in accordance with the Public Funds Investment Act (V.T.C.A., Government Code, Chapter 2256), as amended, or other applicable law.

(b) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the Interest and Sinking Fund.

Section 9.02. Investment Income.

(a) Interest and income derived from investment of the Interest and Sinking Fund shall be credited to such fund.

(b) Interest and income derived from investment of the proceeds of sale of the Bonds to be expended for the construction and equipment of school buildings in the District and the purchase of necessary sites therefor and the payment of the costs of issuance shall be credited to the fund or account where deposited and shall be used for such purposes, with any funds remaining after the accomplishment of such purposes to be transferred to the Interest and Sinking fund as received.

ARTICLE X  
PARTICULAR REPRESENTATIONS AND COVENANTS

Section 10.01. Payment of the Bonds. On or before each Interest Payment Date for the Bonds, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such principal, redemption premium, if any, and interest on the Bonds as will accrue or mature on the applicable Interest Payment Date or date of prior redemption.

Section 10.02. Other Representations and Covenants.

(a) The District will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Order and in each Bond; the District will promptly pay or cause to be paid the principal, redemption premium, if any, and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the District will, at the times and in the manner prescribed by this Order, deposit or cause to be deposited the amounts of money specified by this Order.

(b) The District is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms.

(c) The District shall maintain the Payment Fund as an Eligible Account at all times.

Section 10.03. Covenants Regarding Tax Exemption of Interest on the Bonds.

(a) Covenants. The District covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the District covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the District, with respect to such private business use, do not, under the terms of this Order or any

underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the District for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The District understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the District that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that the District obtains an Opinion of Bond Counsel. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the District hereby authorizes and directs the Superintendent to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation of, and Limitation on, Expenditures for the Project. The District covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the projects financed with the proceeds of the Bonds (the "Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the District shall not expend proceeds of the sale of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired, unless the District obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the status, for federal income tax purposes, of the Bonds or the interest thereon. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an Opinion of Bond Counsel.

(e) Disposition of Project. The District covenants that the property constituting the projects financed with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the District of cash or other compensation, unless the District obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the District shall not be obligated to comply with this covenant if it obtains an Opinion of Bond Counsel.

## ARTICLE XI DEFAULT AND REMEDIES

Section 11.01. Events of Default. Each of the following occurrences or events for the purpose of this Order is hereby declared to be an Event of Default:

(a) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or

(b) default in the performance or observance of any other covenant, agreement, or obligation of the District, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of sixty (60) days after notice of such default is given by any Owner to the District.

Section 11.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then any Owner or an authorized representative thereof, including but not limited to a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Order by mandamus or other suit, action, or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) All such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 11.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Order.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XII  
DEFEASANCE OF BONDS

Section 12.01. Defeasance.

(a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsection (d) of this Section and subject to subsection (f) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Order to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the District expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the



Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the District also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District, or deposited as directed in writing by the District. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by this Order.

(e) In the event that the District elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

(f) Prior to any defeasance of Bonds bearing interest at a Variable Rate or a Flexible Rate, the District shall receive confirmation from S&P that the defeasance will not result in a reduction or withdrawal of the rating on the Bonds.

### ARTICLE XIII TERMINATION OF LIQUIDITY AGREEMENT

Section 13.01. Termination of Liquidity Agreement. The Paying Agent/Registrar shall, within one (1) Business Day of receipt of telephonic notice from the Bank of the occurrence of an Event of Termination pursuant to and as defined in Section 6.03 of the Liquidity Agreement, give notice to each Rating Agency the Remarketing Agent and each Owner of such Event of Termination which notice shall state that Owners shall no longer have the right to tender their Bonds for purchase by the Tender Agent unless and until such time as a Substitute Liquidity Facility is in effect, and any Bonds that are not Purchased Bonds shall thereafter remain in the interest rate mode in which they were held immediately prior to such Event of Termination until such time as the Bonds are converted to a new interest rate mode pursuant to the terms of this Order.

ARTICLE XIV  
CONTINUING DISCLOSURE UNDERTAKING

Section 14.01. Annual Reports.

(a) The Issuer shall provide annually to each NRMSIR and any SID , within six months after the end of each fiscal year ending in or after 2009, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 8.01, as provided in the Pricing Certificate. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles as described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and (2) audited, if the District commissions an audit and it is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and the SID within such six month period, and audited financial statements, when the audit report on such statements becomes available.

(b) If the District changes its fiscal year, it will notify each NRMSIR and the SID of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and the SID or filed with the SEC.

Section 14.02. Material Event Notices.

(a) The District shall notify the SID and each NRMSIR, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and

(xi) Rating changes.

(b) The District shall notify the SID and each NRMSIR, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Section 14.01 of this Order by the time required by such Section.

Section 14.03. Limitations, Disclaimers, and Amendments.

(a) The District shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Texas law that causes Bonds no longer to be outstanding.

(b) The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OR ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the District in observing or performing its obligations under this Article shall comprise a breach of or default under this Order for purposes of any other provision of this Order.

(d) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the district under federal and state securities laws.

(e) Notwithstanding any other provision of this Order to the contrary, the provisions of this Article may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The District may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the

extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 14.01 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

## ARTICLE XV AMENDMENTS AND SUPPLEMENTS TO ORDER

Section 15.01. Without Consent of Owners. Without notice to or the consent of any Owner, the District may, at any time, amend this Order to cure any ambiguity or cure, correct or supplement any defective or inconsistent provision contained in this Order or make any other change that does not in the opinion of bond counsel for the District, in any respect, materially and adversely affect the interests of the Owners. Without limiting the foregoing, the District may amend or supplement this Order without notice to or the consent of any Owner; provided, however, that any amendment or supplement shall not take effect until, so long as the Liquidity Agreement is in effect, the Bank shall have consented in writing to such change:

(a) to modify this Order or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(b) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Order regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(c) to increase or decrease the number of days specified for the giving of notices in Article III and to make corresponding changes to the period for notice of redemption of the Bonds provided that no decreases in any such number of days shall become effective except while the Bonds bear interest at a Variable Rate and until 30 days after the Paying Agent/Registrar has given notice to the Owners of the Bonds;

(d) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds;

(e) to make any change to this Order when (i) all Bonds have been tendered to the Remarketing Agent pursuant to the terms of this Order, but have not been remarketed following such tender; provided, however, that the Remarketing Agent consents to such amendment or supplement;

(f) to provide for the benefit of all of the Bonds a Substitute Liquidity Facility, which may change the provisions for payment, remedies and other matters in a way which affects the Owners of Bonds;

(g) effective upon any Conversion Date to a new Rate Period to make any amendment affecting only the Bonds being converted; or

(h) increase the Maximum Interest Rate.

Section 15.02. With Consent of Owners. If an amendment of or supplement to this Order or the Bonds without any consent of Owners is not permitted by the preceding Section, the District may enter into such amendment or supplement without prior notice to any Owners but with the consent of Owners of at least

a majority in principal amount of the Bonds then Outstanding. However, nothing herein contained shall permit or be construed to permit the amendment, without the consent of each Owner affected thereby and while the Liquidity Agreement is in effect the consent of the Bank, of or supplement to the terms and conditions in this Order, so as to:

- (a) change the sinking fund requirements, if any, interest payment dates, rights to tender or the maturity or maturities of the Outstanding Bonds;
- (b) reduce the rate of interest borne by any of the Outstanding Bonds;
- (c) reduce the amount of the principal or purchase price of or premium, if any, payable on the Outstanding Bonds;
- (d) modify the terms of payment of principal or purchase price of, premium, if any, or interest on the Outstanding Bonds, or impose any conditions with respect to such payments;
- (e) affect the rights of the Owners of fewer than all of the Outstanding Bonds; or
- (f) decrease the minimum percentage of the principal amount of Outstanding Bonds necessary for consent to any such amendment.

In addition, if moneys or investments have been deposited or set aside with the Paying Agent/Registrar pursuant to Section XII for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Article shall be made without the consent of the Owner of each of those Bonds affected.

Section 15.03. Effect of Consents. Any consent received pursuant to Section 15.02 will bind each Owner delivering such consent and each subsequent Owner of a Bond or portion of a Bond evidencing the same debt as the consenting Owner's Bond.

Section 15.04. Notation on or Exchange of Bonds. If an amendment or supplement changes the terms of a Bond, the Paying Agent/Registrar may require the Owner to deliver it to the Paying Agent/Registrar. The Paying Agent/Registrar may place an appropriate notation on the Bond about the changed terms and return it to the Owner. Alternatively, if the Paying Agent/Registrar and the District determine, the District in exchange for the Bond will issue and the Paying Agent/Registrar will authenticate a new Bond that reflects the changed terms.

Section 15.05. Notice to Owners. Upon receipt of notice of an amendment or change to the Order, the Paying Agent/Registrar shall cause notice of the execution of each supplement or amendment to this Order to be sent (by first class mail or by other customary means) to the Owners. The notice will at the option of the Paying Agent/Registrar, either (i) briefly state the nature of the amendment or supplement and that copies of it are on file with the Paying Agent/Registrar for inspection by Owners or (ii) enclose a copy of such amendment or supplement.

## ARTICLE XVI REFUNDING OF REFUNDED OBLIGATIONS

Section 16.01. Approval of Escrow Agreement and Transfer of Funds. In accordance with the authority granted by Section 1207.007(b), Texas Government Code, the Authorized Representative or the President and Secretary of the Board are further authorized to enter into and execute on behalf of the Issuer

with the escrow agent named therein, an escrow agreement, in the form and substance as shall be approved by the Authorized Representative, which escrow agreement will provide for the payment in full of the Refunded Obligations. In addition, the President of the Board or the Authorized Representative is authorized to purchase such securities, to execute such subscriptions for the purchase of the Escrowed Securities (as defined in the Escrow Agreement), and to authorize such contributions for the escrow fund as provided in the Escrow Agreement.

Section 16.02. Redemption of Refunded Obligations.

(a) Subject to execution and delivery of the Purchase Agreement with the Purchaser, the Issuer hereby directs that the Refunded Obligations be called for redemption on the dates and at the prices set forth in the Pricing Certificate. The Authorized Representative is hereby authorized and directed to issue or cause to be issued the Notices of Redemption of the Refunded Obligations in substantially the forms set forth in Exhibit A attached hereto, completed with information from the Pricing Certificate, to the paying agent for the Refunded Obligations.

(b) The paying agent/registrar for the Refunded Obligations is hereby directed to provide the appropriate notice of redemption as required by the Refunded Obligations and is hereby directed to make appropriate arrangements so that the Refunded Obligations may be redeemed on the redemption dates.

(c) If the redemption of the Refunded Obligations results in the partial refunding of any maturity of the Refunded Obligations, the Authorized Representative shall direct the paying agent/registrar for the Refunded Obligations to designate at random and by lot which of the Refunded Obligations will be payable from and secured solely from ad valorem taxes of the Issuer pursuant to the order of the Issuer authorizing the issuance of such Refunded Obligations (the "Refunded Obligations Order"). For purposes of such determination and designation, all Refunded Obligations registered in denominations greater than \$5,000 shall be considered to be registered in separate \$5,000 denominations. The paying agent/registrar shall notify by first-class mail all registered owners of all affected bonds of such maturities that: (i) a portion of such bonds have been refunded and are secured until final maturity solely with cash and investments maintained by the Escrow Agent in the Escrow Fund, (ii) the principal amount of all affected bonds of such maturities registered in the name of such registered owner that have been refunded and are payable solely from cash and investments in the Escrow Fund and the remaining principal amount of all affected bonds of such maturities registered in the name of such registered owner, if any, have not been refunded and are payable and secured solely from ad valorem taxes of the Issuer described in the Refunded Obligation Order, (iii) the registered owner is required to submit his or her Refunded Obligations to the paying agent/registrar, for the purposes of re-registering such registered owner's bonds and assigning new CUSIP numbers in order to distinguish the source of payment for the principal and interest on such bonds, and (iv) payment of principal of and interest on such bonds may, in some circumstances, be delayed until such bonds have been re-registered and new CUSIP numbers have been assigned as required by (iii) above.

(d) The source of funds for payment of the principal of and interest on the Refunded Obligations on their respective maturity or redemption dates shall be from the funds deposited with the Escrow Agent, pursuant to the Escrow Agreement approved in Section 16.01 of this Order.

ARTICLE XVII  
MISCELLANEOUS

Section 17.01. Further Procedures. An Authorized Representative is hereby authorized and directed to furnish and execute such documents and certifications relating to the District and the issuance of the Bonds, including certifications as to facts, estimates, circumstances and reasonable expectations pertaining to the use,

expenditure and investment of the proceeds of the Bonds, and to make or approve such revisions, additions, deletions, and variations to this Order and in the form of the documents approved herein, as may be necessary or convenient to carry out or assist in carrying out the intent and purposes of this Order, the Preliminary Official Statement, the final Official Statement or as may be necessary for the approval of the Attorney General, the registration by the Comptroller of Public Accounts, the rating of the Bonds by the Rating Agency and the delivery of the Bonds to the Initial Purchaser and, together with the District's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the initial Bond to the Initial Purchaser and the initial exchange thereof for definitive Bonds.

Section 17.02. Notice. Any notice, demand, direction, request or other instrument authorized or required by this Order to be given to or filed with the District, the Tender Agent, the Bank, the Remarketing Agent or the Paying Agent/Registrar shall be deemed to have been given only upon receipt. Any notice shall be sent by first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the parties:

**DISTRICT:**

Denton Independent School District  
1307 N. Locust  
Denton, Texas 76201  
Attention: Superintendent  
Telephone: (940) 369-0000  
Telecopy: (940) 369-4981

**BANK:**

As set forth in the Pricing Certificate

**PAYING AGENT/REGISTRAR-  
TENDER AGENT:**

The Bank of New York Mellon Trust Company,  
N.A.  
601 Travis Street, 16<sup>TH</sup> Floor  
Houston, Texas 77002  
Attention: James Prichard  
Telephone: (713) 483-6527  
Telecopy: (713) 483-7035

**REMARKETING AGENT:**

J.P. Morgan Securities Inc.  
270 Park Avenue, 6<sup>TH</sup> Floor  
New York, New Municipal Short Term Desk  
Telephone: (212) 834-7224  
Telecopy: (917) 456-3541

Section 17.03. Notice to Rating Agencies. At any time during which the Bonds are rated by a Rating Agency, the Paying Agent/Registrar shall notify each such Rating Agency promptly of (i) any change in the Bank, Paying Agent/Registrar, Tender Agent, or Remarketing Agent, (ii) the expiration, termination, extension or any other material change to this Order, the Liquidity Agreement or the Remarketing Agreement, and (iii) the redemption, defeasance or payment of all of the Bonds or conversion of the Bonds to a new interest rate mode. Any such notice shall be sent by first class mail, postage prepaid, to: Standard & Poor's, 55 Water Street, 38th Floor, New York, New York 10041, Attention: Municipal Structured Finance, [pubfin\\_structured@sandp.com](mailto:pubfin_structured@sandp.com).

Section 17.04. Termination of Rights of Bank; Bank Obligations. Notwithstanding any provision of this Order to the contrary, no consent of the Bank shall be required under any provision of this Order nor shall the Bank have any right to consent to, direct or control any actions, restrictions, rights or waivers pursuant to any provision of this Order during any time which (a) the Bank has wrongfully failed to honor a properly presented request for purchase of Bonds made under and in compliance with the terms of the Liquidity Agreement which failure has not been cured, or (b) the Liquidity Agreement is not in effect.

Section 17.05. Permanent School Fund Guarantee. The District covenants to timely comply with all applicable requirements and procedures under Article VII, Section 5 of the Texas Constitution, Subchapter C of Chapter 45, Texas Education Code and the Rules of the State Board of Education relating to the guarantee of the principal and interest on the Bonds by the Texas Permanent School Fund. Upon defeasance of such Bonds prior to maturity in accordance with applicable law, the guarantee of the principal and interest on such Bonds by the Texas Permanent School Fund shall cease and no longer be available. In case of a default in the payment of principal or interest on the Bonds, and in accordance with Section 45.061, Texas Education Code, the Comptroller of Public Accounts of the State of Texas is authorized to withhold from the District amounts equal to the amounts paid by the Permanent School Fund on account of such default, plus interest thereon, from the first state money payable to the District from the following sources and in the following order, to wit: foundation school fund, available school fund. A statement relating to the Guarantee may be printed on or attached to the Bonds.

Section 17.06. Severability. If any section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Order.

Section 17.07. Effective Date. This Order shall be in full force and effect from and upon its adoption.

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## **SCHEDULE I**

### **SCHEDULE OF ELIGIBLE REFUNDED OBLIGATIONS**

Denton Independent School District Variable Rate Unlimited Tax Bonds, Series 1996B, with a stated maturity of August 15, 2021, aggregating \$19,400,000 in principal amount.

Denton Independent School District Variable Rate Unlimited Tax Bonds, Series 2000, with a stated maturity of August 1, 2030, aggregating \$13,400,000 in principal amount.

**EXHIBIT A**

**FORM OF BOND**

NO. [T] [R]- UNITED STATES OF AMERICA PRINCIPAL  
STATE OF TEXAS AMOUNT  
\$ \_\_\_\_\_

DENTON  
INDEPENDENT SCHOOL DISTRICT  
VARIABLE RATE UNLIMITED TAX  
REFUNDING BOND  
SERIES 2009

INTEREST RATE      ISSUANCE DATE      MATURITY DATE      CUSIP NO.

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, DENTON INDEPENDENT SCHOOL DISTRICT, in Denton County, Texas (the "Issuer"), being a political subdivision of the State of Texas, for value received, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "registered owner") the principal amount set forth above, or so much thereof as may be outstanding from time to time, and to pay interest thereon from the later of the Issuance Date shown above or the most recent Interest Payment Date to which interest has been paid or the payment thereof duly provided, such interest to be paid on each Interest Payment Date noted below. The Initial Rate is \_\_\_\_\_% per annum.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Order pursuant to which the Bonds are issued.

Interest on this Bond is payable to the registered owner hereof (i) with respect to the period during which interest accrues at a Flexible Rate or Weekly Rate by federal funds wire transfer within the continental United States upon written instruction from the Owner to the Paying Agent/Registrar, otherwise by first class mail by check dated the Interest Payment Date, and (ii) with respect to any period during which interest accrues at the Initial Rate, a Term Rate or Fixed Rate, by check, dated as of the Interest Payment Date, and sent by first class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown on the Register or by such other customary banking arrangement acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of the Owner. The principal hereof is payable upon presentation and surrender of this Bond at the designated office of The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as Paying Agent/Registrar, or any successor Paying Agent/Registrar.

For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered on the "Record Date," which shall be the close of business on the Business Day immediately preceding the Interest Payment Date, except that, while this Bond bears interest at a Fixed Rate, the Record Date shall be the close of business on the fifteenth day of the month immediately preceding such Interest Payment Date.

As used herein, "Interest Payment Date" shall mean: (a) with respect to Bonds bearing interest at the Initial Rate, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_; (b) with respect to Bonds bearing interest at a Weekly Rate, the first Business Day of each calendar month beginning on the first such date occurring after the Weekly Rate Conversion Date; (c) with respect to Bonds bearing interest at a Term Rate, each \_\_\_\_\_ and \_\_\_\_\_, beginning on the first such date occurring after the Term Rate Conversion Date, (d) with respect to Bonds bearing interest at a Fixed Rate, each \_\_\_\_\_ and \_\_\_\_\_, beginning on the first such date occurring after the Fixed Rate Conversion Date; (e) with respect to any particular Bond bearing interest at a Flexible Rate for a Flexible Rate Period of 183 days or shorter, the first Business Day after the last day of each Flexible Rate Period applicable thereto; (f) with respect to any particular Bond bearing interest at a Flexible Rate for a Flexible Rate Period of longer than 183 days, the first Business Day after the last day of the Flexible Rate Period and each \_\_\_\_\_ and \_\_\_\_\_ occurring within such Flexible Rate Period, beginning on the first such date occurring after the applicable Flexible Rate Conversion Date; (g) with respect to the Purchased Bonds, the respective dates set forth in the Liquidity Agreement, and (h) each mandatory tender date pursuant to Section 4.07 of this Order.

Any payments required to be made hereunder on any day which is not a Business Day (as defined below) shall be made instead on the next succeeding Business Day and no interest shall accrue on such payments in the interim. A "Business Day" shall mean any day other than (a) a Saturday, Sunday or legal holiday, or (b) a day on which banking institutions located in New York, New York, 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 by law to remain closed, or (c) a day on which the New York Stock Exchange or DTC is closed.

This Bond is one of a series of fully registered bonds specified in the title hereof dated \_\_\_\_\_, 2009, and issued in the aggregate principal amount of \$\_\_\_\_\_ (herein referred to as the "Bonds") pursuant to an order adopted by the Board of Trustees of the District (the "Order") for the purpose of refunding certain unlimited tax bonds of the Issuer.

As provided in the Bond Order, this Bond may be exchanged for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange, as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. Following the Fixed Rate Conversion Date, the Paying Agent/Registrar shall not be required to make any such transfer or exchange with Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal

or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

The Bonds are payable from the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. Reference is hereby made to the Order, a copy of which is on file in the office of the Paying Agent/Registrar, and to all of the provisions of which the owner or holder of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Order may be amended or supplemented with or without the consent of the bondholders; the rights, duties, and obligations of the District and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to its maturity or redemption, and deemed to be no longer outstanding thereunder; and for other terms and provisions contained therein.

This Bond shall not be valid or obligatory for any purpose unless it is registered by the Comptroller of Public Accounts of Texas by certificate affixed or attached hereto or authenticated by the Paying Agent/Registrar Agent by due execution of the Authentication Certificate provided herein.

The District has entered into a Standby Bond Purchase Agreement (the "Liquidity Agreement") between the District and \_\_\_\_\_ (hereinafter referred to as the "Bank"), in which the Bank has agreed to purchase Bonds tendered for purchase pursuant to the Order and not remarketed by the Remarketing Agent (such Bonds hereinafter referred to as "Purchased Bonds"). Purchased Bonds shall bear interest at the Purchased Bond Rate. Reference is hereby made to the Order, the Liquidity Agreement, the Remarketing Agreement and the Tender Agent Agreement, copies of which are on file with the District and available upon request, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the District, the Paying Agent/Registrar, the Remarketing Agent, the Tender Agent, the Bank and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Order, the Liquidity Agreement, the Remarketing Agreement and the Tender Agent Agreement.

### **INTEREST PROVISIONS**

This Bond bears interest at the Initial Rate, a Weekly Rate or Term Rate (each a "Variable Rate"), a Flexible Rate or a Fixed Rate.

The Bonds shall bear interest at the Initial Rate for the Initial Rate Period commencing on the Issuance Date and ending on \_\_\_\_\_, \_\_\_\_\_. Thereafter, the Bonds shall bear interest at the Term Rate with a Term Rate Period of one year duration unless a different Rate Period is specified pursuant to written direction of an Authorized Representative. At any time, the Rate Period applicable to the Bonds may be converted to or from a different Variable Rate Period, or to or from Flexible Rate Periods, or to the Fixed Rate Period, pursuant to the Order.

The rate of interest applicable to any Rate Period shall be determined in accordance with the applicable provisions of the Order and, with respect to Flexible Rate Periods, Weekly Rate Periods and Term Rate Periods, pursuant to the terms of the Remarketing Agreement between the District and First Southwest Company, the initial Remarketing Agent, or any successor thereto (the "Remarketing Agent").

Interest on Bonds bearing interest at a Flexible Rate or Weekly Rate shall be computed on the basis of a 365-day or 366-day year of actual days elapsed; interest on Bonds bearing interest at the Initial Rate, a Term Rate or a Fixed Rate shall be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds may bear interest from time to time at Flexible Rates or at a Weekly Rate or Term Rate established in accordance with the Order. The Bonds may be converted in whole or in part to bear interest at a Fixed Rate or Rates from the conversion date until maturity in accordance with the Order. The Bonds may bear interest as follows:

Flexible Rate Mode. While the Bonds bear interest at Flexible Rates, the interest rate for each particular Bond will remain in effect for the duration (not exceeding 270 days) of the Flexible Rate Period. While the Bonds are in the Flexible Rate Mode, Bonds may have successive Flexible Rate Periods of any duration up to 270 days each and any Bond may bear interest at a rate and for a period different from any other Bond.

Weekly Rate. While the Bonds bear interest at a Weekly Rate, the rate of interest on the Bonds will be determined on the Business Day prior to the first day of the Weekly Rate Period to which it relates. Weekly Rate Periods shall commence on Thursday of each week and end on Wednesday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period from a different Rate Period, the initial Weekly Rate Period shall commence on the Conversion Date from such other Rate Period and end on Wednesday of the following week, and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

Term Rate. While the Bonds bear interest at a Term Rate, the interest rate determined will remain in effect for a term of at least one year duration selected in accordance with the Order.

Fixed Rate Mode. At the option of the District, the Bonds bearing interest at a Variable Rate may be converted in whole or in part to bear interest at a Fixed Rate or Rates to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Variable Rate Period, and unless otherwise established by the District, the rate of interest on the Bonds shall be that rate which, in the determination of the Remarketing Agent, if borne by the Bonds on the date of such determination under prevailing market conditions, would result in the market value of the Bonds being equal to 100% of the principal amount thereof, plus accrued interest. While this Bond bears interest at a Flexible Rate, and unless otherwise established by the District, each Flexible Rate and Flexible Rate Period shall be determined by the Remarketing Agent in accordance with the terms of the Order. If the Remarketing Agent is unable, or fails, to determine the Variable Rate or the Flexible Rates, the Variable Rate or the Flexible Rates shall be determined pursuant to the terms of the Order. The provisions of this Bond, including, but not limited to this paragraph, are limited in all respects to those provisions of the Order which limit the interest rate on the Bonds to the Maximum Interest Rate.

Any Bond which is a Bank Bond shall bear interest at the Purchased Bond Rate as provided in the Order.

Bonds bearing interest at the Initial Rate or a Variable Rate are issued in denominations \$5,000 and integral multiples thereof, Bonds bearing interest at a Flexible Rate are issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof, and Bonds bearing interest at a Fixed Rate are issued in denominations \$5,000 and integral multiples thereof.

## **WRITTEN NOTICE OF RATE MODE CHANGE**

While the Bonds bear interest at a Variable Rate or Flexible Rate, the Paying Agent/Registrar shall give notice to the registered owners of the conversion from one interest rate mode to another at the times described in the Order. ANY REGISTERED OWNER OF BONDS WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD.

## **OPTIONAL TENDERS**

While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement and this Bond bears interest at a Weekly Rate, the registered owner hereof has the right to tender this Bond to the Tender Agent for purchase at the principal amount hereof plus accrued interest on any Thursday at the Purchase Price payable in immediately available funds, or if such Thursday is not a Business Day, on the next following Business Day, upon delivery of a written notice of tender to the Tender Agent not later than 3:00 p.m., New York City time, on a Business Day not less than seven (7) calendar days prior to the purchase date stated in such notice.

AFTER THE BONDS HAVE BEEN CONVERTED TO BEAR INTEREST AT A FIXED RATE THEY SHALL NOT BE SUBJECT TO TENDER FOR PURCHASE.

## **MANDATORY TENDER**

While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement and this Bond bears interest at a Variable Rate or at a Flexible Rate, this Bond is subject to mandatory tender for purchase by the Tender Agent at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase on the effective date of a change from one interest rate mode to a different interest rate mode and on the Business Day following each Term Rate Period.

While the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement and this Bond bears interest at a Flexible Rate, this Bond shall be subject to mandatory tender for purchase on each Interest Payment Date applicable to this Bond at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase.

Additionally, while this Bond bears interest at a Variable Rate or a Flexible Rate, and so long as the Bank is obligated to purchase Bonds pursuant to the Liquidity Agreement, this Bond is subject to mandatory tender for purchase by the Tender Agent, without the right of Owners to retain Bonds, at a Purchase Price equal to the principal amount hereof plus accrued interest hereon to the date of purchase, on each Conversion Date, (ii) on the Fixed Rate Conversion Date; (iii) upon the occurrence of certain events of default under the Liquidity Agreement; (iv) on the second Business Day prior to the assignment of the Liquidity Agreement by the Bank or the substitution of a new Liquidity Agreement; and (v) on the second Business Day prior to the date on which Liquidity Agreement expires by its terms or is to terminate as a result of voluntary action of the District.

PURSUANT TO THE TERMS OF THE LIQUIDITY AGREEMENT, UPON THE OCCURRENCE AND CONTINUATION OF AN "EVENT OF TERMINATION" UNDER THE INITIAL LIQUIDITY AGREEMENT (OR SIMILAR EVENT UNDER A SUBSTITUTE LIQUIDITY FACILITY), THE OBLIGATION OF THE BANK TO PURCHASE TENDERED BONDS SHALL AUTOMATICALLY TERMINATE WITHOUT NOTICE AND OWNERS SHALL NOT THEREAFTER HAVE THE RIGHT TO TENDER BONDS FOR PURCHASE BY THE TENDER AGENT.

**UNDELIVERED BONDS**

Bonds which are required to be tendered by the Owners thereof for purchase by the Tender Agent but which are not in fact delivered for purchase on the date and at the time required and for which there has been deposited an amount sufficient to pay the Purchase Price thereof, shall cease to accrue interest on the tender date, and the Owner thereof shall not be entitled to any payment other than the Purchase Price for such Bond. Such Bond shall no longer be outstanding and entitled to the benefits of the Order, except for the payment of the Purchase Price from money held by the Tender Agent for such payment. On the tender date, the Paying Agent/Registrar shall authenticate and deliver substitute Bonds in lieu of such Undelivered Bonds.

**REDEMPTION PROVISIONS**

Optional Redemption. Bonds bearing interest at a Weekly Rate or Flexible Rate are subject to redemption at the option of the District, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the redemption date, on any Interest Payment Date.

Bonds bearing interest at a Term Rate are subject to redemption at the option of the District, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, on the first Business Day after the last day of any Term Rate Period.

Purchased Bonds are subject to redemption, in whole or in part, at the option of the District, on any date at a redemption price equal to the principal amount thereof plus interest accrued thereon at the Purchased Bond Rate (calculated in accordance with Section 3.05 of the Order) to the redemption date.

Bonds bearing interest at a Fixed Rate or Rates are subject to redemption on the dates and at the prices determined by the District on the Fixed Rate Conversion Date.

Scheduled Mandatory Redemption. The Bonds are subject to mandatory redemption from money on deposit in the Interest and Sinking Fund at a price of par plus accrued interest to the date fixed for redemption, on \_\_\_\_\_ in each of the years and in the amounts set out below (referred to as "Minimum Mandatory Redemptions"):

Year	Principal Amount	Year	Principal Amount
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In addition, in each fiscal year in which the Bonds are Outstanding and accruing interest at a Flexible Rate or Weekly Rate, the District shall budget (in accordance with Section 2.13(a) hereof) for such fiscal year for the payment of interest on the Bonds at a rate equal to at least 5% per annum. The District shall instruct the Paying Agent/Registrar to call and redeem Bonds on the \_\_\_\_\_ next following the end of such fiscal year (or the Optional Redemption Date next following such \_\_\_\_\_ if such \_\_\_\_\_ is not also an Optional Redemption Date for Bonds in a Flexible Rate or Weekly Rate mode, as applicable) in the event and to the extent that interest paid on the Bonds during such fiscal year is less than the amount payable at a 5% per annum interest rate (the "Excess Interest Funds"); provided the amount of such Excess Interest Funds is equal to or greater than \$100,000. The mandatory redemption feature described in this paragraph is referred to herein as "Additional Mandatory Redemption."

At least 45 days prior to each mandatory redemption date the Bonds are to be mandatorily redeemed, the District will notify the Paying Agent/Registrar in writing of the principal amount of Bonds to be mandatorily redeemed on such mandatory redemption date and instruct the Paying Agent/Registrar to select by lot or other customary random selection method the Bonds or portions thereof to be redeemed.

The principal amount of Bonds subject to Minimum Mandatory Redemption shall be reduced, in inverse chronological order of redemption dates, by the amount of Bonds previously redeemed pursuant to the Additional Mandatory Redemption provisions.

Bonds to be redeemed in any year by mandatory redemption shall be redeemed at par, plus accrued interest to the date of redemption, and shall be selected by lot. The District, at its option, may credit against any mandatory redemption requirement, Bonds which have been purchased by the District, using funds other than remarketing proceeds or moneys drawn under the Liquidity Agreement, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase and canceled by or on behalf of the District, or have been redeemed and not theretofore applied as a credit against any mandatory redemption requirement.

Notice of optional and scheduled mandatory redemption shall be given by first class mail, postage prepaid or by other customary means, (i) with respect to Bonds bearing interest at a Weekly Rate or Flexible Rate, at least ten (10) days prior to the redemption date; and with respect to Bonds bearing interest at a Term Rate or Fixed Rate, at least thirty (30) days before the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue (unless sufficient monies are not available to the Paying Agent/Registrar to pay the redemption price).

Special Mandatory Redemption. Purchased Bonds shall be subject to special mandatory redemption as provided in Section 5.04 of the Order.

### **PROVISIONS RELATING TO PURCHASED BONDS**

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 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 any subsequent reduction below the Highest Lawful Rate in the Purchased Bond Rate to be paid under the Order will not effect a reduction in such rate below the



Highest Lawful Rate until the total amount of interest accrued equals the amount of interest which would have accrued if the Purchased Bond Rate had at all times been in effect. The District shall pay such interest based on a certificate from the Bank stating the amount of interest to be paid. Interest on Purchased Bonds shall accrue and shall be payable as provided in the Liquidity Agreement.

**DELIVERY OF NOTICES AND BONDS**

Any Bonds required to be delivered to the Tender Agent for purchase, and any notices required to be delivered to the Tender Agent hereunder shall be delivered to:

\_\_\_\_\_.

Bonds required to be tendered for purchase shall be delivered to the Tender Agent prior to 5:00 p.m. on the Business Day next preceding the date of purchase (12:00 noon, New York City time, on the purchase date for Bonds held in book-entry-only system).

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed, and been done in accordance with law; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

THE DISTRICT ALSO HAS RESERVED THE RIGHT to amend the Bond Order as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Bonds.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Order, agrees to be bound by such terms and provisions, acknowledges that the Bond Order is duly recorded and available for inspection in the official minutes and records of the governing body of the District, and agrees that the terms and provisions of this Bond and the Bond Order constitute a contract between each registered owner hereof and the District.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the President of the Board of Trustees of the Issuer and countersigned with the manual or facsimile signature of the Secretary of the Board of Trustees of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
(signature)  
Secretary, Board of Trustees

\_\_\_\_\_  
(signature)  
President, Board of Trustees

(SEAL)

Form of Paying Agent/Registrar's Authentication Certificate:

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**  
(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Bond Order described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a bond, bonds, or a portion of a bond or bonds of a Series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: \_\_\_\_\_.

\_\_\_\_\_  
Paying Agent/Registrar

By \_\_\_\_\_  
Authorized Representative

Form of Assignment:

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_

Please insert Social Security or Taxpayer Identification Number of Transferee:

\_\_\_\_\_

Please print or typewrite name and address, including zip code of Transferee:

\_\_\_\_\_

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_.

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

\_\_\_\_\_  
NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Form of Registration Certificate of the Comptroller of Public Accounts:

**REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS**

OFFICE OF THE COMPTROLLER                    §  
OF PUBLIC ACCOUNTS                            §                    REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS                        §

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of Denton Independent School District, and that this Bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of the State of

Texas

(COMPTROLLER'S SEAL)

EXHIBIT B

NOTICE OF REDEMPTION

DENTON INDEPENDENT SCHOOL DISTRICT

CUSIP PREFIX \_\_\_\_\_

NOTICE IS HEREBY GIVEN that Denton Independent School District (the "District") has called for redemption the outstanding bonds of the District (the "Refunded Bonds") described as follows:

**Denton Independent School District Variable Rate Unlimited Tax Bonds, Series 1996B**, dated August 15, 1996, Bonds with a stated maturity of August 15, 2021, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series 1996B Refunded Bonds", as follows:

<u>Original Maturity Date</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount To Be Refunded</u>	<u>CUSIP Suffix</u>
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to the call date of the Series 1996B Refunded Bonds so called for redemption at The Bank of New York Mellon Trust Company, National Association. Call date: \_\_\_\_\_.

On \_\_\_\_\_, interest on the Series 1996 Refunded Bonds shall cease to accrue and be payable.

**Denton Independent School District Variable Rate Unlimited Tax Bonds, Series 2000**, dated April 1, 2000, Bonds with a stated maturity of August 5, 2030, in the aggregate principal amount of \$\_\_\_\_\_ (the "Series 2000 Refunded Bonds"), as follows:

<u>Original Maturity Date</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount To Be Refunded</u>	<u>CUSIP Suffix</u>
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to the call date of the Series 2000 Refunded Bonds so called for redemption at The Bank of New York Mellon Trust Company, National Association. Call date: \_\_\_\_\_.

On \_\_\_\_\_, interest on the Series 2000 Refunded Bonds shall cease to accrue and be payable.

THE REFUNDED BONDS shall be redeemed at The Bank of New York Mellon Trust Company, National Association, as the Paying Agent/Registrar for said Refunded Bonds. Upon presentation of the Refunded Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

NOTICE IS GIVEN that due and proper arrangements have been made for providing the place of payment of said Refunded Bonds called for redemption with funds sufficient to pay the principal amount of

said Refunded Bonds and the interest thereon to the redemption date. In the event said Refunded Bonds, or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

UNDER THE PROVISIONS of Section 3406 of the Internal Revenue Code of 1986, as amended, paying agents making payments of interest and principal on municipal securities may be obligated to withhold a tax from remittance to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Registered holders who wish to avoid the imposition of the tax should submit certified taxpayer identification numbers (via form W-9) when presenting the Refunded Bonds for payment.

IN ACCORDANCE WITH the guarantee of the aforementioned Refunded Bonds by the Permanent School Fund of the State of Texas, said guarantee was removed in its entirety upon defeasance of such Refunded Bonds.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the aforementioned Refunded Bonds and in accordance with the recitals and provisions of said Refunded Bonds.

NOTICE IS FURTHER GIVEN that the Refunded Bonds should be submitted to the following address:

The Bank of New York Mellon  
Trust Company, N.A.  
601 Travis Street, 16<sup>TH</sup> Floor  
Houston, Texas 77002

DENTON INDEPENDENT SCHOOL DISTRICT