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RESOLUTION

by the

BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM

authorizing the issuance, sale and delivery of

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND BONDS,

and approving and authorizing instruments  
and procedures relating thereto

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August 23, 2007

**TABLE OF CONTENTS**

	<b>Page</b>
ARTICLE I DEFINITIONS, INTERPRETATION AND FINDINGS .....	4
SECTION 1.01 DEFINITIONS .....	4
SECTION 1.02 RECITALS, TABLE OF CONTENTS, TITLES AND HEADINGS .....	14
SECTION 1.03 INTERPRETATION .....	14
ARTICLE II AUTHORIZATION AND TERMS OF THE BONDS.....	14
SECTION 2.01 AUTHORIZATION AND AUTHORIZED AMOUNT .....	14
SECTION 2.02 DESIGNATION, FORM, NUMBERS, DATE, DENOMINATION, MATURITIES AND TERMS OF THE BONDS .....	15
SECTION 2.03 INTEREST; TENDERS AND REMARKETING; CONVERSION.....	16
SECTION 2.04 MATURITY; REDEMPTION PRIOR TO MATURITY; REMARKETING; BOND PURCHASE FUND.....	22
SECTION 2.05 MEDIUM AND PLACE OF PAYMENT .....	26
SECTION 2.06 FORMS OF BONDS .....	26
SECTION 2.07 EXECUTION OF BONDS .....	29
SECTION 2.08 AUTHENTICATION OF BONDS .....	29
SECTION 2.09 REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF BONDS.....	29
SECTION 2.10 BOOK-ENTRY ONLY SYSTEM.....	32
SECTION 2.11 CANCELLATION .....	33
SECTION 2.12 TEMPORARY BONDS .....	33
SECTION 2.13 OWNERSHIP OF BONDS .....	33
SECTION 2.14 PAYING AGENT/REGISTRAR.....	34
SECTION 2.15 SUBSTITUTE PAYING AGENT/REGISTRAR .....	34
SECTION 2.16 DUTIES AS TENDER AGENT.....	34
SECTION 2.17 PUF BONDS CONSTRUCTION FUND .....	35
ARTICLE III SECURITY AND SOURCE OF PAYMENT FOR THE BONDS; ADDITIONAL PARITY BONDS AND NOTES .....	35
SECTION 3.01 SECURITY AND PLEDGE .....	35
SECTION 3.02 PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES .....	36
SECTION 3.03 DISPOSITION OF FUNDS .....	36
SECTION 3.04 ADDITIONAL PARITY BONDS AND NOTES .....	37
ARTICLE IV REMEDIES .....	37
SECTION 4.01 REMEDIES .....	37
ARTICLE V GENERAL COVENANTS OF THE BOARD.....	38
SECTION 5.01 GENERAL COVENANTS OF THE BOARD .....	38
ARTICLE VI PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION .....	38
SECTION 6.01 GENERAL TAX COVENANT .....	38
SECTION 6.02 NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING.....	39

SECTION 6.03	NO FEDERAL GUARANTEE .....	39
SECTION 6.04	NO HEDGE BONDS .....	39
SECTION 6.05	NO ARBITRAGE.....	39
SECTION 6.06	ARBITRAGE REBATE .....	40
SECTION 6.07	INFORMATION REPORTING.....	40
SECTION 6.08	CONTINUING OBLIGATION .....	40
<b>ARTICLE VII MISCELLANEOUS PROVISIONS .....</b>		<b>40</b>
SECTION 7.01	INDIVIDUALS NOT LIABLE .....	40
SECTION 7.02	DEFEASANCE OF BONDS .....	41
SECTION 7.03	AMENDMENT OF RESOLUTION .....	41
SECTION 7.04	ISSUANCE AND SALE OF BONDS .....	43
SECTION 7.05	REFUNDING OF REFUNDED BONDS AND REFUNDED NOTES; ESCROW AGREEMENTS.....	45
SECTION 7.06	APPLICATION OF BOND PROCEEDS .....	47
SECTION 7.07	DTC LETTER OF REPRESENTATION.....	48
SECTION 7.08	APPROPRIATION OF FUNDS .....	48
SECTION 7.09	CONTINUING DISCLOSURE UNDERTAKING.....	48
SECTION 7.10	REMARKETING AGENTS; QUALIFICATIONS; REMARKETING AGREEMENTS .....	51
SECTION 7.11	AUCTION AGENTS; AUCTION AGREEMENTS .....	52
SECTION 7.12	BROKER DEALERS; BROKER-DEALER AGREEMENTS .....	52
SECTION 7.13	ADDITIONAL AGREEMENTS .....	53
SECTION 7.14	DEFEASANCE OF OUTSTANDING PARITY BONDS.....	53
SECTION 7.15	FURTHER PROCEDURES.....	53
SECTION 7.16	REPEAL OF CONFLICTING RESOLUTIONS.....	54

**EXHIBITS**

EXHIBIT A	FORMS OF BONDS
EXHIBIT B	PROVISIONS RELATING TO AUCTION RATE MODE
EXHIBIT C	CPI BOND PROVISIONS
EXHIBIT D	LIBOR-BASED BOND PROVISIONS

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY  
OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND BONDS, AND APPROVING AND  
AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING  
THERETO**

WHEREAS, the Constitutional Provision (hereinafter defined), authorizes the Board (hereinafter defined) to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined), exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System (hereinafter defined) administration and component institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Board heretofore has authorized, issued and delivered, pursuant to the Constitutional Provision, its Series 1997 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$6,090,000, its Series 2002A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$44,280,000, its Series 2004A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$59,920,000, its Series 2004B Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$223,535,000, its Series 2005A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$100,345,000, its Series 2005B Bonds (hereinafter defined), which are now outstanding in the aggregate amount of \$72,720,000, its Series 2006A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$73,915,000, its Series 2006B Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$284,065,000, its Series 2006C Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$97,755,000, and its Flexible Rate Notes (hereinafter defined), which are authorized to be outstanding at any one time in the aggregate principal amount of \$400,000,000, all of which are secured by a pledge of the Interest of the System (hereinafter defined) in the Available University Fund; and

WHEREAS, the Board has determined to authorize issuance of its bonds in the maximum aggregate principal amount of \$300,000,000 for the public purposes of refunding the Refunded Bonds (hereinafter defined), consisting of a portion of the Outstanding Parity Bonds (hereinafter defined), refunding the Refunded Notes (hereinafter defined), consisting of all or a portion of the Flexible Rate Notes then outstanding, and paying Project Costs (hereinafter defined) for Eligible Projects (hereinafter defined), all pursuant to the Constitutional Provision and the Acts (hereinafter defined) and other applicable laws; and

WHEREAS, the bonds hereinafter authorized for the purpose of refunding the Refunded Bonds shall not be issued unless they will produce a net present value savings calculated in the manner and satisfying the requirements of this Resolution (hereinafter defined);

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM:**

**ARTICLE I**

**DEFINITIONS, INTERPRETATION AND FINDINGS**

Section 1.01 **Definitions.** Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except the FORMS OF BONDS set forth in Exhibit A hereto.

“*Acts*” means, collectively, Chapters 1207 and 1371, Texas Government Code, both as amended, and Section 65.46, Texas Education Code, as amended.

“*Additional Parity Bonds and Notes*” means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 3.04 hereof or pursuant to Section 3.04 of the Series 1997 Resolution, Section 3.04 of the Series 2002A Resolution, Section 3.04 of the Series 2004 Resolution, Section 3.04 of the Series 2005 Resolution, Section 3.04 of the Series 2006A Resolution, or Section 3.04 of the Series 2006B&C Resolution.

“*Approved Swap Agreement*” means each agreement authorized by the Board constituting a “bond enhancement agreement” under Section 65.461, Texas Education Code, as amended, and/or a “credit agreement” under Chapter 1371, Texas Government Code, as amended, in relation to the payment or exchange of payments on PUF Bonds.

“*Assumed Rate*” means, in the case of:

“*Assumed Rate*” means, in the case of:

- (a) Refunded Bonds constituting Variable Rate PUF Bonds, the greater of
  - (i) the average interest rate on such Refunded Bonds for the most recently completed sixty (60) month period or the period such Refunded Bonds have been outstanding if it is less than sixty (60) months, or
  - (ii) the rate to be determined pursuant to clause (b) below assuming such Refunded Bonds were being issued on the date of calculation; and
- (b) Bonds authorized by this Resolution constituting Variable Rate PUF Bonds, either
  - (i) to be issued on the basis that, in the opinion of Bond Counsel to be delivered at the time of the issuance thereof, interest on such Bonds would be excluded from gross income for federal income tax purposes, the greater of the (A) average of the Securities Industry and Financial Markets Association Municipal Swap Index (“*SIFMA Index*”) for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (B) the average of the SIFMA Index for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or

(ii) to be issued on a basis not described in clause (i), the greater of the (A) average of the London Interbank Offered Rate (“LIBOR”) for the time period most closely resembling the reset period for such Bonds for the twelve (12) month period ending seven (7) days preceding the date of calculation plus 100 basis points, or (B) average of LIBOR for the time period most closely resembling the reset period for such Bonds for the sixty (60) month period ending seven (7) days preceding the date of calculation plus 100 basis points; and

provided, that if the SIFMA Index or LIBOR shall cease to be published, the index to be used in its place shall be that index which the Authorized Representative determines most closely replicates such index. Notwithstanding the foregoing, in no event shall the Assumed Rate be in excess of the maximum interest rate permitted by law on PUF Bonds; and

provided further, that if the Board has entered into an Approved Swap Agreement with respect to all or a portion of any such Variable Rate PUF Bonds pursuant to which the Board is obligated to make payments calculated at a fixed interest rate on the notional amount of such Approved Swap Agreement, the fixed interest rate used to calculate the amounts payable by the Board under the Approved Swap Agreement shall be assumed to be the interest rate on such Variable Rate PUF Bonds outstanding during the term of the Approved Swap Agreement if the notional amount under the Approved Swap Agreement is equal to or greater than the outstanding principal amount of such Variable Rate PUF Bonds.

“*Attorney General*” means the Attorney General of the State.

“*Auction Agent*” means each auction agent appointed by the Board pursuant to Section 7.11 hereof or any successor thereto.

“*Auction Agent Agreement*” means each auction agent agreement executed by the Board and an Auction Agent pursuant to Section 7.11 hereof, as each such agreement may be amended from time to time pursuant to the terms thereof.

“*Auction Rate*” and “*Auction Rate Mode*” shall have the meanings assigned to such items in Exhibit B hereto.

“*Authorized Denominations*” means (i) for Bonds in the Daily Rate Mode or the Weekly Rate Mode, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, (ii) for Bonds in the Auction Rate Mode, \$25,000 or any integral multiple thereof, and (iii) for Bonds in the Fixed Rate Mode or as CPI Bonds or LIBOR-Based Bonds, \$5,000 or any integral multiple thereof.

“*Authorized Representative*” means one or more of the following officers or employees of the System, to wit: the Chancellor, any Executive Vice Chancellor, the Vice Chancellor and General Counsel, the Associate Vice Chancellor for Finance, and the Director of Finance, or in the event of a vacancy in any such position, the person duly authorized to act in such capacity pending the appointment of a successor to such position, or such other officer or employee of the System authorized by the Board to act as an “Authorized Representative.”

“*Available University Fund*” means the fund by that name specified in the Constitutional Provision, which fund consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the

surface of Permanent University Fund land, as determined by the Board pursuant to the Constitutional Provision.

“*Award Certificate*” means the certificate executed by the Authorized Representative in connection with each Series of Bonds that establishes the terms of the Series of Bonds pursuant to Section 7.04 hereof. Each Award Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board as a part of this Resolution.

“*Board of Regents*” or “*Board*” means the Board of Regents of the System.

“*Board-Held Bonds*” shall have the meaning given to such term in Section 2.04(d) hereof.

“*Board Liquidity Resolution*” shall mean that resolution adopted by the Board on the date hereof pursuant to which the Board covenants to provide liquidity support for the Bonds by using lawfully available funds to purchase Bonds tendered for purchase, which resolution recites that it constitutes a “Credit Agreement” for purposes of this Resolution, or any other similar resolution hereafter adopted by the Board.

“*Bond*” or “*Bonds*” means any one or more, as the case may be, of the bonds of each Series authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

“*Bond Counsel*” means Vinson & Elkins L.L.P. or any other attorney or firm of attorneys nationally recognized as experienced in the field of bonds of governmental issuers and appointed by the Board.

“*Bond Purchase Contract*” means the Board’s agreement with Underwriters providing for the sale of a Series of Bonds issued for the purpose of refunding the Refunded Bonds or the Refunded Notes, as authorized by Section 7.04 hereof; provided that two or more Series of Bonds may be sold to the same Underwriters pursuant to the terms of a single Bond Purchase Contract.

“*Bond Purchase Fund*” shall have the meaning given to such term in Section 2.04(e) hereof.

“*Bond Year*” means the period beginning on July 2 of any calendar year and continuing through July 1 of the following calendar year.

“*Broker Dealer*” means each broker-dealer appointed by the Board pursuant to Section 7.12 hereof or any successor thereto.

“*Broker-Dealer Agreement*” means each broker-dealer agreement executed by the Board and a Broker-Dealer pursuant to Section 7.12 hereof, as each such agreement may be amended from time to time pursuant to the terms thereof.

“*Business Day*” means any day that is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City of New York, New York or in the city where the corporate

trust office of the Paying Agent/Registrar (and, while the Bonds are in the Daily Rate Mode, the Weekly Rate Mode, or the Auction Rate Mode, the Remarketing Agent or the Auction Agent, respectively) are authorized by law or executive order to close; provided that the term “Business Day” with respect to Bonds in an Auction Rate Mode shall have the meaning given to such term in Exhibit B hereto and with respect to CPI Bonds shall have the meaning given to such term in Exhibit C hereto.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Comptroller*” means the Comptroller of Public Accounts of the State or any successor thereto.

“*Constitutional Provision*” means Section 18 of Article VII of the Constitution of the State, as amended and in effect on the date hereof, and any amendment thereto or any other amendment to the Constitution of the State relating to the Permanent University Fund hereafter approved by the voters of the State.

“*Conversion*” or “*conversion*” means a change from one Mode to another with respect to a Bond.

“*Conversion Certificate*” means the certificate of the Authorized Representative given pursuant to Section 2.03(a) hereof evidencing the exercise by the Board of the option to convert Bonds from one Mode to another Mode.

“*Conversion Date*” means the date on which the conversion from one Mode to another Mode becomes effective.

“*CPI Bonds*” means the Bonds of each Series bearing interest at the CPI Rate maturing in each of the years and in the aggregate principal amounts set forth in the Award Certificate.

“*CPI Rate*” means the rate of interest on CPI Bonds determined in accordance with Exhibit C hereto.

“*Credit Agreement*” means the Board Liquidity Resolution or any other standby purchase agreement, letter of credit, line of credit or similar liquidity agreement provided in lieu thereof.

“*CUSIP*” means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

“*Daily Rate*” means the rate of interest that is set on the Bonds while they are in the Daily Rate Mode.

“*Daily Rate Mode*” means the Mode in which the interest rate on the Bonds is set at the Daily Rate.

“*Defeased Bond*” means any Bond the principal of and interest on which is deemed to be paid, retired and no longer outstanding within the meaning of this Resolution, pursuant to and in accordance with Section 7.02 hereof.



“*Delivery Date*” means any date on which a Bond is tendered to the Paying Agent/Registrar for purchase pursuant to the terms hereof.

“*DTC*” means The Depository Trust Company, New York, New York, and its successors and assigns.

“*DTC Participant*” means the securities 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.

“*Effective Date*” means, with respect to a Bond in the Daily Rate, Weekly Rate, and Auction Rate Modes, the date on which a new Interest Rate Period for that Bond takes effect.

“*Electronic Notice*” means notice transmitted through a time-sharing terminal, by facsimile transmission or by telephone (promptly confirmed in writing or by facsimile transmission).

“*Eligible Project*” means the acquisition of land, either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials. The term “Eligible Project” shall not include the construction, equipping, repairing, or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises.

“*Escrow Agent*” means each Escrow Agent selected pursuant to Section 7.05 hereof or any successor thereto.

“*Escrow Agreement*” means each Escrow Agreement between the Board and an Escrow Agent, as authorized by Section 7.05 hereof, as each such agreement may be amended from time to time in accordance with the terms thereof.

“*Favorable Opinion*” means an opinion of Bond Counsel addressed to the Board and the Paying Agent/Registrar to the effect that the action proposed to be taken with respect to any Bonds is authorized or permitted by the Acts and this Resolution and will not adversely affect the excludability from gross income for federal income tax purposes of interest on such Bonds.

“*Fiscal Year*” means the fiscal year of the State, which currently ends on August 31 of each calendar year.

“*Fixed Rate*” means a rate of interest on a Bond that is fixed for the remaining term of the Bond.

“*Fixed Rate Bonds*” means the Bonds of a Series in the Fixed Rate Mode.

“*Fixed Rate Mode*” means the Mode in which the interest rate on the Bonds is fixed until the final Maturity Date.

“*Flexible Rate Notes*” means the Board’s Flexible Rate Notes, Series A, issued from time to time under the Flexible Rate Notes Resolution.

“*Flexible Rate Notes Resolution*” means the amended and restated resolution adopted by the Board on November 13, 2002, authorizing the issuance of the Flexible Rate Notes in an aggregate principal amount outstanding at any time not to exceed \$400,000,000, as such resolution may be amended from time to time.

“*Government Obligations*” means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which 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 the Board adopts or approves any proceedings authorizing the issuance of refunding bonds, 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 Board adopts or approves any proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“*Initial Bond*” means one or more Bonds of a Series authorized, issued, sold and initially delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller, has been placed.

“*Interest and Sinking Fund*” means the Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund described in Section 3.02 hereof.

“*Interest of the System,*” when used with reference to the Available University Fund, means the System’s two-thirds interest in the Available University Fund as apportioned and provided in the Constitutional Provision.

“*Interest Payment Date*” means (i) when used with respect to Bonds accruing interest at Daily or Weekly Rates, the first Business day of each calendar month following a month in which interest at such rate has accrued; (ii) when used with respect to Bonds accruing interest at a Fixed Rate, the first day of the immediately succeeding January or July after the Conversion to a Fixed Rate and thereafter each January 1 or July 1; and (iii) the Maturity Date; provided, however, that if the Bonds are initially issued in a Fixed-Rate Mode, the initial Interest Payment Date may be set forth in the Award Certificate; provided further, that for Bonds in an Auction Rate Mode, CPI Bonds and LIBOR-Based Bonds, the term “Interest Payment Date” shall have the meaning set forth in Exhibit B, Exhibit C and Exhibit D hereto, respectively.

“*Interest Rate Period,*” “*Rate Period,*” or “*Period*” means, when used with respect to any particular rate of interest for a Bond, the period during which such rate of interest determined for such Bond will remain in effect as described herein, provided that the Remarketing Agent (i) shall not offer Interest Rate Periods which end on a day which does not immediately precede a Business Day, (ii) not offer Interest Rate Periods applicable to Bonds to be converted extending

beyond the day preceding any scheduled Conversion of the Bonds to another Mode or the Maturity Date, and (iii) follows any written directions of the Board not inconsistent with the preceding clauses (i) and (ii) as to the Interest Rate Periods to be made available.

“*Issuance Date*” means the date of delivery of each Series of Bonds to the initial purchasers thereof.

“*LIBOR-Based Bonds*” means the Bonds of each Series bearing interest at the LIBOR-Based Rate maturing in each of the years and in the aggregate principal amounts set forth in the Award Certificate.

“*LIBOR-Based Rate*” means the rate of interest on LIBOR-Based Bonds determined in accordance with Exhibit D hereto.

“*Maturity*” means the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, declaration of acceleration, or otherwise.

“*Maximum Rate*” means the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended, or such other maximum interest rate permitted to be borne by PUF Bonds by then applicable law.

“*Mode*” means the period for and the manner in which the interest rates on the Bonds are set and includes the Daily Rate Mode, the Weekly Rate Mode, the Auction Rate Mode, and the Fixed Rate Mode.

“*Outstanding Parity Bonds*” means the Series 1997 Bonds, the Series 2002A Bonds, the Series 2004A Bonds, the Series 2004B Bonds, the Series 2005A Bonds, the Series 2005B Bonds, the Series 2006A Bonds, the Series 2006B Bonds and the Series 2006C Bonds.

“*Paying Agent/Registrar*” means the paying agent and registrar for the Bonds appointed by the Board pursuant to Section 2.14 hereof, or any successor to such agent appointed hereunder.

“*Paying Agent/Registrar Agreement*” means the paying agent/registrar agreement executed by the Board and the Paying Agent/Registrar pursuant to Section 2.14 hereof, as such agreement may be amended from time to time in accordance with the terms thereof.

“*Permanent University Fund*” means the Permanent University Fund as created, established, implemented and administered pursuant to sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, Texas Education Code, as amended.

“*Project Costs*” means all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering, and legal costs; acquisition costs of land, interests in land, right-of-way, and easements; construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and

administration of an Eligible Project; and financing costs, including interest during construction and thereafter, underwriter's discount and/or fees, legal, financial, and other professional services, and reimbursement for such Project Costs attributable to Eligible Projects incurred prior to the issuance of any Bonds.

“*PUF Bonds*” means the Bonds, the Outstanding Parity Bonds and all Additional Parity Bonds and Notes.

“*PUF Bonds Construction Fund*” means the Board of Regents of The University of Texas System PUF Bonds Construction Fund described in Section 2.17 hereof.

“*Purchase Date*” means, while the Bonds are in the Daily Rate Mode, the Weekly Rate Mode, or the Auction Rate Mode the date upon which the Bonds are required to be purchased pursuant to a mandatory or optional tender, as set forth in Section 2.03 hereof and the FORMS OF BONDS in Exhibit A hereto.

“*Purchase Price*” means the purchase price of the Bonds required to be purchased pursuant to a mandatory or optional tender as set forth in Section 2.03 hereof and the FORMS OF BONDS in Exhibit A hereto.

“*Record Date*” means, with respect to the Bonds, the last calendar day of each month preceding an interest payment date; provided that for Bonds in an Auction Rate Mode, CPI Bonds and LIBOR-Based Bonds, the term “Record Date” shall have the meaning set forth in Exhibit B, Exhibit C and Exhibit D hereto, respectively.

“*Refunded Bonds*” means the particular Outstanding Parity Bonds that the Authorized Representative, acting for and on behalf of the Board pursuant to Sections 7.04 and 7.05 hereof, determines shall be refunded by a Series of Bonds consistent with the net present value savings requirement of Section 7.04 hereof. The Refunded Bonds shall be specified in the Award Certificate.

“*Refunded Notes*” means the particular Flexible Rate Notes that the Authorized Representative, acting for and on behalf of the Board pursuant to Sections 7.04 and 7.05 hereof, determines shall be refunded by a Series of Bonds. The Refunded Notes shall be specified in the Award Certificate.

“*Registration Books*” means the books or records of the registration and transfer of the Bonds required to be kept by or on behalf of the Board pursuant to Section 2.09 hereof.

“*Remarketing Agent*” means each remarketing agent appointed by the Board pursuant to Section 7.10 hereof and any successor thereto. The principal office of each Remarketing Agent shall mean the office thereof designated in writing to the Paying Agent/Registrar.

“*Remarketing Agreement*” means each remarketing agreement executed by the Board and the Remarketing Agent pursuant to Section 7.10 hereof, as each such agreement may be amended from time to time pursuant to the terms thereof.

“*Remarketing Proceeds*” means proceeds from the sale of the Bonds by the Remarketing Agent other than to the Board.

“*Resolution*” means this resolution authorizing the Bonds, as the same may be amended from time to time in accordance with the terms hereof.

“*Rule 15c2-12*” means Rule 15c2-12 of the Securities and Exchange Commission, as amended from time to time.

“*Series*” means any designated series of Bonds issued pursuant to this Resolution.

“*Series 1997 Bonds*” means the Board’s Permanent University Fund Bonds, Series 1997, issued under the Series 1997 Resolution in the original aggregate principal amount of \$130,000,000.

“*Series 1997 Resolution*” means the resolution adopted by the Board on November 13, 1997, authorizing the issuance of the Series 1997 Bonds, as such resolution may be amended from time to time.

“*Series 2002A Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2002A, issued under the Series 2002A Resolution in the original aggregate principal amount of \$105,290,000.

“*Series 2002A Resolution*” means the resolution adopted by the Board on February 14, 2002, authorizing the issuance of the Series 2002A Bonds, as such resolution may be amended from time to time.

“*Series 2004 Bonds*” means the Board’s Permanent University Fund Bonds, Series 2004, authorized to be issued under the Series 2004 Resolution in one or more series in the maximum aggregate principal amount of \$500,000,000; provided that each series of such bonds issued to refund Series 1997 Bonds was required to have the word “Refunding” included in the designation of such bonds before the word “Bonds.” The Series 2004A Bonds and Series 2004B Bonds constitute “Series 2004 Bonds.”

“*Series 2004 Resolution*” means the resolution adopted by the Board on March 11, 2004, authorizing the issuance of the Series 2004 Bonds, as such resolution may be amended from time to time.

“*Series 2004A Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2004A, issued as Series 2004 Bonds pursuant to the Series 2004 Resolution in the original aggregate principal amount of \$60,665,000.

“*Series 2004B Bonds*” means the Board’s Permanent University Funds Bonds, Series 2004B, issued as Series 2004 Bonds pursuant to the Series 2004 Resolution in the original aggregate principal amount of \$396,520,000.

“*Series 2005 Bonds*” means the Board’s Permanent University Fund Bonds, Series 2005, authorized to be issued under the Series 2005 Resolution in one of more series in the maximum

aggregate principal amount of \$375,000,000; provided that each series of such bonds issued to refund Series 2002B Bonds was required to have the word “Refunding” included in the designation of such bonds before the word “Bonds.” The Series 2005A Bonds and Series 2005B Bonds constitute “Series 2005 Bonds.”

“*Series 2005 Resolution*” means the resolution adopted by the Board on March 10, 2005, authorizing the issuance of the Series 2005 Bonds, as such resolution may be amended from time to time.

“*Series 2005A Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2005A, issued as Series 2005 Bonds pursuant to the Series 2005 Resolution in the original aggregate principal amount of \$100,345,000.

“*Series 2005B Bonds*” means the Board’s Permanent University Fund Bonds, Series 2005B, issued as Series 2005 Bonds pursuant to the Series 2005 Resolution in the original aggregate principal amount of \$124,625,000.

“*Series 2006A Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2006A, issued under the Series 2006A Resolution in the original aggregate principal amount of \$96,380,000.

“*Series 2006A Resolution*” means the resolution adopted by the Board on August 11, 2005, authorizing the issuance of the Series 2006A Bonds, as such resolution may be amended from time to time.

“*Series 2006B&C Resolution*” means the resolution adopted by the Board on August 10, 2006, authorizing the issuance of the Series 2006B Bonds and the Series 2006C Bonds, as such resolution may be amended from time to time.

“*Series 2006B Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2006B, issued under the Series 2006B&C Resolution in the original aggregate principal amount of \$284,065,000.

“*Series 2006C Bonds*” means the Board’s Permanent University Fund Bonds, Series 2006C, issued under the Series 2006B&C Resolution in the original aggregate principal amount of \$97,755,00.

“*State*” means the State of Texas.

“*Stated Maturity*” means, when used with respect to a Series of Bonds, the scheduled maturity or mandatory sinking fund redemption of the Series of Bonds.

“*System*” means The University of Texas System.

“*Tendered Bond*” means any Bond tendered or deemed tendered for purchase pursuant to the provisions hereof.

“*Undelivered Bonds*” means Bonds that are deemed to have been tendered as provided in the FORMS OF THE BONDS set forth in Exhibit A hereto.

“*Underwriters*” means the investment banking firm or firms that contract to purchase the Bonds of a Series issued for the purpose of refunding the Refunded Bonds or the Refunded Notes, pursuant to a Bond Purchase Contract in accordance with Section 7.04 of this Resolution; provided that the same Underwriters may contract to purchase two or more Series of such Bonds pursuant to a single Bond Purchase Contract.

“*Variable Rate PUF Bonds*” means Refunded Bonds or Bonds, the interest rate on which is not fixed, but is variable or adjustable by any formula, agreement or otherwise.

“*Weekly Rate*” means the rate of interest that is set on the Bonds while they are in the Weekly Rate Mode.

“*Weekly Rate Mode*” means the Mode in which the interest rate on the Bonds is set at the Weekly Rate.

Section 1.02 **Recitals, Table of Contents, Titles and Headings.** The terms and phrases used in the recitals of this Resolution have been included for convenience of reference only and the meaning, construction and interpretation of such terms and phrases for purposes of this Resolution shall be determined solely by reference to Section 1.01 of this Resolution. The table of contents, titles and headings of the articles and sections of this Resolution 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 Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03 **Interpretation.** Unless the context requires otherwise, words of the singular number used in this Resolution shall be construed to include correlative words of the plural number and vice versa, and words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. References in this Resolution to numbered Articles, Sections or portions thereof shall refer to the respective Articles and Sections of this Resolution, unless expressly specified otherwise. The terms “hereof,” “herein,” “hereunder” and similar terms shall refer to this Resolution as a whole and not to any particular provision of this Resolution. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the provisions set forth herein and to sustain the validity of this Resolution.

## ARTICLE II

### AUTHORIZATION AND TERMS OF THE BONDS

Section 2.01 **Authorization and Authorized Amount.** Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly the Constitutional Provision and the Acts, the Bonds are hereby authorized to be issued, in the maximum aggregate principal amount (calculated without regard to premium or discount affecting the sale price) of THREE HUNDRED MILLION DOLLARS (\$300,000,000) in one or

more Series for the purpose of obtaining funds to refund the Refunded Bonds, to refund the Refunded Notes and to finance Project Costs of Eligible Projects, all in accordance with and subject to the terms, conditions and limitations contained herein; provided that no Series of Bonds may be issued under this Resolution prior to September 1, 2007 or after August 31, 2008. The Bonds are Additional Parity Bonds permitted to be issued under Section 3.04 of the Series 1997 Resolution, Section 3.04 of the Series 2002A Resolution, Section 3.04 of the Series 2004 Resolution, Section 3.04 of Series 2005 Resolution, Section 3.04 of the Series 2006A Resolution and Section 3.04 of the Series 2006B&C Resolution on a parity and in all respects of equal dignity with the Outstanding Parity Bonds.

The Bonds herein authorized, unless otherwise indicated, may be issued in the form of (i) Fixed Rate Bonds, (ii) Daily Rate Bonds, Weekly Rate Bonds, or Auction Rate Bonds, (iii) CPI Bonds, or (iv) LIBOR-Based Bonds, all as provided in Section 2.02 hereof, the Award Certificate and in the FORMS OF BONDS set forth Exhibit A hereto.

Section 2.02 **Designation, Form, Numbers, Date, Denomination, Maturities and Terms of the Bonds.** Each Bond shall be designated: “BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BOND, SERIES \_\_\_\_\_,” provided that each Series of Bonds issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date shall also have the word “REFUNDING” included in the designation of such Bonds before the word “BONDS”. Any Bonds issued in an Auction Rate Mode, as CPI Bonds or as LIBOR-Based Bonds may include a designation of such, if necessary or convenient, as determined by the Authorized Representative in the Award Certificate. Each Series of Bonds shall be designated by the year in which the respective Award Certificate is signed by an Authorized Representative and each Series within a year shall have a separate letter designation follow the year, starting with the letter “A” for Bonds with a Series designation of 2007 and “A” for Bonds with a Series designation of 2008 and, in each case, proceeding alphabetically thereafter.

For each Series of Bonds, there shall initially be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, (i) in the Fixed Rate Mode; in the Daily Rate Mode, Weekly Rate Mode, or the Auction Rate Mode; or as Bonds bearing interest at either the CPI Rate or the LIBOR-Based Rate, (ii) numbered consecutively for each Series of Bonds (except the Initial Bonds) from R-1 upward in the case of Bonds of a Series in the Fixed Rate Mode, CPR-1 upward in the case of CPI Bonds, LR-1 upward in the case of LIBOR-Based Bonds, DR-1 in the case of Bonds of a Series in the Daily Rate Mode, WR-1 in the case of Bonds of a Series in the Weekly Rate Mode, and AR-1 in the case of Bonds of a Series in the Auction Rate Mode, (iii) payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said bonds or any portion or portions thereof, (iv) in Authorized Denominations, maturing serially or otherwise on the dates, in the years and in the principal amounts, respectively, and (v) dated, all as set forth in the Award Certificate.

The Bonds of each Series (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds of such Series, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORMS OF BONDS set forth in Exhibit A hereto and as determined



by the Authorized Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions set forth in the Award Certificate.

Section 2.03 **Interest; Tenders and Remarketing; Conversion.**

(a) **Interest.** The interest rate on the Bonds of each Series will be the lesser of (i) the Maximum Rate or (ii) the rate determined as provided in this Section. In no event shall the interest rate exceed the Maximum Rate. Initially, Bonds shall bear interest as determined (i) by the Remarketing Agent for the Bonds initially issued in the Daily Rate Mode or Weekly Rate Mode, (ii) in accordance with Exhibit B hereto for the Bonds initially issued in the Auction Rate Mode, (iii) in accordance with Exhibit C hereto for the CPI Bonds, (iv) in accordance with Exhibit D hereto for the LIBOR-Based Bonds and (v) by the Authorized Representative for Bonds issued in the Fixed Rate Mode, all in accordance with the Award Certificate. Interest on the Bonds in a Daily Rate Mode or Weekly Rate Mode shall be payable on the applicable Interest Payment Date as herein described, computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed based upon the calendar year in which the Rate Period for that Bond commences. The interest on the Bonds in a Fixed Rate Mode shall be payable on the applicable Interest Payment Date as herein described, computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds in an Auction Rate Mode shall be computed and be payable as provided in Exhibit B hereto. Interest on the CPI Bonds shall be computed and be payable as provided in Exhibit C hereto, provided that if there is any conflict between any provision of this Resolution and Exhibit C hereto regarding the calculation of interest on the CPI Bonds, the provisions of Exhibit C hereto shall control. Interest on the LIBOR-Based Bonds shall be computed and be payable as provided in Exhibit D hereto, provided that if there is any conflict between any provision of this Resolution and Exhibit D hereto regarding the calculation of interest on the LIBOR-Based Bonds, the provisions of Exhibit D hereto shall control. The amount of interest due on any Interest Payment Date shall be the amount of unpaid interest accrued on the Bonds through the day preceding such Interest Payment Date and if any payment, redemption, or maturity date is not a Business Day, then the payment may be made on the next succeeding Business Day with the same force and effect as if made on the specified payment date and no interest shall accrue for the period after the specified payment date. Any registered owner of the Bonds may ascertain the applicable interest rate and Rate Period at any time by contacting the Paying Agent/Registrar, the Remarketing Agent, or the Auction Agent, as applicable. Each determination and redetermination of the applicable interest rate and Rate Period shall be conclusive and binding on the Paying Agent/Registrar, the Board, and the registered owners of the Bonds.

(A) Daily Rate Mode.

(1) **Determination of Daily Rates.** Bonds may be initially issued bearing interest at a Daily Rate as set forth in the Award Certificate. The Daily Rate shall be the rate of interest determined by the Remarketing Agent for each Interest Rate Period, to be the lowest rate that in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds in the Daily Rate Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Daily Rate on or before the Issuance Date for Bonds initially issued in the Daily Rate Mode. Thereafter, the Remarketing Agent shall

redetermine the Daily Rate for each subsequent Interest Rate Period. The Daily Rate in effect for each Interest Rate Period shall be determined not later than the Effective Date, and shall be effective from the Effective Date until the next succeeding Business Day. The Remarketing Agent shall notify the Paying Agent/Registrar and the Board of the Daily Rate by Electronic Notice not later than 10:00 a.m., New York City time, on the Effective Date. Each determination and redetermination of the Daily Rate shall be conclusive and binding on the Board, the Paying Agent/Registrar, and the registered owners of the Bonds. If for any reason the Remarketing Agent fails to determine the Daily Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Daily Rate to take effect on the Effective Date shall be the Daily Rate in effect on the day preceding such date.

(2) Conversion from the Daily Rate Mode. The Bonds in the Daily Rate Mode or any portion of such Bonds may be converted on any Business Day to the Weekly Rate Mode, and on any Interest Payment Date to the Fixed Rate Mode or the Auction Rate Mode as provided in the FORMS OF BONDS set forth in Exhibit A hereto and upon the delivery of a certificate of an Authorized Representative electing such conversion (the “*Conversion Certificate*”) to the Paying Agent/Registrar and the Remarketing Agent. In addition to electing the conversion, the Conversion Certificate shall include a certification to the effect that the Board is not in default of any of the provisions of this Resolution. The Conversion Certificate shall be given by the Board to the Paying Agent/Registrar, the Remarketing Agent, and any bond rating agency then rating or requested to rate such Bonds not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified in the Conversion Certificate. Notice of a conversion of Bonds from the Daily Rate Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in part (a)(B)(4) of this Section and the FORMS OF BONDS set forth in Exhibit A hereto. Conversions (i) to the Weekly Rate Mode shall also be governed by part (a)(B) of this Section, (ii) to the Fixed Rate Mode shall also be governed by part (a)(C) of this Section, and (iii) to the Auction Rate Mode shall also be governed by part (a)(D) of this Section.

Notwithstanding the foregoing, if the preconditions to conversion from the Daily Rate Mode established by the preceding paragraph and Section 2.03(c) hereof are not met by 10:30 a.m., New York City time, on the Conversion Date, the Paying Agent/Registrar shall deem the proposed conversion to have failed and shall immediately notify the Board and the Remarketing Agent, and the Bonds to have been converted shall be subject to mandatory tender as provided in part (a)(A)(4) of this Section. In such event, the Board shall comply with the requirements of Section 2.04(d)(A) as necessary to provide for the payment of the Purchase Price on such date. In no event shall the failure of Bonds to be converted for any reason be deemed to be, in and of itself, a default under this Resolution, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(3) Owners’ Option to Tender Bonds in Daily Rate Mode. Bonds in the Daily Rate Mode are subject to tender, at the election of the owner thereof, on the dates, at the prices, in the manner and subject to the limitations described in the FORMS OF BONDS

set forth in Exhibit A hereto. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. The purchase of Tendered Bonds shall not extinguish the debt represented by such Bonds that shall remain outstanding and unpaid under this Resolution.

The Paying Agent/Registrar shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORMS OF BONDS set forth in Exhibit A hereto and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Paying Agent/Registrar shall notify the Remarketing Agent, the Board, and the Paying Agent/Registrar by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Bonds not delivered to the Paying Agent shall constitute Undelivered Bonds and shall not be considered outstanding under the Resolution on the Purchase Date.

(4) Mandatory Tender of Daily Rate Bonds upon Change in Mode. In the event that Bonds in the Daily Rate Mode are converted to another Mode (other than to the Weekly Mode), such Bonds are subject to mandatory tender for purchase on the date of conversion or proposed conversion upon not less than 15 days' prior written notice from the Paying Agent/Registrar to the registered owners of the Bonds as provided in the FORMS OF BONDS set forth in Exhibit A hereto, which notice shall state that the Bonds are subject to mandatory tender for purchase; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Bonds not delivered to the Paying Agent/Registrar shall constitute Undelivered Bonds and shall not be considered outstanding on the Purchase Date.

(5) The provisions of this subsection (A) may be modified in the Award Certificate.

(B) Weekly Rate Mode.

(1) Determination of Weekly Rates. Bonds may be initially issued bearing interest at a Weekly Rate as set forth in the Award Certificate. The Weekly Rate shall be the rate of interest determined by the Remarketing Agent for each Interest Rate Period, to be the lowest rate that in its judgment, on the basis of prevailing financial market conditions, would permit the sale of the Bonds in the Weekly Rate Mode at par plus accrued interest on and as of the Effective Date, but not in excess of the Maximum Rate. The Remarketing Agent shall determine the initial Weekly Rate on or before the Issuance Date for Bonds initially issued in the Weekly Rate Mode. Thereafter, the Remarketing Agent shall redetermine the Weekly Rate for each subsequent Interest Rate Period. The Weekly Rate in effect for each Interest Rate Period shall be determined not later than the

Effective Date, which shall be a Wednesday. The Remarketing Agent shall notify the Paying Agent/Registrar and the Board of the Weekly Rate by Electronic Notice not later than 10:00 a.m., New York City time, on the Effective Date. Each determination and redetermination of the Weekly Rate shall be conclusive and binding on the Board, the Paying Agent/Registrar, and the registered owners of the Bonds. If for any reason the Remarketing Agent fails to determine the Weekly Rate or if for any reason such manner of determination shall be determined to be invalid or unenforceable, the Weekly Rate to take effect on the Effective Date shall be the Weekly Rate in effect on the day preceding such date.

(2) Conversion from the Weekly Rate Mode. The Bonds in the Weekly Rate Mode or any portion of such Bonds may be converted to the Daily Rate Mode on any Business Day and to the Fixed Rate Mode or the Auction Rate Mode on any Interest Payment Date as provided in the FORMS OF BONDS set forth in Exhibit A hereto and upon the delivery of a Conversion Certificate of an Authorized Representative electing such conversion to the Paying Agent/Registrar and the Remarketing Agent. In addition to electing the conversion, the Conversion Certificate shall include a certification to the effect that the Board is not in default of any of the provisions of this Resolution. The Conversion Certificate shall be given by the Board to the Paying Agent/Registrar, the Remarketing Agent, and any bond rating agency then rating or requested to rate such Bonds not fewer than 15 days prior to the proposed Conversion Date, which date shall be specified in the Conversion Certificate. Notice of a conversion of Bonds from the Weekly Rate Mode and the mandatory tender of Bonds for purchase on such Conversion Date shall be given to the owners of such Bonds as provided in part (a)(B)(4) of this Section and the FORMS OF BONDS set forth in Exhibit A hereto. Conversions (i) to the Daily Rate Mode shall also be governed by part (a)(A) of this Section, (ii) to the Fixed Rate Mode shall also be governed by part (a)(C) of this Section, and (iii) to the Auction Rate Mode shall also be governed by part (a)(D) of this Section.

Notwithstanding the foregoing, if the preconditions to conversion from the Weekly Rate Mode established by the preceding paragraph and Section 2.03(c) hereof, are not met by 10:30 a.m., New York City time, on the Conversion Date, the Paying Agent/Registrar shall deem the proposed conversion to have failed and shall immediately notify the Board and the Remarketing Agent, and the Bonds to have been converted shall be subject to mandatory tender as provided in part (a)(B)(4) of this Section. In such event, the Board shall comply with the requirements of Section 2.04(d)(A) as necessary to provide for the payment of the Purchase Price on such date. In no event shall the failure of Bonds to be converted for any reason be deemed to be, in and of itself, a default under this Resolution, so long as the Purchase Price of all Bonds required to be purchased is made available as provided above.

(3) Owners' Option to Tender Bonds in Weekly Rate Mode. Bonds in the Weekly Rate Mode are subject to tender, at the election of the owner thereof, on the dates, at the prices, in the manner and subject to the limitations described in the FORMS OF BONDS set forth in Exhibit A hereto. The owners of Tendered Bonds shall receive on the Delivery Date 100% of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date, provided that if the Purchase Date is an Interest Payment

Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. The purchase of Tendered Bonds shall not extinguish the debt represented by such Bonds that shall remain outstanding and unpaid under this Resolution.

The Paying Agent/Registrar shall accept all Tendered Bonds properly delivered to it for purchase as provided in the FORMS OF BONDS set forth in Exhibit A hereto and in this subsection (3).

As soon as practicable after receiving notice of a tender of Bonds under this Section, the Paying Agent/Registrar shall notify the Remarketing Agent, the Board, and the Paying Agent/Registrar by telephone promptly confirmed in writing of the amount of Tendered Bonds and the specified Purchase Date. Bonds not delivered to the Paying Agent shall constitute Undelivered Bonds and shall not be considered outstanding under the Resolution on the Purchase Date.

(4) Mandatory Tender of Weekly Rate Bonds upon Change in Mode. In the event that Bonds in the Weekly Rate Mode are converted to another Mode (other than to the Daily Rate Mode), such Bonds are subject to mandatory tender for purchase on the date of conversion or proposed conversion upon not less than 15 days' prior written notice from the Paying Agent/Registrar to the registered owners of the Bonds as provided in the FORMS OF BONDS set forth in Exhibit A hereto, which notice shall state that the Bonds are subject to mandatory tender for purchase; provided that if such Purchase Date is an Interest Payment Date, accrued interest shall be paid separately and not as a part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Bonds not delivered to the Paying Agent/Registrar shall constitute Undelivered Bonds and shall not be considered outstanding on the Purchase Date.

(5) The provisions of this subsection (B) may be modified in the Award Certificate.

(C) Fixed Rate Mode.

Determination of Fixed Rate and Conversion to Fixed Rate Mode. Bonds may be initially issued bearing interest at a Fixed Rate as set forth in the Award Certificate. If initially issued in a Mode other than the Fixed Rate Mode, the interest rate on such Bonds may be converted by the Board to the Fixed Rate as provided in the FORMS OF BONDS set forth in Exhibit A hereto and parts (a)(A), (B), and (D) of this Section. Written notice of conversion to the Fixed Rate Mode shall be given pursuant to a Conversion Certificate of an Authorized Representative delivered to the Paying Agent/Registrar, the Remarketing Agent, and any bond rating agency then rating or requested to rate such Bonds not fewer than 15 days prior to the proposed Conversion Date. Upon receipt of the Conversion Certificate giving notice of conversion to the Fixed Rate Mode, the Remarketing Agent shall determine the Fixed Rate not later than noon, New York City time, one (1) Business Day before the Conversion Date. The Fixed Rate shall be the lowest rate that in the judgment of the Remarketing Agent, on the basis of prevailing

financial market conditions, would permit the sale of the Bonds being so converted at par plus accrued interest on the Effective Date, but not in excess of the Maximum Rate. The Fixed Rate will be in effect until the final Maturity of the Bonds and no conversions to another Mode may be effected.

On the date of determination thereof, the Remarketing Agent shall notify the Board and the Paying Agent by Electronic Notice of the Fixed Rate. The determination of the Fixed Rate shall be conclusive and binding on the Board, the Paying Agent/Registrar and the registered owners of the Bonds. The first Interest Payment Date of Bonds converted to the Fixed Rate shall be the next January 1 or July 1 after the Conversion Date. The Fixed Rate shall become effective on the Conversion Date and shall remain in effect for the remaining term of the Bonds so converted.

Notwithstanding the foregoing, if the preconditions to conversion to the Fixed Rate Mode established by this subsection and Section 2.03(c) hereof are not met by 10:30 a.m., New York City time, on the Conversion Date, the Remarketing Agent shall immediately notify the Paying Agent/Registrar by telephone promptly confirmed in writing. Upon such notice, the Paying Agent/Registrar shall deem the proposed conversion to have failed and shall proceed as such under part (a)(A), (B), or (D) of this Section, as applicable.

The provisions of this subsection (C) may be modified in the Award Certificate.

(D) Auction Rate Mode.

Bonds may be initially issued bearing interest in the Auction Rate Mode or may be converted from another Mode to the Auction Rate Mode as set forth in the Award Certificate. Procedures governing the Auction Rate Mode are set forth in Exhibit B hereto.

The provisions of this subsection (D) may be modified in the Award Certificate.

(E) CPI Bonds.

Bonds may be issued as CPI Bonds as set forth in the Award Certificate. Procedures governing the CPI Bonds are provided in Exhibit C hereto.

The provisions of this subsection (E) and Exhibit C may be modified in the Award Certificate in the event Bonds are issued as CPI Bonds.

(F) LIBOR-Based Bonds.

Bonds may be issued as LIBOR-Based Bonds as set forth in the Award Certificate. Procedures governing the LIBOR-Based Bonds are set forth in Exhibit D hereto.

The provisions of this subsection (F) may and Exhibit D be modified in the Award Certificate in the event Bonds are issued as LIBOR-Based Bonds.

(b) Notice to Registered Owners of Change in Mode. When a change of the Rate Mode is to be made, the Paying Agent/Registrar will notify the registered owners of Bonds at least 15 days before the Conversion Date of the change. The notice will state

(1) the Mode will be changed to the new Mode,

(2) the Effective Date of the new Mode, and

(3) that (with the exception of a Conversion from the Daily Rate Mode to the Weekly Rate Mode or from the Weekly Rate Mode to the Daily Rate Mode) a mandatory tender will result on the Effective Date of the change as provided in this Resolution.

(c) Change In Interest Rate Mode – Opinion of Bond Counsel. No conversion from the Daily Rate Mode or the Weekly Rate Mode to the Fixed Rate Mode or the Auction Rate Mode shall be effective unless on or prior to the Conversion Date the Board shall provide the Paying Agent/Registrar with a Favorable Opinion.

Section 2.04 **Maturity; Redemption Prior to Maturity; Remarketing; Bond Purchase Fund.** (a) The Bonds of each Series shall mature on the dates and in the amounts set forth in the Award Certificate; provided that, the final maturity of the Bonds of a Series shall not be later than 30 years from their dated date as set forth in the Award Certificate.

(b) Redemption of Bonds. Subject to the notice provisions set forth below and in the FORMS OF BONDS set forth in Exhibit A hereto, the Bonds shall be subject to optional redemption by the Board prior to maturity as follows:

(A) During the Daily Rate Mode or Weekly Rate Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Board and upon written notice to the Paying Agent/Registrar by the Board at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole on any Business Day or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date.

(B) During the Fixed Rate Mode, the Bonds shall be subject to redemption prior to maturity at the option of the Board and upon written notice to the Paying Agent/Registrar by the Board at least 45 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole or in part on any Business Day (and if in part in an Authorized Denomination) after the “Commencement of Redemption Period” described below, at the redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date of redemption:

LENGTH OF TIME FROM CONVERSION DATE TO MATURITY DATE	COMMENCEMENT OF REDEMPTION PERIOD	REDEMPTION PRICES
Greater than or equal to 10 years	10 years from the commencement of Interest Rate Period	100%
Less than 10 years	No call	N/A

Notwithstanding the foregoing, for Bonds initially bearing interest at a Fixed Rate, the redemption schedule, if any, shall be as set forth in the Award Certificate. In connection with a Conversion, the Remarketing Agent, upon the request of the Board and in order to achieve the lowest interest rate that, in the judgment of the Remarketing Agent, on the basis of current financial market conditions as to interest rates and redemption periods, would permit the sale of the Bonds so converted at par plus accrued interest, may deliver to the Board and the Paying Agent/Registrar an alternative redemption schedule to that shown above, provided that the Board delivers to the Remarketing Agent and the Paying Agent/Registrar a Favorable Opinion with respect to such alternative schedule of redemption. Prior to such Conversion, the Paying Agent/Registrar shall insert the appropriate optional redemption provisions as described above in the FORMS OF BONDS set forth in Exhibit A hereto. After the Conversion Date succeeding the delivery of such alternative schedule and Favorable Opinion, the Bonds shall be subject to redemption in accordance with the provisions of such alternative schedule.

(C) During the Auction Rate Mode the Bonds shall be subject to redemption as provided in Exhibit B hereto.

(D) CPI Bonds and LIBOR-Based Bonds shall be subject to redemption as provided in the Award Certificate.

(c) Notice of any redemption shall be given to the registered owners of the Bonds to be redeemed, all as set forth in the FORMS OF BONDS set forth in Exhibit A hereto appearing in this Resolution. In addition to the notice of redemption set forth in the FORMS OF BONDS set forth in Exhibit A hereto, the Board shall give notice of redemption to the Paying Agent/Registrar at least fifteen (15) days prior to a redemption date in the case of a redemption of Bonds in the Daily Rate Mode or Weekly Rate Mode or the Auction Rate Mode and at least forty five (45) days prior to a redemption date in the case of a redemption of Bonds in the Fixed Rate Mode and the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least ten (10) days prior to a redemption date in the case of a redemption of Bonds in the Daily Rate Mode or Weekly Rate Mode or the Auction Rate Mode and at least thirty (30) days prior to a redemption date in the case of a redemption of Bonds in the Fixed Rate Mode to each registered securities depository and to any national information service that disseminates such notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more



than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

Notwithstanding the foregoing, failure to send, mail or receive any notice otherwise required by this Subsection 2.04(c), or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of notice as required by the FORMS OF BONDS set forth in Exhibit A hereto shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof.

Each notice of redemption, whether required in the FORMS OF BONDS set forth in Exhibit A hereto or in this Section, shall contain a description of the Bonds to be redeemed including the complete name and Series of such Bonds, the date of issue, the Mode, the interest rate in the case of Bonds in the Fixed Rate Mode, the maturity dates, the CUSIP numbers, the certificate numbers, the amounts called of each certificate, the publication and mailing dates for the notices, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which such Bonds may be redeemed, including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

(d) Remarketing of Bonds.

(A) Upon the tender of Bonds in the Daily Rate Mode, or the Weekly Rate Mode in accordance with Section 2.03(a) hereof, the Remarketing Agent shall, subject to the terms of the Remarketing Agreement, offer for sale and use its best efforts to sell such Bonds (or portions thereof) on any Purchase Date for such Bonds at the Purchase Price of 100% of the principal amount thereof, plus accrued interest, pursuant to the provisions hereof and of the Remarketing Agreement. If the Bonds are not remarketed, the Board shall provide, or shall cause to be provided, immediately available funds to purchase the Bonds, by 2:00 p.m. New York City time on the Purchase Date, and such Bonds shall constitute "*Board-Held Bonds*". Such purchase of Bonds with moneys provided by the Board shall not extinguish the debt represented by such Bonds that shall remain outstanding and unpaid under this Resolution. Thereafter, the Remarketing Agent shall continue to use its best efforts to remarket the Bonds unless otherwise directed by the Board. If the Purchase Price of any Bond has been provided by the Board, the Remarketing Agent will solicit the purchase of such Board-Held Bond for a period of up to ninety (90) days. In the event that any such Board-Held Bond has not been remarketed at the end of such ninety-day period, the Remarketing Agent will further attempt to solicit the purchase of such Board-Held Bond upon request of the Board.

(B) The Remarketing Agent shall not remarket any Bonds pursuant to this Section if the Board is in default of any of the provisions of this Resolution.

(C) The Remarketing Agent shall give notice to the Paying Agent/Registrar and the Board by Electronic Notice (i) at or before 2:00 p.m., New York City time, on the second Business Day immediately preceding each Purchase Date for Tendered Bonds that are to be in the Fixed Rate Mode immediately after the Purchase Date specifying the principal amount of Tendered Bonds as to which the Remarketing Agent has found purchasers, and (ii) at or before 12:00 p.m., New York City time, on each Purchase Date for Tendered Bonds that are to be in the Daily Rate Mode, Weekly Rate Mode, or the Auction Rate Mode immediately after the Purchase Date, the principal amount of the Tendered Bonds for which the Remarketing Agent has found purchasers, the amounts the Remarketing Agent has received for the purchase of Tendered Bonds and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds. The Remarketing Agent shall give Electronic Notice or written notice to the Paying Agent/Registrar of the names, addresses, and taxpayer identification numbers of the purchasers and the number and denominations of Bonds to be delivered to each purchaser, at or before 2:00 p.m., New York City time, on each Purchase Date.

(D) The Remarketing Agent shall deliver to the Paying Agent/Registrar all amounts received by the Remarketing Agent as proceeds of the remarketing of such Bonds at or before 2:00 p.m., New York City time, on the Purchase Date for Tendered Bonds that are to be converted to any Mode immediately after the Purchase Date.

(E) Payment of Purchase Price to Owners; Delivery of Bonds. Any purchase of Tendered Bonds shall be made by payment of the Purchase Price by wire or bank transfer in immediately available funds by the Paying Agent/Registrar upon receipt of remarketing proceeds at the time specified in subsection (D) above. The Purchase Price shall be paid in the manner specified in the FORMS OF BONDS set forth in Exhibit A hereto. By 4:00 p.m., New York City time, Bonds remarketed under this section shall be made available by the Paying Agent/Registrar to the purchasers thereof and shall be registered in the manner directed by the recipient thereof, provided that such Bonds shall not be delivered unless and until the Paying Agent has received the Purchase Price therefor.

(F) Remarketing of Bonds Between Notice and Redemption or Conversion Date. No Bonds scheduled to be redeemed or converted may be remarketed after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a new Mode from the Board unless the Remarketing Agent, on or before the Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

(G) During Book-Entry System. Notwithstanding anything herein to the contrary, so long as the Bonds are held under the book-entry system in accordance with Section 2.10 hereof, Bonds will not be delivered as set forth in Section 2.04(d)(E) above; rather, transfers of beneficial ownership of the Bonds to the person indicated above will be effected on the books of DTC pursuant to its rules and procedures.

(e) **Creation and Use of Bond Purchase Fund.** There is hereby created by the Board and established a “Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 200\_\_, Bond Purchase Fund” (the “*Bond Purchase Fund*”) with respect to Bonds in a Daily Rate Mode, a Weekly Rate Mode, or an Auction Rate Mode to be held as a separate escrow fund, in trust and administered and distributed by the Paying Agent/Registrar as provided in this Section. The Paying Agent/Registrar shall include in the name of the Bond Purchase Fund the appropriate Series designation given to such Bonds pursuant to Section 2.02 hereof. All moneys deposited in the Bond Purchase Fund shall be used solely for the purposes set forth herein.

With respect to Bonds in a Daily Rate Mode, a Weekly Rate Mode, or an Auction Rate Mode, the Paying Agent/Registrar shall deposit into the Bond Purchase Fund (i) all Remarketing Proceeds received by the Paying Agent/Registrar from the Remarketing Agent and (ii) funds paid by the Board pursuant to Section 3.02(c) hereof. The Paying Agent/Registrar shall apply moneys on deposit in the Bond Purchase Fund to pay the Purchase Price of Bonds purchased hereunder; provided, however, that any amounts received by the Paying Agent/Registrar from the Remarketing Agent that are not needed to pay the Purchase Price of Bonds because such Bonds have been called for redemption shall be returned to the Remarketing Agent.

Section 2.05 **Medium and Place of Payment.** The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the designated office for payment of the Paying Agent/Registrar. Interest on the Bonds shall be payable by the Paying Agent/Registrar on each Interest Payment Date, by check dated as of such Interest Payment Date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears on the Record Date preceding each such Interest Payment Date. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in this Resolution shall be payable to the registered owner thereof at the designated office for payment of the Paying Agent/Registrar upon presentation and surrender thereof for redemption and payment at such principal office for payment. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements between the Board and DTC.

Section 2.06 **Forms of Bonds.** (a) The form of all Bonds (including each Initial Bond) issued under this Resolution shall be substantially as set forth in the FORMS OF BONDS set forth in Exhibit A hereto, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution and the Award Certificate.

(b) The registration certificate of the Comptroller shall be affixed or attached to each Initial Bond and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER  
OF PUBLIC ACCOUNTS

REGISTER NO.

THE STATE OF TEXAS

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has this day been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas this

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

(c) A Paying Agent/Registrar's Authentication Certificate shall be printed on each Bond (other than the Initial Bonds), in substantially the following form:

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that the initial Bonds of the series of Bonds of which this Bond is a part were approved by the Attorney General of the State of Texas.

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

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

\_\_\_\_\_  
Authorized Signature

(d) Assignment provisions shall be printed on each Bond, in substantially the following form:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

\_\_\_\_\_  
/\_\_\_\_\_/

\_\_\_\_\_  
(Assignee's Social Security or Taxpayer Identification Number)

(print or typewrite Assignee's name and address, including zip code)

\_\_\_\_\_  
and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Date: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
Registered Owner  
NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond.

(e) The Board may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, 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 in regard to the legality thereof and neither the Board nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

(f) The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, with respect to each Series of Bonds may be attached to each Bond of such Series.

(g) For each Series of Bonds, there shall be one Initial Bond (or multiple Initial Bonds, as applicable) numbered, as set forth in the FORMS OF BONDS in Exhibit A hereto, consecutively in the order of their maturity. Each such Initial Bond shall be registered in the name, or at the direction, of the respective initial purchaser. The Initial Bonds shall be submitted to the Attorney General for approval and shall be registered by the Comptroller.

Section 2.07 **Execution of Bonds.** The Bonds shall be executed on behalf of the Board by the Chairman and the Counsel and Secretary to the Board, by their manual or facsimile signatures, and the official seal of the Board 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 said officers of the Board, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds. In the event that any officer of the Board whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.08 **Authentication of Bonds.** Except for the Initial Bonds, which shall not be authenticated by the Paying Agent/Registrar, all other Bonds shall bear an authentication certificate, substantially in the form provided in Section 2.06(c) of this Resolution. No Bonds, except for the Initial Bonds, shall be deemed to be issued or outstanding, or be valid or obligatory for any purpose, or be entitled to any security or benefit of this Resolution unless and until such Bond has been duly authenticated by the Paying Agent/Registrar by the execution of the authentication certificate appearing on such Bond. The authentication certificate appearing on any Bond shall be deemed to have been duly executed by the Paying Agent/Registrar if dated and manually signed by an authorized signatory of the Paying Agent/Registrar. It shall not be required that the same signatory of the Paying Agent/Registrar sign the authentication certificate on all the Bonds.

The Paying Agent/Registrar shall authenticate any Bonds issued in exchange, substitution or replacement of other Bonds by executing the authentication certificate appearing thereon, upon satisfaction of the conditions set forth in Section 2.09 hereof.

Section 2.09 **Registration, Transfer, Exchange and Replacement of Bonds.** (a) The Board shall keep or cause to be kept at the designated transfer office of the Paying Agent/Registrar books or records of the registration and transfer of the Bonds, and the Board hereby appoints the Paying Agent/Registrar as agent to keep such Registration Books and make such transfers and registrations under such reasonable regulations as the Board and Paying Agent/Registrar may prescribe. The Paying Agent/Registrar shall make such transfers and registrations as provided herein.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided. It shall be the duty, however, of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the designated transfer office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee, as appropriate, be converted into and exchanged for fully registered Bonds of the same Series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bond so surrendered, and payable to the appropriate registered owner or assignee, as the case may be.

Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee thereof, and (ii) the right of such assignee to have the Bond or any such portion thereof registered in the name of such assignee. A form of assignment shall be printed or endorsed on each Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon the assignment and surrender of any Bond or portion thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new, fully registered substitute Bond of the same Series, having the characteristics herein described, payable to such assignee (which then will be the registered owner of such new Bond), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or any portion thereof.

Bonds issued and delivered in conversion of and exchange for any other Bonds of the same Series assigned and transferred or converted shall be in any Authorized Denomination requested in writing by the registered owner or assignee thereof, shall have all the characteristics and shall be in the form prescribed in the FORMS OF BONDS set forth in Exhibit A hereto, shall be in the same outstanding aggregate principal amount and shall have the same principal maturity date and bear interest at the same rate as the Bonds for which they are exchanged. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any transfer of registration, conversion and exchange, or replacement (i) of any Bond or any portion thereof 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.

(c) If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds of the same Series, having the same maturity date, bearing interest at the same rate, in any Authorized Denomination requested by the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation, at the expense of the Board.

(d) 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 Series, 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.

Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Board 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 applicant shall furnish to the Board 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 applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

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 or interest on the Bond, the Board 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 provided above in this subsection.

Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the 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 Board 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 Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof. For purposes of Subchapter D of Chapter 1201, Texas Government Code, as amended, this Section of this Resolution shall constitute authority for the issuance of any substitute, exchange or replacement Bond hereunder without necessity of further action by the Board 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 provided in this Resolution. Upon the execution of the Paying Agent/Registrar's authentication certificate appearing on any converted and exchanged or replaced Bond, the converted and exchanged or replaced Bond shall be valid,



incontestable, and enforceable in the same manner and with the same effect as the Initial Bonds originally issued pursuant to this Resolution, approved by the Attorney General.

(f) Notwithstanding the foregoing, the Paying Agent/Registrar shall not be required to make any transfer of registration of any Bond (or portion thereof), or any conversion or exchange of any Bond (or portion thereof) (i) with respect to any Bond (or portion thereof) called for redemption prior to maturity, within 45 days prior to the applicable redemption date, or (ii) 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.

Section 2.10 **Book-Entry Only System.** As provided in Section 7.04 of this Resolution, the Initial Bond or Bonds of each Series shall be delivered against payment to the respective initial purchaser(s). Such initial purchasers shall be required to promptly surrender the Initial Bonds to the Paying Agent/Registrar for exchange. Bonds issued in exchange shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of such Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds of each Series. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board, the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for such Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Board and the Paying Agent/Registrar); or (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement

Bonds of the same Series, in certificate form, to the beneficial owners of such Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds of the same Series in certificate form to beneficial owners of the Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Bonds of a Series, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Bonds, all references herein to DTC shall be of no further force or effect.

Section 2.11 **Cancellation.** All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be cancelled and destroyed by the Paying Agent/Registrar.

Section 2.12 **Temporary Bonds.** Pending the preparation of definitive Bonds of a Series, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds of the same Series that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered with provision for registration and with such appropriate insertions, omissions, substitutions and other variations as the authorized officers of the Board executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor Bonds of the same Series, maturity and interest rate, in definitive form, in Authorized Denominations, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any holder of Bonds.

Section 2.13 **Ownership of Bonds.** The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary. Payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums so paid.

Section 2.14 **Paying Agent/Registrar.** The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select an initial Paying Agent/Registrar for the Bonds and to approve, execute and deliver for and on behalf of the Board a Paying Agent/Registrar Agreement to reflect the appointment, responsibilities and compensation of the Paying Agent/Registrar, such approval to be conclusively evidenced by the Authorized Representative's execution thereof. The Paying Agent/Registrar shall be responsible for paying the principal of and interest on the Bonds and shall keep proper records of all payments made by the Board and the Paying Agent/Registrar with respect to the Bonds as provided in this Resolution. Pursuant to Chapter 1201, Texas Government Code, as amended, and particularly Subchapter D thereof, the duty of conversion and exchange or replacement of Bonds as set forth in Section 2.09 hereof hereby is imposed upon the Paying Agent/Registrar. The Board hereby covenants with the registered owners of the Bonds that it will pay the fees and charges, if any, of the Paying Agent/Registrar for its services with respect to the Bonds.

Section 2.15 **Substitute Paying Agent/Registrar.** The Board covenants with the registered owners of the Bonds that, at all times while the Bonds are outstanding, the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Resolution. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that it will promptly appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the respective Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the respective Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 2.16 **Duties as Tender Agent.**

(a) The Paying Agent/Registrar shall also serve in the capacity as tender agent hereunder with respect to the tender and purchase of Bonds in the Daily Rate Mode or Weekly Rate Mode pursuant to Sections 2.03 and 2.04 hereof, or in the Auction Rate Mode pursuant to Exhibit B to this Resolution. In such capacity, the Paying Agent/Registrar shall perform the duties and obligations set forth in this Resolution and in particular shall:

(i) hold all Bonds delivered to it for purchase hereunder in trust as bailee of, and for the benefit of, the respective owners that have so delivered such Bonds, until moneys

representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such owners;

(ii) hold all moneys (other than moneys delivered to it by the Board for the purchase of Bonds) in trust as bailee of, and for the benefit of, the person or entity that shall have delivered such moneys, until the Bonds purchased with such moneys shall have been delivered to or for the account of such person or entity;

(iii) hold all Board-Held Bonds on behalf of the Board and transfer such Board-Held Bonds as directed by the Board.

(b) The Paying Agent/Registrar shall cooperate with the Remarketing Agent to the extent necessary to permit the preparation, execution, issuance and authentication of replacement Bonds in connection with the tender and remarketing of Bonds under this Resolution.

(c) The Paying Agent/Registrar shall promptly return any notice of tender (together with any Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered in a timely fashion to the owner submitting the notice upon surrender of the receipt, if any, issued therefor.

(d) The Paying Agent/Registrar's determination of whether a notice of tender is properly completed or delivered on a timely basis shall be binding on the Board and the owner of the Bonds submitted therewith.

(e) The Paying Agent/Registrar shall comply fully with the notice and other requirements described in Sections 2.03 and 2.04 hereof.

Section 2.17 **PUF Bonds Construction Fund**. The Board hereby establishes a separate account designated as the "Board of Regents of The University of Texas System PUF Bonds Construction Fund" (the "PUF Bonds Construction Fund"). The PUF Bonds Construction Fund is and shall be maintained by the Board in an official depository of the System. Moneys on deposit or to be deposited in the PUF Bonds Construction Fund shall remain therein until from time to time expended for the Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below. Pending the expenditure of moneys in the PUF Bonds Construction Fund, moneys deposited therein or credited thereto may be invested at the direction of an Authorized Representative in the manner prescribed by law and in accordance with the written policies adopted by the Board. Any income received from investments in the PUF Bonds Construction Fund shall be retained in the PUF Bonds Construction Fund. Any amounts remaining in the PUF Bonds Construction Fund and not necessary for the payment of Project Costs shall be paid into the Interest and Sinking Fund.

### ARTICLE III

#### SECURITY AND SOURCE OF PAYMENT FOR THE BONDS; ADDITIONAL PARITY BONDS AND NOTES

Section 3.01 **Security and Pledge**. Pursuant to the provisions of the Constitutional Provision, all the Bonds and any Additional Parity Bonds and Notes hereafter issued, and the

interest thereon, shall be and are hereby equally and ratably secured, together with the Outstanding Parity Bonds, by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

Section 3.02 **Payment of Bonds and Additional Parity Bonds and Notes.** (a) The Comptroller previously has established and shall maintain in the State Treasury a fund to be known as “Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund.” The Board and the officers of the System shall cause the Comptroller, in addition to taking the actions required by the Series 1997 Resolution to pay the Series 1997 Bonds, by the Series 2002A Resolution to pay the Series 2002A Bonds, by the Series 2004 Resolution to pay the Series 2004 Bonds, by the Series 2005 Resolution to pay the Series 2005 Bonds, by the Series 2006A Resolution to pay the Series 2006A Bonds and by the Series 2006B&C Resolution to pay the Series 2006B Bonds and the Series 2006C Bonds, (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of the System in the Available University Fund), on or before each date upon which principal of, premium, if any, or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent/Registrar on or before each such date, the amounts of interest or principal, premium and interest which will come due on the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent/Registrar on or before each such date.

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution, the Series 1997 Resolution, the Series 2002A Resolution, the Series 2004 Resolution, the Series 2005 Resolution, the Series 2006A Resolution or the Series 2006B&C Resolution, substantially the same procedures as provided above shall be followed in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment and paying agents and registrars and dates and methods of payment and other procedures not in conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

(c) In addition, to the extent that Remarketing Proceeds in the Bond Purchase Fund are insufficient to pay the Purchase Price on any Purchase Date, the Board shall transfer, or cause to be transferred, to the Bond Purchase Fund immediately available funds in an amount necessary to satisfy any such deficiency from any lawfully available source.

Section 3.03 **Disposition of Funds.** After provision has been made for the payment of the principal of and interest on the PUF Bonds, the balance of the Interest of the System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it lawfully may direct.

Section 3.04 **Additional Parity Bonds and Notes**. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional bonds and notes on a parity with the Bonds and the Outstanding Parity Bonds in as many separate installments or series as deemed advisable by the Board, but only for the purposes and to the extent provided in the Constitutional Provision, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Outstanding Parity Bonds and the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity with each other and with the Bonds and the Outstanding Parity Bonds.

It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Authorized Representative, or some other officer of the System designated by the Board, executes a certificate to the effect that the total principal amount of (i) all PUF Bonds and (ii) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of Additional Parity Bonds or Notes is issued.

For purposes of this Resolution, including but not limited to this Section 3.04, any obligation of the Board that is payable from amounts appropriated, pursuant to the Constitutional Provision, including any amendment hereafter made to said Constitutional Provision, for the support and maintenance of The University of Texas at Austin or System administration (including, without limitation, any amounts payable by the Board under an Approved Swap Agreement), does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund.

## **ARTICLE IV**

### **REMEDIES**

Section 4.01 **Remedies**. Any owner or holder of any of the Bonds or Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

## ARTICLE V

### GENERAL COVENANTS OF THE BOARD

Section 5.01 **General Covenants of the Board**. The Board covenants and agrees, in addition to the other covenants of the Board hereunder, as follows:

(a) That while any PUF Bonds are outstanding and unpaid the Board will maintain and invest and keep invested the Permanent University Fund in accordance with the standards established by Section 11b of Article VII of the State Constitution;

(b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

(c) That the Board duly and punctually will pay or cause to be paid the principal of every PUF Bond, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all PUF Bonds, when issued, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it faithfully will do and perform and at all times will observe fully all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations; and

(d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from the Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, and the Board will, subject to the provisions hereof, continuously administer the Permanent University Fund and each and every part thereof in accordance with the Constitutional Provision.

## ARTICLE VI

### PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 6.01 **General Tax Covenant**. The Board intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code, and the applicable Income Tax Regulations (the "Regulations"). The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Board covenants and agrees to comply with each requirement of this Article VI; provided, however, that the Board shall not be required to comply

with any particular requirement of this Article VI if the Board has received an opinion of Bond Counsel (“*Counsel’s Opinion*”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Article VI will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Article VI. The covenants of the Board set forth in this Article VI are intended to apply only to Bonds when, as and if issued.

Section 6.02 **No Private Use or Payment and No Private Loan Financing.** The Board covenants and agrees that it will make such use of the proceeds of the Refunded Bonds, the Refunded Notes and the Bonds including interest or other investment income derived from such proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date each Series of Bonds is delivered, that the proceeds of the Refunded Bonds and the Refunded Notes have not been used, and that the proceeds of the Bonds will not be used, in a manner that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

Section 6.03 **No Federal Guarantee.** The Board covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

Section 6.04 **No Hedge Bonds.** The Board covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

Section 6.05 **No Arbitrage.** The Board covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Board will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.



Section 6.06 **Arbitrage Rebate**. If the Board does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the Board will take all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the “gross proceeds” of the Bonds of each Series (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Bonds of each Series as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds of such Series separately from records of amounts on deposit in the funds and accounts of the System allocable to other bond issues of the Board or moneys which do not represent gross proceeds of any bonds of the Board, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds of such Series which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds of such Series or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Board will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds of a Series that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

Section 6.07 **Information Reporting**. The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds of such Series are issued, an information statement concerning the Bonds of such Series, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

Section 6.08 **Continuing Obligation**. Notwithstanding any other provision of this Resolution, the Board’s obligations under the covenants and provisions of this Article VI shall survive the defeasance and discharge of the Bonds.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

Section 7.01 **Individuals Not Liable**. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the Constitution and laws of the State. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in such person’s individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 7.02 **Defeasance of Bonds.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), 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 for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations 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 or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of their services until after 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 Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 3.04 hereof or any other purpose.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations 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 Board, or deposited as directed in writing by the Board.

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

(d) Notwithstanding any provisions of this Resolution, any CPI Bonds or LIBOR-Based Bonds shall be deemed to be paid and discharged only if the amount deposited with or made available to the Paying Agent/Registrar under Subsection (a) above shall be sufficient to provide for the payment of such CPI Bonds or LIBOR-Based Bonds, as applicable, assuming the highest possible interest rate (as established in accordance with this Resolution) to Maturity or the redemption date thereof.

Section 7.03 **Amendment of Resolution.** (a) The owners of PUF Bonds aggregating 51% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

- (1) Make any change in the maturity of the outstanding PUF Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding PUF Bonds;
- (3) Reduce the amount of the principal payable on the outstanding PUF Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the PUF Bonds then outstanding;  
or
- (6) Change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

(b) Notwithstanding the provisions of Subsection (a) of this Section and subject to the requirements of the resolutions authorizing the outstanding PUF Bonds, this Resolution and the rights and obligations of the Board and of the owners of the Bonds may, to the extent permitted by law, be modified or amended at any time by a supplemental resolution, without notice to or the consent of any owners of the Bonds, to cure any ambiguity, or to cure or correct any defective provision contained in this Resolution, upon receipt by the Board of an approving opinion of Bond Counsel that the same is needed for such purpose and will more clearly express the intent of this Resolution.

(c) If at any time the Board shall desire to amend a resolution under Subsection (a) of this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent/registrars for the PUF Bonds for inspection by all owners of PUF Bonds. Such publication is not required, however, if notice in writing is given to each owner of the PUF Bonds then outstanding.

(d) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of a proposed amendment under Subsection (a) of this Section, the Board shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all PUF Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then outstanding PUF Bonds and all future PUF Bonds thereafter shall be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(f) Any consent given by the owner of a PUF Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same PUF Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the paying agent/registrars for such PUF Bonds and the Board, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then-outstanding PUF Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purpose of this Section the ownership and other matters relating to all PUF Bonds shall be determined from the registration books kept for such bonds by the respective paying agent/registrars therefor.

Section 7.04 **Issuance and Sale of Bonds.** (a) The Authorized Representative is hereby authorized to act for and on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Authorized Representative, acting for and on behalf of the Board, shall determine: the date of such Bonds and the Issuance Date thereof; the principal amount of Bonds of such Series to be issued and sold; the initial Mode or Modes of each Series of Bonds; the initial Auction Period, Auction Period Rate and Auction Date for Bonds of each Series or portion of a Series to be issued in an Auction Rate Mode; whether a Series shall be designated as CPI Bonds or LIBOR-Based Bonds; the Series designation for such Bonds and any additional or different designation or title by which the Bonds of each Series shall be known; the price at which the Bonds of such Series shall be sold; the principal amortization schedule for such Bonds; the redemption features of such Bonds; the rate or rates of interest to be borne by each maturity of such Bonds; the first Interest Payment Date for such Bonds; the Refunded Bonds or Refunded Notes, as appropriate, to be refunded by any series of Bonds and (in the case of the Refunded Notes) the redemption date(s) of the Refunded Notes; the Eligible Projects to be financed by any Series of Bonds; and all other matters relating to the issuance, sale and delivery of the Bonds of each Series and the refunding of the Refunded Bonds or Refunded Notes, as appropriate; all of which shall be specified in each Award Certificate; provided, that each Series of Bonds must be sold on terms that produce (i) interest rates that do not exceed the Maximum Rate and (ii) a sales price for the Bonds of such Series to the initial purchaser(s) thereof at not less than 95 percent of the par amount thereof (plus accrued interest from the date of such Bonds to the date of delivery thereof against payment therefor). In addition, each Series of Bonds issued to refund the Refunded Bonds must be sold on terms that produce a present value savings when the scheduled debt service payable on such Bonds during each Bond Year is subtracted from the scheduled debt service payable on the Refunded Bonds during the same Bond Year and the remainder is discounted to the scheduled date of delivery of the Bonds of such Series set forth in the Award Certificate at a discount factor equal to the yield on such Bonds determined in accordance with section 148 of the Code; provided, that in the case of Refunded Bonds being advance refunded more than 90 days prior to their maturity or earlier redemption date, the present value savings must not be less than an amount equal to 0.03 times the principal amount of the Refunded Bonds being refunded by the Bonds of such Series; and provided further, that if the Refunded Bonds or Bonds constitute Variable Rate PUF Bonds, then, for purposes of

performing the foregoing present value savings calculations, such Refunded Bonds and Bonds shall be deemed to bear interest at all times to their maturity or due date at the Assumed Rate.

All Bonds issued to provide funds to pay Project Costs of Eligible Projects shall be sold through competitive bidding as required by the Constitutional Provision. All Bonds sold to refund or refinance Refunded Bonds or Refunded Notes are hereby deemed to be “refunding bonds” within the meaning of the Constitutional Provision and therefore may be sold in the manner deemed by an Authorized Representative to be most economically advantageous to the Board. For any Series of Bonds required, or determined by an Authorized Representative, to be sold through competitive bidding pursuant to the terms hereof, an Authorized Representative shall prepare a Notice to Bidders and Bidding Instructions with respect thereto. If an Authorized Representative determines that any Series of Bonds issued for the purpose of refunding or refinancing the Refunded Bonds or the Refunded Notes shall be sold on a negotiated basis, such Authorized Representative is authorized to approve, execute and deliver a Bond Purchase Contract with the Underwriters of each such Series of Bonds. Notwithstanding the foregoing, the Authorized Representative may determine to sell two or more Series of such Bonds to the same Underwriters pursuant to the terms of a single Bond Purchase Contract. The Authorized Representative’s approval of a Bond Purchase Contract shall be conclusively evidenced by said Authorized Representative’s execution thereof. The Authorized Representative, acting for and on behalf of the Board, shall designate a senior managing Underwriter for each such Series of Bonds and shall select such additional Underwriters as deemed appropriate to assure that the Bonds of such Series are sold on advantageous terms. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds of any Series shall not be delivered unless prior to delivery, such Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations for Bonds initially issued in the Fixed Rate Mode, as CPI Bonds or as LIBOR-Based Bonds, or one of the three highest rating categories of short term obligations for Bonds initially issued in the Daily Rate Mode, Weekly Rate Mode or the Auction Rate Mode, as required by Chapter 1371 of the Texas Government Code, as amended.

(b) The Authorized Representative, acting for and on behalf of the Board, is authorized and directed to provide for and oversee the preparation of a preliminary official statement to be prepared for distribution (which may be made electronically) and to be used in the offering and sale of the Bonds. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to approve the form of the preliminary official statement and to deem the preliminary official statement to be final as of its date, except for such omissions as are permitted by Rule 15c2-12. The Authorized Representative, acting for and on behalf of the Board, shall cause a final official statement to be prepared and provided in compliance with Rule 15c2-12. Notwithstanding the foregoing, the Authorized Representative may prepare one preliminary official statement and one final official statement with respect to multiple Series of such Bonds so sold.

(c) Following the execution of each Award Certificate, the Authorized Representative shall notify the Paying Agent/Registrar in writing of the identity of the respective initial purchasers and of the following terms for the related Series of Bonds: Series designation; dated date and Issuance Date; principal amount; maturities; redemption provisions; initial rate or rates of interest; initial Mode or Modes; and first Interest Payment Date. The Authorized

Representative shall deliver the Initial Bonds of such Series to the respective initial purchasers against payment therefor. Incident to the delivery of each Series of Bonds, the Authorized Representative shall execute:

(1) a certificate meeting the requirements of section 3.04 of the resolutions of the Board authorizing the issuance of the Outstanding Parity Bonds (with respect to the issuance of the Bonds as additional parity bonds and additional parity notes within the meaning of such resolutions);

(2) a certificate to the effect that the total principal amount of (a) all PUF Bonds and (b) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the Bonds of such Series will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the Bonds of such Series are issued; provided that any obligation of the Board that is payable from amounts appropriated, pursuant to the Constitutional Provision, including any amendment hereafter made to said Constitutional Provision, for the support and maintenance of The University of Texas at Austin or System administration (including, without limitation, any amounts payable by the Board under an Approved Swap Agreement) does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund;

(3) a certificate to the effect that all action on the part of the Board necessary for the valid issuance of the Bonds of such Series issued has been taken, that such Bonds have been issued in compliance with the terms of this Resolution;

(4) a certificate to the effect that the Board is in compliance with the covenants set forth in Articles V and VI of this Resolution as of the date of such certificate; and

(5) if a Series of Bonds are being issued to pay Project Costs, a certificate to the effect that (a) the bidding requirements set forth in this Resolution have been satisfied, and (b) attached to such certificate is (i) a written opinion of the general counsel of the System that such Bonds are being issued to pay Project Costs for Eligible Projects, and (ii) a listing of the Eligible Projects expected to be financed, in whole or in part, by such Bonds and certifying that each of such Eligible Projects has been approved by the Texas Higher Education Coordinating Board (or is otherwise exempt from the requirement of such approval); provided, however, that at some future date, the Board may substitute other Eligible Projects (the "*Substituted Projects*") to be financed, in whole or in part, by such Bonds for the Eligible Projects listed on such certificate so long as each of such Substituted Projects has been approved by the Texas Higher Education Coordinating Board (or is otherwise exempt from the requirement of such approval).

Section 7.05 **Refunding of Refunded Bonds and Refunded Notes; Escrow Agreements.** (a) As provided in Section 7.04 above, the Authorized Representative shall determine the particular Outstanding Parity Bonds and Flexible Rate Notes to be refunded by a

Series of Bonds subject, in the case of the Refunded Bonds, to the minimum net present value savings requirement of said Section 7.04.

(b) Subject to the execution of an Award Certificate and the determination by the Authorized Representative of the Refunded Bonds to be refunded by a Series of Bonds, the Board irrevocably calls the particular Outstanding Parity Bonds constituting Refunded Bonds for redemption prior to maturity on the first optional redemption date following delivery of the Bonds of such Series, for which all of the notice requirements for redemption can reasonably be met, at a redemption price of par (plus accrued interest to the date fixed for redemption); and, subject to the execution of an Award Certificate and the determination by the Authorized Representative of the Refunded Notes to be refunded by a Series of Bonds, the Board irrevocably calls the particular Flexible Rate Notes constituting Refunded Notes for redemption prior to maturity on the dates set forth in the Award Certificate, at a redemption price of par (plus accrued interest to the date fixed for redemption).

Upon execution of the respective Award Certificate, the Authorized Representative, acting for and on behalf of the Board, shall provide for notice of such redemption to be given in accordance with the resolution(s) of the Board authorizing the Refunded Bonds and the Flexible Rate Notes Resolution, as appropriate.

(c) Concurrently with the delivery of each Series of Bonds issued for the purpose of refunding the Refunded Bonds or the Refunded Notes, the Authorized Representative shall cause to be deposited from the proceeds from the sale of the Bonds of such Series, together with the other legally available funds as provided in Section 7.08, with the appropriate Escrow Agent, in an amount sufficient to provide for the refunding of the Refunded Bonds or the Refunded Notes, as appropriate, in accordance with Chapter 1207, Texas Government Code, as amended. The discharge and defeasance of the Refunded Bonds and the Refunded Notes, as appropriate, shall be effected pursuant to the terms and provisions of the respective Escrow Agreement with the respective Escrow Agent. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select one or more Escrow Agent(s) with respect to the Refunded Bonds and the Refunded Notes and to approve, execute and deliver for and on behalf of the Board one or more Escrow Agreement(s) to reflect the appointment, responsibilities and compensation of the Escrow Agent(s), such approval to be conclusively evidenced by the Authorized Representative's execution thereof. Notwithstanding anything to the contrary contained in this Section 7.05, the Authorized Representative, acting for and on behalf of the Board, may determine to approve, execute and deliver for and on behalf of the Board a single Escrow Agreement with the same Escrow Agent for both Refunded Bonds and the Refunded Notes.

(d) To assure the purchase of the "Escrowed Securities" referred to in the Escrow Agreement for the Refunded Bonds, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase "Government Obligations," as defined in the resolution(s) of the Board authorizing the Refunding Bonds, in such amounts and maturities and bearing interest at such rates as may be provided for in such Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and is authorized to create and fund the "Escrow Fund" contemplated by such Escrow

Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Bonds, the moneys and investments held in the fund securing the Refunded Bonds, and other lawfully available moneys of the Board.

(e) To assure the purchase of the “Escrowed Securities” referred to in the Escrow Agreement for the Refunded Notes, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase “Defeasance Obligations,” as defined in the Flexible Rate Notes Resolution, in such amounts and maturities and bearing interest at such rates as may be provided for in such Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and is authorized to create and fund the “Escrow Fund” contemplated by such Escrow Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Notes, the moneys and investments held in the fund securing the Refunded Notes, and other lawfully available moneys of the Board.

(f) To satisfy in a timely manner all of the Board’s obligations under this Resolution and the Escrow Agreement(s), the Authorized Representative and all other appropriate officers and agents of the Board are hereby severally authorized and directed for and on behalf of the Board to take all other actions that are reasonably necessary to provide for the refunding of the Refunded Bonds and the Refunded Notes, including, without limitation, executing and delivering for and on behalf of the Board all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Board’s obligations under the Escrow Agreement(s) and this Resolution and to direct the transfer and application of funds of the Board consistent with the provisions of such Escrow Agreement(s) and this Resolution.

(g) It is hereby found and determined that (i) the refunding of the Refunded Bonds and of the Refunded Notes is advisable and necessary in order to restructure the debt service requirements of the Board and (ii) the manner in which the refunding of the Refunded Bonds and of the Refunded Notes is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2) of the Government Code.

Section 7.06 **Application of Bond Proceeds.** Proceeds from the sale of the Bonds of each Series shall, promptly upon receipt thereof, be applied by the Authorized Representative as follows:

- (i) accrued interest, if any, shall be deposited into the Interest and Sinking Fund;
- (ii) the remaining proceeds from the sale of each Series of Bonds issued for the purpose of refunding the Refunded Bonds or the Refunded Notes shall, (A) to the extent required, be applied in accordance with the respective Escrow Agreement to establish an escrow fund in an amount, together with investment earnings thereon, sufficient to accomplish the discharge and final payment of the related Refunded Bonds or Refunded Notes, as appropriate, (B) to the extent not otherwise provided for, be used to pay all expenses arising in connection with the issuance of the Bonds of such Series, the establishment of such escrow fund and the refunding of the Refunded Bonds or the Refunded Notes, as appropriate, and, if applicable, the payment of any amounts due and payable under an Approved Swap Agreement entered into by the Board with respect to such Series of Bonds, and (C) to the extent not otherwise applied



pursuant to the foregoing clauses (A) and (B), be deposited into the Interest and Sinking Fund; and

(iii) the remaining proceeds from the sale of each Series of Bonds issued for the purpose of financing Project Costs of Eligible Projects shall be (A) used, to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds of such Series and, if applicable, payment of any amounts due and payable under an Approved Swap Agreement entered into by the Board with respect such Series of Bonds, and (B) after making the foregoing payments, deposited into the PUF Bonds Construction Fund and used and applied in accordance with the provisions of Section 2.17 hereof.

Section 7.07 **DTC Letter of Representation.** The Authorized Representative is authorized to implement the Book-Entry-Only System of Bond registration with respect to the Bonds pursuant to the Blanket Letter of Representation with DTC. The Authorized Representative is authorized and directed to enter into any amendments to the Blanket Letter of Representation with DTC necessary to implement the Book-Entry-Only System.

Section 7.08 **Appropriation of Funds.** The Authorized Representative is further authorized and directed to apply and there is hereby appropriated such moneys of the Board as are necessary (i) to pay the costs of issuance of the Bonds incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds and the Refunded Notes, as appropriate, to the extent not paid from Bond proceeds; and (ii) to make the deposits described in Sections 7.05 and 7.06 in amounts sufficient, together with the proceeds of the Bonds, to provide for the defeasance of the Refunded Bonds and the Refunded Notes, as appropriate, on the date of delivery of the Bonds.

Section 7.09 **Continuing Disclosure Undertaking.** (a) **Annual Reports.** The Board shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year ending after the issuance and sale of each Series of Bonds pursuant to Section 7.04 of this Resolution, financial information and operating data with respect to the Permanent University Fund and the Interest of the System in the Available University Fund of the general type included in the Board's Continuing Disclosure Annual Report relating to Permanent University Fund Bonds filed on February 28, 2007 with the NRMSIRs and the SID, and as otherwise included in the final official statement authorized in Section 7.04 of this Resolution. Any financial statements with respect to the Permanent University Fund so to be provided shall be (1) prepared on an accrual basis, or such other basis as the Board may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements with respect to the Permanent University Fund are not so provided within the required period, then the Board shall provide unaudited financial statements with respect to the Permanent University Fund for the applicable Fiscal Year to each NRMSIR and any SID, and shall file audited financial statements with respect to the Permanent University Fund when and if audited financial statements become available. If audited financial statements are not prepared with respect to the Permanent University Fund for any Fiscal Year and audited financial statements are prepared with respect to the State for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable Fiscal Year to each NRMSIR and any SID within six months after the end of said

Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

If the State changes the Fiscal Year, the Board will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Subsection.

The financial information and operating data to be provided pursuant to this Subsection 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 any SID or filed with the SEC.

(b) Material Event Notices. The Board shall notify any SID and either each NRMSIR or the MSRB, 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:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The Board shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Subsection 7.09(a) above by the time required.

(c) Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Permanent University Fund or the Interest of the System in the Available University Fund

remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12, except that the Board in any event will give the notice otherwise required under this Resolution of any Bond calls and defeasance that cause the Permanent University Fund or the Interest of the System in the Available University Fund to be no longer “obligated persons.”

The provisions of this Section 7.09 are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, expressed or implied, shall give any benefit or any legal or equitable right, remedy or claim hereunder to any other person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the Permanent University Fund or the Interest of the System in the Available University Fund or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Board 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 BOARD 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 BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF 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.

No default by the Board in observing or performing its obligations under this Section shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive or otherwise limit the duties of the Board under federal and state securities laws.

The provisions of this Section may be amended by the Board 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 Board or the Permanent University Fund, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (A) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the Board and the Permanent University Fund (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Board so amends the provisions of this Section, it shall include with any amendment financial information or operating data next provided in accordance with Subsection

(a) of this Section 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. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but 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.

(d) Definitions. As used in this Section 7.09, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*NRMSIR*” means 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.

“*SEC*” means the United States Securities and Exchange Commission.

“*SID*” means any person designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of Rule 15c2-12 from time to time.

(e) Central Post Office. Notwithstanding the foregoing provisions of this Section 7.09, any filing required under this Section may be made solely by transmitting such filing (a) to the Municipal Advisory Council of Texas (the “*MAC*”) as provided at <http://www.disclosureusa.org> unless the SEC withdraws the interpretive advice in its letter to the *MAC* dated September 7, 2004 or (b) to any other “central post office” approved for such purpose by the SEC.

Section 7.10 **Remarketing Agents; Qualifications; Remarketing Agreements**. (a) The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select one or more Remarketing Agents with respect to the Bonds and to approve, execute and deliver for and on behalf of the Board one or more Remarketing Agreements to reflect the appointment, responsibilities and compensation of the Remarketing Agent(s), such approval to be conclusively evidenced by the Authorized Representative’s execution thereof. The Remarketing Agent shall act as Remarketing Agent as provided in this Resolution, and, in accordance with the Remarketing Agreement, shall use its best efforts to remarket Bonds required to be purchased pursuant to Sections 2.03 and 2.04 hereof. The Authorized Representative shall appoint any successor Remarketing Agent for the Bonds, subject to the conditions set forth in Subsection (b) below. The Remarketing Agent shall designate its principal office to the Paying Agent/Registrar and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Board under which the Remarketing Agent will agree, particularly, to:

(i) determine the Daily Rates, the Weekly Rates, and the Fixed Rates and give notice of such rates in accordance with Section 2.03 hereof and the FORMS OF BONDS set forth in Exhibit A hereto;

(ii) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice;

(iii) remarket Bonds in accordance with this Resolution and the Remarketing Agreement; and

(iv) perform such actions as provided by Exhibit B hereto with respect to Bonds in an Auction Rate Mode.

(b) The Remarketing Agent shall have a capitalization of at least \$100,000,000 and be authorized by law to perform all the duties imposed upon it by this Resolution and the Remarketing Agreement. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least ten (10) days' written notice to the Board and the Paying Agent/Registrar. The Remarketing Agent may be removed at any time by the Board, upon seven (7) days' notice by an instrument filed with the Remarketing Agent and the Board.

In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor or, if there is no successor, to the Paying Agent/Registrar.

In the event that the Board fails to appoint a Remarketing Agent hereunder, or 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 Board shall not have appointed its successor as Remarketing Agent, the Paying Agent/Registrar, notwithstanding the provisions of the first paragraph of this Section shall *ipso facto* be deemed to be the Remarketing Agent for all purposes of this Resolution until the appointment by the Board of the Remarketing Agent or successor Remarketing Agent, as the case may be; provided, however, that the Paying Agent/Registrar, 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 Section 2.03 hereof.

Section 7.11 **Auction Agents; Auction Agreements.** In the event Bonds are issued in or converted to the Auction Rate Mode, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select one or more Auction Agents with respect to the Bonds and to approve, execute and deliver for and on behalf of the Board one or more Auction Agreements as required by Exhibit B hereto, such approval to be conclusively evidenced by the Authorized Representative's execution thereof. Unless otherwise provided, the Authorized Representative, acting for and on behalf of the Board, is authorized to exercise any rights reserved by or granted to, or take any action permitted to be taken by, the Board under the Auction Agreement or described in this Resolution relating to the Auction Agreement.

Section 7.12 **Broker Dealers; Broker-Dealer Agreements.** In the event Bonds are issued in or converted to the Auction Rate Mode, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select one or more Broker-Dealers with respect to the Bonds and to approve, execute and deliver for and on behalf of the

Board one or more Broker-Dealer Agreement as required by Exhibit B hereto, such approval to be conclusively evidenced by the Authorized Representative's execution thereof. Unless otherwise provided, the Authorized Representative, acting for and on behalf of the Board, is authorized to exercise any rights reserved by or granted to, or take any action permitted to be taken by the Board under the Broker-Dealer Agreement or described in this Resolution relating to the Broker-Dealer Agreement.

Section 7.13 **Additional Agreements.** The Authorized Representative is hereby authorized and directed to execute any supplemental document with the Paying Agent/Registrar or DTC as may be necessary to consummate the transactions contemplated by this Resolution, any such document to be subject to the approval of each of the foregoing parties.

In addition, in the event that the Authorized Representative determines that it would be beneficial to the System to enter into one or more Credit Agreements in connection with any Bonds in a Daily Rate Mode or Weekly Rate Mode to provide liquidity support for the remarketing of such Bonds, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to approve, execute and deliver for and on behalf of the Board one or more such Credit Agreements, such approval to be conclusively evidenced by the Authorized Representative's execution thereof. Any such Credit Agreement may be a Board Liquidity Resolution.

In addition, the Board hereby expressly reserves the right to authorize and enter into one or more Approved Swap Agreements in relation to the payment or exchange of payments on the Bonds.

Section 7.14 **Defeasance of Outstanding Parity Bonds.** The Board desires to authorize the use of certain lawfully available funds of the Board, as determined by the Authorized Representative, to defease, from time to time, certain Outstanding Parity Bonds previously issued by the Board. The Authorized Representative is hereby authorized to determine and retire, from time to time, the various portions of such Outstanding Parity Bonds which are economically advantageous for Board to retire by the defeasance of such Bonds. The Authorized Representative is authorized to enter into one or more escrow agreements in substantially the standard form previously approved by the Board to accomplish such defeasances. In the event of such a defeasance, the Authorized Representative is authorized hereby to take such steps as may be necessary to purchase the escrowed securities identified in such escrow agreements on behalf of the Board and is authorized to create and fund the escrow funds contemplated by such escrow agreements through the use of the lawfully available funds of the Board. The Authorized Representative is authorized to call for redemption such Outstanding Parity Bonds defeased pursuant to this Section and is hereby authorized to provide and complete an appropriate notice of redemption to the paying agent(s) and/or registrar(s) for such Outstanding Parity Bonds upon the deposit with the escrow agent of such available funds and compliance with the conditions set forth in the escrow agreements.

Section 7.15 **Further Procedures.** The Chairman of the Board, the General Counsel to the Board, each Authorized Representative and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver, in the name and under the seal and on behalf of the Board, all such agreements, documents and instruments, whether or not herein mentioned, as may be

necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the preliminary official statement and the official statement for the Bonds, each Escrow Agreement, any Bond Purchase Contract, the Paying Agent/Registrar Agreement and the DTC Blanket Letter of Representations.

Each Authorized Representative is hereby further expressly authorized and empowered to establish, alter, or consent to changes in interest rates, Modes, and Interest Rate Periods (including, without limitation, pursuant to the Auction Rate Mode provisions of Exhibit B hereto), and to execute and enter into, on behalf of the Board and as appropriate for the respective Mode, one or more Auction Agreements, one or more Broker-Dealer Agreements, and one or more Remarketing Agreements, and to enter into any other agreement, document, certificate or other instrument, or to take any other action, including the making of any finding or determination, that the Authorized Representative determines is necessary or appropriate to carry out the provisions of this Resolution or to take all such action or perform such functions as contemplated by this Resolution or any Auction Agreement, Broker-Dealer Agreement or Remarketing Agreement.

In addition, the Authorized Representative, the General Counsel to the Board and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by any bond rating agency as a condition to the granting of a rating on the Bonds or as required by the office of the Texas Attorney General as a condition to the approval of the Bonds.

In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 7.16 **Repeal of Conflicting Resolutions.** All resolutions and all parts of any resolutions which are in conflict or are inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

[Execution page follows]

ADOPTED AND APPROVED this the 23rd day of August, 2007.

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Chairman  
Board of Regents of  
The University of Texas System

Attest:

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General Counsel to the  
Board of Regents of  
The University of Texas System  
[SEAL]



**EXHIBIT A**

**FORMS OF BONDS**

**FORM FOR BONDS IN FIXED RATE MODE, CPI BONDS  
AND LIBOR-BASED BONDS**

**[FORM OF FIRST TWO PARAGRAPHS OF FIXED RATE BONDS]**

NO. R-\_\_

PRINCIPAL  
AMOUNT  
\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND [**REFUNDING**]<sup>1</sup> BONDS,  
SERIES 200\_\_

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ISSUANCE DATE</u> <sup>2</sup>	<u>CUSIP NO.</u>
_____%	_____	_____	_____

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of \_\_\_\_\_ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Issuance Date specified above to the Maturity Date specified above, [**or the date of redemption prior to maturity,**]<sup>3</sup> at the interest rate per annum specified above; with interest being payable on January 1 and July 1 of each year, commencing with \_\_\_\_\_, until maturity or prior redemption, except that if the date of authentication of this Bond is later than the first interest payment date on this Bond, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity [**or upon the date fixed for its redemption prior to maturity,**]<sup>4</sup> at the designated office for payment of \_\_\_\_\_, in \_\_\_\_\_, \_\_\_\_\_, which is the initial "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be

<sup>1</sup> Include bracketed language only if Series of Bonds are being issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date.

<sup>2</sup> Issuance Date will be the dated date unless the Award Certificate provides otherwise.

<sup>3</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>4</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the “Bond Resolution”) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last day of the month next preceding each such date (the “Record Date”) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. **[Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the designated office for payment of the Paying Agent/Registrar.]**<sup>5</sup> The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date **[and redemption date]**<sup>6</sup> for this Bond it will make available to the Paying Agent/Registrar, from the “Interest and Sinking Fund” maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

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<sup>5</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>6</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

**[FORM OF FIRST PARAGRAPHS OF CPI BOND]**

NO. CPR-\_\_

PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND [**REFUNDING**]<sup>7</sup> BONDS,  
SERIES 200\_\_

<u>INITIAL</u> <u>INTEREST RATE</u> ____%	<u>MATURITY DATE</u> _____	<u>ISSUANCE DATE</u> <sup>8</sup> _____	<u>CUSIP NO.</u> _____
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ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) the principal amount of \_\_\_\_\_ and to pay interest on the unpaid principal amount thereof from the Issuance Date specified above at the CPI Rate, calculated on the basis of a 360-day year composed of twelve 30-day months, such interest being payable on the first calendar day of each month provided that if such day is not a Business Day then on the immediately succeeding Business Day, commencing \_\_\_\_\_, \_\_\_\_.

THE CPI BONDS will bear interest at the Initial Interest Rate during the Initial Interest Period. Thereafter, the CPI Bonds will bear interest at an annual rate (the “CPI Rate”) that the Calculation Agent determines as of each Interest Reset Date, for the Interest Period beginning on that Interest Reset Date, pursuant to the following formula:

$$[(CPI_t - CPI_{t-12}) / CPI_{t-12}] + \text{Spread}$$

Where:

CPI<sub>t</sub> = CPI for the applicable Reference Month;

CPI<sub>t-12</sub> = CPI for the twelfth month prior to the applicable Reference Month; and

Spread = The Percentage assigned to various maturities of the CPI Bonds as provided in an Award Certificate;

CPI<sub>t</sub> for each Interest Reset Date is the CPI for the applicable Reference Month, which is generally released and published in the first calendar month prior to such Interest Reset Date.

<sup>7</sup> Include bracketed language only if Series of Bonds are being issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date.

<sup>8</sup> Issuance Date will be the dated date unless the Award Certificate provides otherwise.

CPI<sub>t-12</sub> for each Interest Reset Date is the CPI for the twelfth month prior to the applicable Reference Month, which is generally released and published in the eleventh month prior to the applicable Reference Month.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity **[or upon the date fixed for its redemption prior to maturity]**,<sup>9</sup> at the designated office for payment of \_\_\_\_\_, in \_\_\_\_\_, \_\_\_\_\_, which is the initial “Paying Agent/Registrar” for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the “Bond Resolution”) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last day of the month next preceding each such date (the “Record Date”) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. **[Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the designated office for payment of the Paying Agent/Registrar.]**<sup>10</sup> The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date **[and redemption date]**<sup>11</sup> for this Bond it will make available to the Paying Agent/Registrar, from the “Interest and Sinking Fund” maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

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<sup>9</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>10</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>11</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

**[FORM OF FIRST PARAGRAPHS OF LIBOR-BASED BOND]**

NO. LR-\_\_

PRINCIPAL  
AMOUNT  
\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND [REFUNDING]<sup>12</sup> BONDS,  
SERIES 200\_\_

<u>INITIAL</u> <u>INTEREST RATE</u> _____%	<u>MATURITY DATE</u> _____	<u>ISSUANCE DATE</u> <sup>13</sup> _____	<u>CUSIP NO.</u> _____
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ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of \_\_\_\_\_ and to pay interest on the unpaid principal amount hereof from the Issuance Date specified above at the LIBOR-Based Rate, calculated on the basis of a 365 or 366-day year, as appropriate, and the actual number of days elapsed, such interest being payable on \_\_\_\_\_, 200\_, and on the first calendar day of each January, April, July and October; provided that if such day is not a Business Day then on the immediately succeeding Business Day.

FOR PURPOSES of this LIBOR-Based Bond, the following terms shall have the meanings indicated. All capitalized terms used herein and not otherwise defined shall have the same meanings ascribed to such terms in the Bond Resolution (hereinafter defined).

"Calculation Agent" means, initially, \_\_\_\_\_, or such other Calculation Agent as may be selected by the Board or the owners of a majority in principal amount of outstanding LIBOR-Based Bonds, their successor or assigns.

"LIBOR-Based Rate" means the variable rate of interest with respect to LIBOR-Based Bonds. The LIBOR-Based Rate for each LIBOR-Based Bond shall be (a) the Initial Interest Rate set forth above for the period from the Issuance Date until \_\_\_\_\_, 200\_, and (b) for each subsequent LIBOR-Based Interest Accrual Period (as defined below), the rate of interest per annum determined by the Calculation Agent on a LIBOR Rate Determination Date to be \_\_% of the Three Month LIBOR Rate plus a spread of \_\_\_ basis points; provided, however, that the LIBOR-Based Rate shall not exceed the Maximum Rate.

<sup>12</sup> Include bracketed language only if Series of Bonds are being issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date.

<sup>13</sup> Issuance Date will be the dated date unless the Award Certificate provides otherwise.

“LIBOR-Based Rate Period” means each period with respect to the LIBOR-Based Bonds during which a LIBOR-Based Rate is in effect.

“Three Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on [Reuters Screen LIBOR01 Page] (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the LIBOR Rate Determination Date; provided, however, that:

(1) if such three-month rate does not appear on such page on the LIBOR Rate Determination Date, the “Three Month LIBOR Rate” shall be a rate determined by the Calculation Agent on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on the LIBOR Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Calculation Agent. The Calculation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the LIBOR Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity; and

(2) If none of the banks in New York City selected by the Calculation Agent are then quoting rates for such loans, then the “Three Month LIBOR Rate” for the ensuing interest period will mean the Three Month LIBOR Rate then in effect in the immediately preceding LIBOR-Based Interest Accrual Period.

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

DURING EACH LIBOR-Based Rate Period, the LIBOR-Based Bonds shall bear interest at the LIBOR-Based Rate, which shall be determined by the Calculation Agent on a date that is two London Banking Days preceding the first day of each LIBOR-Based Interest Accrual Period (each a “LIBOR Rate Determination Date”). The first LIBOR-Based Rate for each LIBOR-Based Rate Period shall apply to the period commencing on the first day of such LIBOR-Based Rate Period and ending on the day immediately prior to the first Interest Payment Date and thereafter, each LIBOR-Based Rate shall apply to the period commencing on and including an Interest Accrual Date to but not including the following Interest Payment Date (each a “LIBOR-Based Interest Accrual Period”). As soon as possible after 11:00 a.m. (New York time) on each

LIBOR Rate Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Rate Determination Date, the Calculation Agent will notify the Board and the owner of this Bond of the LIBOR-Based Rate for the next LIBOR-Based Interest Accrual Period.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity **[or upon the date fixed for its redemption prior to maturity]**,<sup>14</sup> at the designated office for payment of \_\_\_\_\_, in \_\_\_\_\_, \_\_\_\_\_, which is the initial “Paying Agent/Registrar” for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the “Bond Resolution”) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last day of the month next preceding each such date (the “Record Date”) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. **[Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the designated office for payment of the Paying Agent/Registrar.]**<sup>15</sup> The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date **[and redemption date]**<sup>16</sup> for this Bond it will make available to the Paying Agent/Registrar, from the “Interest and Sinking Fund” maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

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<sup>14</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>15</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>16</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

**[FORM OF REMAINDER OF BONDS IN FIXED RATE MODE,  
CPI BONDS AND LIBOR-BASED BONDS]**

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds dated \_\_\_\_\_, 20\_\_, and issued in the original aggregate principal amount of \$\_\_\_\_\_,<sup>17</sup> for the purpose of providing funds to [pay Project Costs of Eligible Projects] [refund the Board's \_\_\_\_\_].<sup>18</sup>

**[Insert Redemption Provisions from Award Certificate.]**

**[AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date on the Registration Books kept by the Paying Agent/Registrar; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive from the Paying Agent/Registrar the redemption price plus accrued interest, out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of**

<sup>17</sup> As set forth in respective Award Certificate.

<sup>18</sup> Select or combine appropriate bracketed language depending on purpose of Bonds. If Bonds are issued for purpose of refunding Refunded Bonds or Refunded Notes, include description of Refunded Bonds or Refunded Notes to be refunded, including maturities and principal amounts, as set forth in respective Award Certificate.



**\$5,000 principal amount, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.]**<sup>19</sup>

THIS BOND OR ANY PORTION HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 principal amount may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. 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 hereof in any integral multiple of \$5,000 principal amount to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this Bond shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof. As provided in the Bond Resolution, this Bond, **[or any unredeemed portion hereof,]**<sup>20</sup> may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 principal amount as requested in writing by the appropriate registered owner or assignee, 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 Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for converting and exchanging any Bond or any portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges

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<sup>19</sup> Include bracketed language only if the respective Award Certificate provides for redemption of Bonds prior to maturity.

<sup>20</sup> Include bracketed language only if the respective Award Certificate provides for redemption of Bonds prior to maturity.

required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange.

THE PAYING AGENT/REGISTRAR shall not be required to make any transfer of registration of this Bond, or any portion hereof, or any conversion and exchange hereof **[(i) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date or (ii)]**<sup>21</sup> 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.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

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 the interest on and principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the Available University Fund (consisting of distributions from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land) that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with Section 18 of Article VII of the Constitution of the State of Texas, and other applicable laws.

THE BOARD heretofore has issued its Permanent University Fund Bonds, Series 1997, its Permanent University Fund Refunding Bonds, Series 2002A, its Permanent University Fund Refunding Bonds, Series 2004A, its Permanent University Fund Bonds, Series 2004B, its Permanent University Fund Refunding Bonds, Series 2005A, its Permanent University Fund Bonds, Series 2005B, its Permanent University Fund Refunding Bonds, Series 2006A, its Permanent University Fund Refunding Bonds, Series 2006B, and its Permanent University Fund Bonds, Series 2006C.<sup>22</sup> The Bond Resolution that authorized the Bonds also authorized the issuance of other series of bonds during the period ending August 31, 2008; provided that the principal amount of the Bonds plus the principal amount of all other series of bonds issued under

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<sup>21</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

<sup>22</sup> List only the series of Outstanding Parity Bonds that remain outstanding on the date each respective Series of Bonds is issued. Also, include the following language following each series of Refunded Bonds being refunded by a respective Series of Bonds: **“(a portion of which are being refunded by the Bonds).”**

the Bond Resolution may not exceed \$300,000,000. All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

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

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

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General Counsel to the Board of Regents  
of The University of Texas System

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Chairman, Board of Regents  
of The University of Texas System

(BOARD SEAL)

FORM FOR BONDS IN DAILY OR WEEKLY RATE MODE

THIS BOND IS SUBJECT TO MANDATORY TENDER FOR PURCHASE AT THE TIME AND IN THE MANNER HEREINAFTER DESCRIBED AND MUST BE SO TENDERED OR WILL BE DEEMED TO HAVE BEEN SO TENDERED UNDER CERTAIN CIRCUMSTANCES AS DESCRIBED HEREIN.

NO. [DR][WR]<sup>23</sup> - \_\_

PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND [REFUNDING]<sup>24</sup> BONDS,  
SERIES 200\_

<u>MODE</u>	<u>MATURITY DATE</u>	<u>ISSUANCE DATE</u> <sup>25</sup>	<u>CUSIP NO.</u>
_____	_____	_____	_____

ANY BONDHOLDER WHO FAILS TO DELIVER A BOND FOR PURCHASE AT THE TIMES AND AT THE PLACE REQUIRED HEREIN SHALL HAVE NO FURTHER RIGHTS HEREUNDER EXCEPT THE RIGHT TO RECEIVE THE PURCHASE PRICE HEREOF UPON DELIVERY FOR THIS BOND TO THE PAYING AGENT/REGISTRAR, AND SHALL HOLD THIS BOND AS AGENT FOR THE PAYING AGENT/REGISTRAR.

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of \$\_\_\_\_\_ and to pay interest thereon at the rate determined as herein provided from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, from the Issuance Date, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal of, premium, if any, and interest on, and Purchase Price of, this Bond are payable in lawful money of the United States of America.

THE PRINCIPAL OR REDEMPTION price of this Bond (or of a portion of this Bond, in the case of a partial redemption) is payable to the registered owner hereof in immediately available

<sup>23</sup> Include appropriate bracketed language depending on Mode of Bond set forth in Award Certificate.

<sup>24</sup> Include bracketed language only if Series of Bonds are being issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date.

<sup>25</sup> Issuance Date will be the dated date unless the Award Certificate provides otherwise.

funds upon presentation and surrender hereof at the designated office for payment of \_\_\_\_\_, in \_\_\_\_\_, \_\_\_\_\_, which is the initial "Paying Agent/Registrar" for this Bond. All payments of interest on Bonds accruing interest at Daily Rates or Weekly Rates shall be paid to the registered owner hereof whose name appears in the Registration Books (as defined in the hereinafter defined Bond Resolution) kept by the Paying Agent/Registrar as of the close of business on the applicable Record Date (as defined below) by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each Interest Payment Date (as defined in the Bond Resolution). In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. The "Record Date" for any Interest Payment Date shall be the close of business on the Business Day immediately preceding the Interest Payment Date. This Bond is registered as to both principal and interest in the Registration Books kept by the Paying Agent/Registrar and may be transferred or exchanged, subject to the further conditions specified in the Bond Resolution, only upon surrender hereof at the designated office for payment of the Paying Agent/Registrar. This Bond is payable solely from the sources hereinafter mentioned.

THE BOARD COVENANTS with the registered owner of this Bond that on or before each principal payment date and Interest Payment Date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. In addition, pursuant to the Bond Resolution, to the extent that Remarketing Proceeds in the Bond Purchase Fund are insufficient to pay the Purchase Price on any Purchase Date, the Board will transfer, or cause to be transferred, to the Bond Purchase Fund immediately available funds in an amount necessary to satisfy any such deficiency from any lawfully available source. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS SPECIFIED THEREFOR IN THE BOND RESOLUTION.

FOR SO LONG AS THIS BOND IS HELD IN BOOK-ENTRY FORM REGISTERED IN THE NAME OF CEDE & CO. ON THE REGISTRATION BOOKS OF THE BOARD KEPT BY THE PAYING AGENT/REGISTRAR, THIS BOND, IF CALLED FOR PARTIAL REDEMPTION IN ACCORDANCE WITH THE BOND RESOLUTION, SHALL BECOME DUE AND PAYABLE ON THE REDEMPTION DATE DESIGNATED IN THE NOTICE OF REDEMPTION GIVEN IN ACCORDANCE WITH THE BOND RESOLUTION AT, AND ONLY TO THE EXTENT OF, THE REDEMPTION PRICE, PLUS ACCRUED INTEREST TO THE SPECIFIED REDEMPTION DATE; AND THIS BOND SHALL BE PAID, TO THE EXTENT SO REDEEMED, (i) UPON PRESENTATION AND SURRENDER THEREOF AT THE OFFICE SPECIFIED IN SUCH NOTICE OR (ii) AT THE WRITTEN REQUEST OF CEDE & CO., BY CHECK OR DRAFT MAILED TO CEDE & CO. BY THE PAYING AGENT/REGISTRAR OR BY WIRE TRANSFER TO CEDE & CO. BY THE PAYING AGENT/REGISTRAR IF CEDE & CO. AS THE REGISTERED OWNER SO ELECTS. IF, ON THE REDEMPTION DATE, MONEYS FOR THE REDEMPTION OF BONDS TO BE

REDEEMED, TOGETHER WITH INTEREST TO THE REDEMPTION DATE, SHALL BE HELD BY THE PAYING AGENT/REGISTRAR SO AS TO BE AVAILABLE THEREFOR ON SUCH DATE, AND AFTER NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN IN ACCORDANCE WITH THE BOND RESOLUTION, THEN, FROM AND AFTER THE REDEMPTION DATE, THE AGGREGATE PRINCIPAL AMOUNT OF THIS BOND SHALL BE IMMEDIATELY REDUCED BY AN AMOUNT EQUAL TO THE AGGREGATE PRINCIPAL AMOUNT THEREOF SO REDEEMED, NOTWITHSTANDING WHETHER THIS BOND HAS BEEN SURRENDERED TO THE PAYING AGENT/REGISTRAR FOR CANCELLATION.

*Interest on the Bonds*

The Bonds shall accrue interest at interest rates and for Interest Rate Periods as determined in accordance with the applicable provisions of the Bond Resolution. The Bonds will be subject to conversion as herein provided. The amount of interest so payable on any Interest Payment Date shall be computed on the basis of a 365- or 366-day year as applicable for the number of days actually elapsed based upon the calendar year in which the Rate Period commences for Bonds in the Daily Rate Mode or the Weekly Rate Mode.

At the option of the Board and subject to certain conditions provided for in the Bond Resolution, all of the Bonds may be converted from the Daily Rate Mode, the Weekly Rate Mode, or the Auction Rate Mode to any other Mode. If the conditions to conversion are not met as provided in the Bond Resolution, the Bonds to have been converted shall become subject to mandatory tender as described herein and in the Bond Resolution and the Mode for such Bonds shall remain unchanged with in interest rate determined in the Bond Resolution.

Each determination and redetermination of interest rates and Interest Rate Periods shall be conclusive and binding on the Board, the Paying Agent/Registrar, and the registered owners of the Bonds. In the event of the failure by the Remarketing Agent to determine an interest rate or Interest Rate Period, or any such determination is void or unenforceable, the rate borne by the Bonds shall be the interest rate to be determined for Bonds in such Mode as provided in the Bond Resolution. Any registered owner may ascertain the rate of interest on its Bond or Bonds, at any time by contacting the Paying Agent/Registrar or the Remarketing Agent.

Daily Rate

While the Bonds accrue interest at a Daily Rate, the rate of interest on the Bonds will be determined daily by the Remarketing Agent in accordance with the Bond Resolution to be effective for a one day period commencing on the date of such determination. (The length of the period and the last day of the period may vary in the event of a conversion from a Daily Rate.)

Weekly Rate

While the Bonds accrue interest at a Weekly Rate, the rate of interest on the Bonds will be determined weekly by the Remarketing Agent in accordance with the Bond Resolution to be effective for a seven-day period commencing on Wednesday of the week of such determination. (The length of the period and the last day of the period may vary in the event of a conversion from a Weekly Rate.)

### Fixed Rate

Upon conversion to a Fixed Rate, this Bond shall bear interest to the Maturity Date set forth above at a fixed rate of interest determined by the Remarketing Agent in accordance with the Bond Resolution.

### Auction Rate

Upon conversion to an Auction Rate, this Bond shall bear interest in accordance with the Auction Rate provisions of the Bond Resolution.

### *Authorized Denominations*

For (i) Bonds in the Daily Rate Mode or the Weekly Rate Mode, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, (ii) Bonds in the Auction Rate Mode, \$25,000 or any integral multiple thereof, and (iii) Bonds in the Fixed Rate Mode, \$5,000 or any integral multiple thereof.

### *Optional Tenders*

While this Bond accrues interest at a Daily Rate or a Weekly Rate, the registered owner of this Bond has the right to tender this Bond for purchase at the principal amount hereof plus accrued interest on any Business Day upon written or Electronic Notice to the Paying Agent/Registrar on a Business Day not fewer than seven days prior to the Purchase Date.

As long as the book-entry system is in effect, the beneficial owner of a Bond may demand purchase of the Bond (or portion thereof in Authorized Denominations) owned by it by providing notice as provided above through the beneficial owner's DTC Participant; provided such notice shall be given by 11:00 a.m., New York City time, on the date such notice is required to be given. If the book-entry system is not in effect, the registered owner of this Bond may demand purchase of this Bond (or portion thereof in Authorized Denominations) by providing notice to the Paying Agent/Registrar as provided above and delivering this Bond to the Paying Agent/Registrar at its designated office for payment.

If the registered owner of a Bond has elected to tender such Bond for purchase, such registered owner shall be deemed to have agreed irrevocably to sell such Bond to any purchaser determined in accordance with the provisions of the Bond Resolution on the date fixed for purchase at the Purchase Price and any Bond not delivered shall be deemed tendered (an "Undelivered Bond") and shall cease to be outstanding under the Bond Resolution and no further interest shall accrue as of the Purchase Date. Notice of tender of a Bond is irrevocable. All notices of tender of Bonds shall be made to the Paying Agent/Registrar in writing or by Electronic Notice at its designated office for payment in substantially the form as provided in the Form of Bondholder's Election Notice for Bonds Subject to Optional Tender attached hereto or such other form of notice satisfactory to the Paying Agent/Registrar which sets forth the principal amount of Bonds to be purchased, the purchase date on which such Bonds shall be purchased, the name, address, and taxpayer identification number of the registered owner and the payment instructions for the Purchase Price. All deliveries of tendered Bonds, including deliveries of Bond subject to mandatory tender, shall be made to the Paying Agent/Registrar at its designated office for payment.

### *Mandatory Tenders*

This Bond is subject to mandatory tender on the Effective Date of a change from one Mode to another Mode, except with respect to a conversion from the Daily Rate Mode to the Weekly Rate Mode or from the Weekly Rate Mode to the Daily Rate Mode, at a Purchase Price equal to the principal amount thereof plus accrued interest; provided that, if the Purchase Date pursuant to such tender is an Interest Payment Date, accrued interest shall be paid separately and not as part of the Purchase Price on such date. From and after the Effective Date of the new Mode, no further interest shall be payable to the registered owner hereof for the preceding Interest Rate Period, provided that there are sufficient funds available on the Effective Date to pay the Purchase Price. Any Bond not delivered to the Paying Agent/Registrar shall constitute an Undelivered Bond and shall not be considered outstanding under the Bond Resolution on the Purchase Date.

### *Payment of Purchase Price*

The Purchase Price for Bonds is payable by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent/Registrar to the registered owner. If on any date this Bond is subject to mandatory tender for purchase or is required to be purchased at the election of the registered owner, payment of the Purchase Price of this Bond to such registered owner shall be made on the Purchase Date if delivery of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which delivery of this Bond is made prior to 11:00 a.m., New York City time.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, ON THE PURCHASE DATE AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND OR THE BOND RESOLUTION EXCEPT TO RECEIVE PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE PAYING AGENT/REGISTRAR.

The initial Remarketing Agent under the Bond Resolution is \_\_\_\_\_. The Remarketing Agent may be changed at any time in accordance with the Bond Resolution.

### *Written Notice of Mode or Interest Rate Period Change*

The Paying Agent/Registrar shall give notice, by first class mail, to the registered owners of all Bonds of the proposed conversion from one Mode to another Mode, at least fifteen (15) days, before the proposed Conversion Date.

### *Interest Payment Dates*

Interest on this Bond is payable on each Interest Payment Date.

### *Optional Redemption*

The Bonds are subject to optional redemption as follows:

During any Daily Rate Mode or Weekly Rate Mode the Bonds shall be subject to redemption prior to maturity at the option of the Board, in whole on any Business Day or in part (and if in part in an Authorized Denomination) on any Interest Payment Date, at a redemption price



equal to the principal amount thereof plus accrued interest thereon to the redemption date, upon written notice to the Paying Agent/Registrar at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date.

THIS BOND is one of an issue of Bonds dated \_\_\_\_\_, 20\_\_\_, and issued in the original aggregate principal amount of \$ \_\_\_\_\_<sup>26</sup>, for the purpose of providing funds to **[pay Project Costs of Eligible Projects][refund the Board's \_\_\_\_\_]**.<sup>27</sup>

AT LEAST ten (10) days prior to the date fixed for the redemption of Bonds or portions thereof in the Daily Rate Mode or Weekly Rate Mode, a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 10 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 15th day prior to such redemption date on the Registration Books kept by the Paying Agent/Registrar; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed, plus accrued interest to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive from the Paying Agent/Registrar the redemption price plus accrued interest, out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.

NOTWITHSTANDING THE PROVISIONS of the foregoing paragraph, no notice of redemption is required to be given to the owner of any Bond which is subject to mandatory tender on the date fixed for redemption.

IF AT THE TIME of mailing of notice of any optional redemption in connection with a refunding of the Bonds, the Board shall not have deposited with the Paying Agent/Registrar moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding bonds with the Paying

<sup>26</sup> As set forth in respective Award Certificate.

<sup>27</sup> Select or combine appropriate bracketed language depending on purpose of Bonds. If Bonds are issued for purpose of refunding Refunded Bonds or Refunded Notes, include description of Refunded Bonds or Refunded Notes to be refunded, including maturities and principal amounts, as set forth in the respective Award Certificate.

Agent/Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

THIS BOND OR ANY PORTION HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. 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 hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or exchange as provided below, but the one requesting such transfer or exchange shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this Bond shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in an Authorized Denomination. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner or assignee, 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 Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for converting and exchanging any Bond or any portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering, or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it

promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

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 the interest on and principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the Available University Fund (consisting of distributions from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land) that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with Section 18 of Article VII of the Constitution of the State of Texas, and other applicable laws.

THE BOARD heretofore has issued its Permanent University Fund Bonds, Series 1997, its Permanent University Fund Refunding Bonds, Series 2002A, its Permanent University Fund Refunding Bonds, Series 2004A, its Permanent University Fund Bonds, Series 2004B, its Permanent University Fund Refunding Bonds, Series 2005A, its Permanent University Fund Bonds, Series 2005B, its Permanent University Fund Refunding Bonds, Series 2006A, its Permanent University Fund Refunding Bonds, Series 2006B, and its Permanent University Fund Bonds, Series 2006C.<sup>28</sup> The Bond Resolution that authorized the Bonds also authorized the issuance of other series of bonds during the period ending August 31, 2008; provided that the principal amount of the Bonds plus the principal amount of all other series of bonds issued under the Bond Resolution may not exceed \$300,000,000. All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the Board, and agrees that the terms and provisions

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<sup>28</sup> List only the series of Outstanding Parity Bonds that remain outstanding on the date each respective Series of Bonds is issued. Also, include the following language following each series of Refunded Bonds being refunded by a respective Series of Bonds: **“(a portion of which are being refunded by the Bonds).”**

of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Board.

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

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General Counsel, Board of Regents  
of The University of Texas System

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Chairman, Board of Regents  
of The University of Texas System

(BOARD SEAL)

(FORM OF BONDOWNER'S ELECTION NOTICE FOR BONDS  
SUBJECT TO OPTIONAL TENDER)  
(to be used only in connection with Bonds  
subject to optional tender)

Board of Regents of The University of Texas System  
Permanent University Fund [Refunding] Bonds,  
Series 200\_\_

Principal Amount	Purchase Date	CUSIP No.	Principal Amount Tendered for Purchase	Bond Numbers
\$ _____	_____	_____	\$ _____	_____

The undersigned hereby certifies that it is the registered owner or the beneficial owner (as described below) of the Bonds described above (the "Tendered Bonds"), all of which are in the Daily Rate Mode or the Weekly Rate Mode, and hereby agrees that the delivery of this instrument of transfer to the Paying Agent/Registrar constitutes an irrevocable offer to sell the Tendered Bonds to the Board or its designee on the Purchase Date, which shall be a Business Day at least \_\_\_\_\_ (\_\_\_\_) calendar days following delivery of this instrument, at a purchase price equal to the unpaid principal balance thereof plus accrued and unpaid interest thereon to the Purchase Date (the "Purchase Price") provided that if the Purchase Date is an Interest Payment Date, it is recognized that accrued interest will be paid separately and not as part of the Purchase Price on such date. The undersigned acknowledges and agrees that this election notice is irrevocable and that the undersigned will have no further rights with respect to the Tendered Bonds, except payment, upon presentation and surrender, of the Purchase Price by wire or bank transfer within the continental United States from the Paying Agent/Registrar, at its address shown on the registration books of the Paying Agent/Registrar (i) on the Purchase Date if the Tendered Bonds shall have been delivered to the Paying Agent prior to 11:00 A.M., New York City time, or (ii) on any Delivery Date subsequent to the Purchase Date on which Tendered Bonds are delivered to the Paying Agent by 11:00 A.M., New York time.

Except as otherwise indicated herein and unless the context otherwise requires, the terms used herein shall have the meanings set forth in the Bond Resolution adopted by the Board of Regents of The University of Texas System (the "Board") authorizing the issuance of the Bonds and the Paying Agent/Registrar Agreement Between the Board and \_\_\_\_\_, as Paying Agent/Registrar, relating to the Bonds.

Date: \_\_\_\_\_

Signature(s)

\_\_\_\_\_  
\_\_\_\_\_

(Street City State Zip)

**IMPORTANT:** The above signature(s) must correspond with the name(s) as set forth on the face of the Tendered Bond(s) with respect to which this Bondowner's Election Notice is being delivered without any change whatsoever. If this notice is signed by a person other than the registered owner of any Tendered Bond(s), the Tendered Bond(s) must be either endorsed on the Assignment appearing on each Bond or accompanied by appropriate Bond powers, in each case signed exactly as the name or names of the registered owner or owners appear on the Registration Books kept by the Paying Agent/Registrar. The method of presenting this notice to the Paying Agent/Registrar is the choice of the person making such presentation. If it is made by mail, it should be by registered mail with return receipt requested.

(FORM OF AFFIDAVIT)

AFFIDAVIT

State of \_\_\_\_\_  
Parish/County of \_\_\_\_\_

Before Me, the undersigned authority, duly commissioned and qualified within and for the State and Parish/County aforesaid, personally came and appeared

\_\_\_\_\_

who being by me first duly sworn, deposed and said that he/she is the owner of the following Board of Regents of The University of Texas System Permanent University Fund [Refunding] Bonds, Series 200\_\_.

Principal Amount

CUSIP No.

Maturity Date

Sworn to and subscribed before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

FORM OF BONDS IN AUCTION RATE MODE

NO. AR-\_\_

PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND [**REFUNDING**]<sup>29</sup> BONDS  
SERIES 200\_

<u>MODE</u>	<u>MATURITY DATE</u>	<u>ISSUANCE DATE</u> <sup>30</sup>	<u>CUSIP NO.</u>
_____	_____	_____	_____

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) the principal amount of \$\_\_\_\_\_, unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof at the rate or rates of interest and at the times provided herein. Interest on this Bond shall accrue from the Issuance Date.

CAPITALIZED TERMS appearing herein that are defined terms in the resolution authorizing the issuance of the Bonds (the “Bond Resolution”) have the meanings assigned to them therein. Reference is made to the Bond Resolution for such definitions and for all other purposes.

THE PRINCIPAL OR REDEMPTION PRICE of this Bond (or of a portion of this Bond, in the case of a partial redemption) is payable to the registered owner hereof at the designated office for payment of the Paying Agent/Registrar or its successor, as paying agent, under the Bond Resolution. While this Bond is in the Auction Rate Mode, accrued and unpaid interest on this Bond shall be due on the Interest Payment Dates and payable solely from funds of the Board required by the Bond Resolution to be on deposit with the Paying Agent/Registrar, by wire transfer of immediately available funds to the account specified by the registered owner in a written direction received by the Paying Agent/Registrar on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Paying Agent/Registrar to the registered owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Bond Resolution. The payment of the

<sup>29</sup> Include bracketed language only if Series of Bonds are being issued to advance refund Refunded Bonds more than 90 days prior to their maturity or earlier redemption date.

<sup>30</sup> Issuance Date will be the dated date unless the Award Certificate provides otherwise.



Purchase Price of this Bond on any Purchase Date shall be made by wire transfer in immediately available funds by the Paying Agent/Registrar to the account specified by the registered owner in a written direction received by the Paying Agent/Registrar or, if no such account number is furnished, by check mailed by the Paying Agent/Registrar to the registered owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Bond Resolution. Any such direction shall remain in effect until revoked or revised by such registered owner by an instrument in writing delivered to the 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 at the close of business on the "Record Date," which while this Bond is in the Auction Rate Mode shall be the opening of business on the Business Day next preceding an Interest Payment Date.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THE BOARD COVENANTS with the registered owner of this Bond that on or before each principal payment date and Interest Payment Date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

THIS BOND is one of an issue of Bonds dated \_\_\_\_\_, 20\_\_, and issued in the original aggregate principal amount of \$\_\_\_\_\_ <sup>31</sup>, for the purpose of providing funds to **[pay Project Costs of Eligible Projects][refund the Board's \_\_\_\_\_]**.<sup>32</sup>

*Interest on the Bonds*

Auction Rate

This Bond is issued in the Auction Rate Mode. The Mode applicable to this Bond may at any time be changed to a Daily Rate Mode, a Weekly Rate Mode, or a Fixed Rate Mode or, all as provided in the Bond Resolution. From the Issuance Date set forth above to the initial Auction Date specified by the Authorized Representative in accordance with the Bond Resolution, this Bond shall bear interest at a rate per annum specified in accordance with the Bond Resolution. During any other Interest Rate Period or Auction Period, as the

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<sup>31</sup> As set forth in respective Award Certificate.

<sup>32</sup> Select or combine appropriate bracketed language depending on purpose of Bonds. If Bonds are issued for purpose of refunding Refunded Bonds or Refunded Notes, include description of Refunded Bonds or Refunded Notes to be refunded, including maturities and principal amounts, as set forth in the respective Award Certificate.

case may be, in any Mode, the interest rate applicable to this Bond will be determined at the times and in the manner provided in the Bond Resolution.

While this Bond is in an Auction Rate Mode, interest hereon shall be computed on the basis of actual days elapsed to the Interest Payment Date over 360 if this Bond is in an Auction Period of 180 days or less. If this Bond is in an Auction Period which is greater than 180 days, interest hereon shall be computed on the basis of a 360-day year of twelve 30-day months.

#### Daily Rate and Weekly Rate

Upon conversion to Daily Rate or Weekly Rate, the rate of interest on the Bonds will be determined by the Remarketing Agent in accordance with the Bond Resolution to be effective for the respective periods set forth in the Bond Resolution.

#### Fixed Rate

Upon conversion to a Fixed Rate, this Bond shall bear interest to the Maturity Date set forth above at a fixed rate of interest determined by the Remarketing Agent in accordance with the Bond Resolution.

#### *Mandatory Tenders*

This Bond is subject to mandatory purchase at a price equal to the Purchase Price thereof on the mandatory Purchase Date.

Notice of any proposed mandatory Purchase Date shall be given to registered owners of Bonds by the Paying Agent/Registrar as provided in the Bond Resolution. The registered owner of this Bond does not have the right to retain it after any mandatory Purchase Date.

#### *Payment of Purchase Price*

The Purchase Price for Bonds is payable by wire or bank transfer within the continental United States in immediately available funds from the Paying Agent/Registrar to the registered owner. If on any date this Bond is subject to mandatory tender for purchase or is required to be purchased at the election of the registered owner, payment of the Purchase Price of this Bond to such registered owner shall be made on the Purchase Date if delivery of this Bond is made prior to 11:00 a.m., New York City time, on the Purchase Date or on such later Business Day upon which delivery of this Bond is made prior to 11:00 a.m., New York City time.

BY ACCEPTANCE OF THIS BOND, THE REGISTERED OWNER HEREOF AGREES THAT THIS BOND WILL BE PURCHASED, WHETHER OR NOT SURRENDERED, ON THE PURCHASE DATE AS DESCRIBED ABOVE. IN SUCH EVENT, THE REGISTERED OWNER OF THIS BOND SHALL NOT BE ENTITLED TO RECEIVE ANY FURTHER INTEREST HEREON, SHALL HAVE NO FURTHER RIGHTS UNDER THIS BOND OR THE BOND RESOLUTION EXCEPT TO RECEIVE PAYMENT OF THE PURCHASE PRICE HELD THEREFOR, AND SHALL THEREAFTER HOLD THIS BOND AS AGENT FOR THE PAYING AGENT/REGISTRAR.

The initial Remarketing Agent under the Bond Resolution is \_\_\_\_\_. The Remarketing Agent may be changed at any time in accordance with the Bond Resolution.

### ***Optional Redemption***

While the Bonds bear interest at an Auction Period Rate, the Bonds shall be subject to redemption prior to maturity at the option of the Board and upon written notice to the Paying Agent/Registrar by the Board at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole on any Business Day or in part (and if in part in an Authorized Denomination) on any Interest Payment Date immediately following the end of an Auction Period, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date; provided that, unless otherwise consented to by the Broker-Dealers, after any optional redemption in part there shall be not less than \$10,000,000 outstanding in aggregate principal amount of any Series of Bonds bearing interest at an Auction Period Rate.

#### **[Insert any additional redemption provisions from Award Certificate.]**

AT LEAST TEN (10) days prior to the date fixed for the redemption of Bonds or portions thereof in the Auction Rate Mode, a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than ten (10) days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 15th day prior to such redemption date on the Registration Books kept by the Paying Agent/Registrar; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed, plus accrued interest to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive from the Paying Agent/Registrar the redemption price plus accrued interest, out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.

NOTWITHSTANDING THE PROVISIONS of the foregoing paragraph, no notice of redemption is required to be given to the owner of any Bond which is subject to mandatory tender on the date fixed for redemption.

IF AT THE TIME of mailing of notice of any optional redemption in connection with a refunding of the Bonds, the Board shall not have deposited with the Paying Agent/Registrar moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the proceeds of refunding bonds with the Paying Agent/Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

THIS BOND OR ANY PORTION HEREOF IN ANY INTEGRAL MULTIPLE OF \$25,000 PRINCIPAL AMOUNT may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. 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 hereof in any integral multiple of \$25,000 principal amount to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for conversion and the exchange of other Bonds. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or exchange as provided below, but the one requesting such transfer or exchange shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this Bond shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and, to the extent permitted by law, the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of \$25,000 principal amount or any integral multiple thereof. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$25,000 principal amount as requested in writing by the appropriate registered owner or assignee, 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 Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for converting and exchanging any Bond or any portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering, or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

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 the interest on and principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the Available University Fund (consisting of distributions from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land) that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with Section 18 of Article VII of the Constitution of the State of Texas, and other applicable laws.

THE BOARD heretofore has issued its Permanent University Fund Bonds, Series 1997, its Permanent University Fund Refunding Bonds, Series 2002A, its Permanent University Fund Refunding Bonds, Series 2004A, its Permanent University Fund Bonds, Series 2004B, its Permanent University Fund Refunding Bonds, Series 2005A, its Permanent University Fund Bonds, Series 2005B, its Permanent University Fund Refunding Bonds, Series 2006A, its Permanent University Fund Refunding Bonds, Series 2006B, and its Permanent University Fund Bonds, Series 2006C.<sup>33</sup> The Bond Resolution that authorized the Bonds also authorized the issuance of other series of bonds during the period ending August 31, 2008; provided that the principal amount of the Bonds plus the principal amount of all other series of bonds issued under the Bond Resolution may not exceed \$300,000,000. All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by

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<sup>33</sup> List only the series of Outstanding Parity Bonds that remain outstanding on the date each respective Series of Bonds is issued. Also, include the following language following each series of Refunded Bonds being refunded by a respective Series of Bonds: **“(a portion of which are being refunded by the Bonds).”**

and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

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

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

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General Counsel to the Board of  
Regents of The University of Texas System

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Chairman, Board of Regents  
of The University of Texas System

(BOARD SEAL)

**[INSERTIONS FOR THE INITIAL BONDS]**

The Initial Bond or Bonds of each Series shall be in the form set forth in this Exhibit A, except that:

- A. Immediately under the name of the Bond, the headings “INTEREST RATE” (for all bonds except CPI Bonds, LIBOR-Based Bonds, Bonds in a Daily or Weekly Rate Mode, and Bonds in an Auction Rate Mode) and “MATURITY DATE” shall both be completed with the words “As shown below”, and the heading “CUSIP NO.” shall be deleted.
- B. The first paragraph of the Fixed Rate Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

“THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) on \_\_\_\_\_ in each of the years in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
(Information from Award Certificate to be inserted)		

The Board promises to pay interest on the unpaid principal amount hereof from the Issuance Date specified above at the respective per annum rate of interest specified above, calculated on the basis of a 360-day year composed of twelve 30-day months, to the Maturity Date specified above[, **or the date of redemption prior to maturity**];<sup>34</sup> with interest being payable on January 1 and July 1 of each year, commencing with \_\_\_\_\_, except that if the date of authentication of this Bond is later than the first interest payment date on this Bond, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.”

- C. The first paragraph of the CPI Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

“THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the

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<sup>34</sup> Include bracketed language only if the Award Certificate provides for redemption of Bonds prior to maturity.

State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) on \_\_\_\_\_ in each of the years in the principal installments set forth in the following schedule:

Principal Amount                      Maturity Date  
(Information from Award Certificate to be inserted)

The Board promises to pay interest on the unpaid principal amount hereof from the Issuance Date specified above at the CPI Rate, calculated on the basis of a 360-day year composed of twelve 30-day months, such interest being payable on the first calendar day of each month provided that if such day is not a Business Day then on the immediately succeeding Business Day, commencing \_\_\_\_\_, \_\_\_\_.”

- D. The first paragraph of the LIBOR-Based Bond shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

“THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) on \_\_\_\_\_ in each of the years in the principal installments set forth in the following schedule:

Principal Amount                      Maturity Date  
(Information from Award Certificate to be inserted)

The Board promises to pay interest on the unpaid principal amount hereof from the Issuance Date specified above at the LIBOR-Based Rate, calculated on the basis of a 365 or 366-day year, as appropriate, and the actual number of days elapsed, such interest being payable on \_\_\_\_\_, 200\_, and on the first calendar day of each January, April, July and October; provided that if such day is not a Business Day then on the immediately succeeding Business Day.”

- E. The second paragraph of a Bond in a Daily Rate Mode or a Weekly Rate Mode shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

“THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) on \_\_\_\_\_ in each of the years in the principal installments set forth in the following schedule:

Principal Amount                      Maturity Date  
(Information from Award Certificate to be inserted)



The Board promises to pay interest on the unpaid principal amount hereof at the rate determined as herein provided from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, from the Issuance Date, such payments of interest to be made on each Interest Payment Date until the principal or redemption price hereof has been paid or duly provided for as aforesaid. The principal of, premium, if any, and interest on, and Purchase Price of, this Bond are payable in lawful money of the United States of America.”

- F. The first paragraph of a Bond in an Auction Rate Mode shall be deleted and the following will be inserted (with all blanks and bracketed items to be completed with information contained in the Award Certificate):

“THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the “Board”), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to \_\_\_\_\_ or the registered assignee hereof (either being hereinafter called the “registered owner”) on \_\_\_\_\_ in each of the years in the principal installments set forth in the following schedule:

<u>Principal Amount</u>	<u>Maturity Date</u>
(Information from Award Certificate to be inserted)	

The Board promises to pay interest on the unpaid principal amount hereof at the rate or rates of interest and at the times provided herein. Interest on this Bond shall accrue from the Issuance Date.”

- G. The Initial Bond for a Fixed Rate Bond shall be numbered “T-1”, the Initial Bond for a CPI Bond shall be numbered “TCP-1”, the Initial Bond for a LIBOR-Based Bond shall be numbered “TLR-1”, the Initial Bond for a Bond in a Daily Rate Mode shall be numbered “TDR-1”, the Initial Bond for a Bond in a Weekly Rate Mode shall be numbered “TWR-1” and the Initial Bond for a Bond in an Auction Rate Mode shall be numbered “TAR-1”.

## **EXHIBIT B**

### **PROVISIONS RELATING TO AUCTION RATE MODE**

This Exhibit B contains provisions governing Bonds in the Auction Rate Mode. All references to the term “Bonds” in this Exhibit B shall be deemed to apply to Bonds in the Auction Rate Mode, unless the context indicates otherwise. In the event of any conflict between any provision of this Exhibit B and another provision of the Resolution of the Board to which this Exhibit B is attached (the “Resolution”) regarding the calculation of interest on Bonds in the Auction Rate Mode, the provisions of this Exhibit B shall control. In the event the Authorized Representative designates any of the Bonds in the Auction Rate Mode in the Award Certificate, the Authorized Representative is authorized to make such modifications to the provisions set forth in this Exhibit B as in the judgment of the Authorized Representative are necessary to effectuate the issuance and delivery of such Bonds, including the completion of any blanks contained herein. Capitalized terms used but not otherwise defined in this Exhibit B shall have the meanings set forth in the Resolution and in Appendix I attached to this Exhibit B.

#### **Section 1. Auction Period Rates; Interest; Record Date; Notices**

(a) *Auction Period Rates.* The Auction Period Rate from the date of delivery of the Bonds to, but not including, the first Interest Payment Date shall be determined by the Broker-Dealer prior to delivery of the Bonds as set forth in the Award Certificate and shall be a rate which shall result in a par sale of such Bonds. Thereafter the Auction Period Rate to be applicable to each Series of Bonds during each Auction Period shall be determined by the Auction Agent and notice thereof shall be given as provided in Appendix I hereto. Interest shall accrue from one Interest Payment Date to, but not including, the next Interest Payment Date. The Auction Period for the Bonds shall initially be as determined in the Award Certificate.

(b) *Interest.* Interest on the Bonds shall be computed on the basis of actual days over 360 if the Bonds are in an Auction Period of 180 days or less. If the Bonds are in an Auction Period which is greater than 180 days, interest shall be computed on the basis of a 360 day year of twelve 30-day months.

(c) *Record Date.* While the Bonds bear interest at the Auction Period Rate, the Record Date shall be the Business Day immediately preceding an Interest Payment Date.

(d) *Notices.* All notices regarding amendments to the Resolution shall be delivered to the Auction Agent and the Broker-Dealer at the time and in the same manner as such notices are delivered to the registered owners of the Bonds. No amendment shall become effective with respect to the Auction Agent or the Broker-Dealer without the consent of such party if it adversely affects the rights, duties, privileges, immunities and liabilities of such party.

## **Section 2. Redemption**

(a) *Optional Redemption.* While the Bonds bear interest at an Auction Period Rate, the Bonds shall be subject to redemption prior to maturity at the option of the Board and upon written notice to the Paying Agent/Registrar by the Board at least 15 days prior to the redemption date, which notice shall specify the principal amount of Bonds to be redeemed and the redemption date, in whole on any Business Day or in part (and if in part in an Authorized Denomination) on any Interest Payment Date immediately following the end of an Auction Period, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date; provided that, unless otherwise consented to by the Broker-Dealers, after any optional redemption in part there shall be not less than \$10,000,000 outstanding in aggregate principal amount of any Series of Bonds bearing interest at an Auction Period Rate.

(b) *Mandatory Redemption.* If the Bonds are subject to mandatory sinking fund redemption as set forth in the Award Certificate and the scheduled redemption date is not an Interest Payment Date, the Bonds shall be redeemed on the Interest Payment Date immediately preceding the scheduled mandatory sinking fund redemption date. Bonds in a Flexible Auction Period may be redeemed prior to the end of the Flexible Auction Period pursuant to the mandatory sinking fund redemption schedule set forth in the Award Certificate. All redemptions shall be in integral multiples of the Authorized Denomination.

(c) *Notice of Redemption.* If any Bonds are to be redeemed in part and such Bonds are held by a Securities Depository, the Board shall include in the notice of the call for redemption delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date (in the case of a daily Auction Period, such date shall be three Business Days immediately preceding the date of redemption) and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such Auction Rate Bonds to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Paying Agent/Registrar immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such Auction Rate Bonds immediately following such Auction settlement, and (3) the Securities Depository Redemption Information. Immediately upon receipt of the notice referred to in (y) of the preceding sentence, the Paying Agent/Registrar shall send a copy of such notice to the Auction Agent.

## **Section 3. Conversions to and from Auction Rate Mode.**

(a) *Conversions to Auction Rate Mode.* At the option of the Board, all of a Series of Bonds (in an amount which is an Authorized Denomination for the new Rate Period) may be converted from a Daily Rate Mode or a Weekly Rate Mode to an Auction Rate Mode. Any such conversion shall be made as follows:

(i) In any such conversion from a Daily Rate Mode or a Weekly Rate Mode the ARS Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Rate Period from which the conversion is to be made.

(ii) The Board shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent/Registrar, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Paying Agent/Registrar is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Bonds to be converted, the ARS Conversion Date and the length of the initial Auction Period. The Board shall obtain a Favorable Opinion of Bond Counsel to the effect that the conversion of the Bonds to an Auction Rate Mode shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No such change to an Auction Rate Mode shall become effective unless the Board shall also file such a Favorable Opinion of Bond Counsel dated the ARS Conversion Date with the Paying Agent/Registrar.

(iii) Not less than fifteen (15) days prior to the ARS Conversion Date, the Paying Agent/Registrar shall mail a written notice of the conversion to the registered owners of all Bonds to be converted setting forth the same information contained in subparagraph (ii) above and stating that the Bonds shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof plus accrued interest on the ARS Conversion Date.

(iv) The Auction Period Rate for the Auction Period commencing on the ARS Conversion Date shall be the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such determination shall be conclusive and binding upon the Board, the Paying Agent/Registrar, the Auction Agent and the beneficial owners of the Bonds to which such rate shall be applicable.

(v) Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Period Rate, the Broker-Dealer shall notify the Paying Agent/Registrar, the Board and the Auction Agent of the Auction Period Rate by Electronic Means.

(vi) The Board may revoke its election to effect a conversion of the interest rate on any Bonds to an Auction Period Rate by giving written notice of such revocation to the Paying Agent/Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer at any time prior to the setting of the ARS Rate by the Broker-Dealer.

(vii) No Bonds may be converted to the Auction Rate Mode when the Bonds are not held by a depository in book-entry form.

(b) *Conversions from Auction Rate Mode.* At the option of the Board, all of a Series of Bonds (in an amount which is an Authorized Denomination for the new Rate Period)

may be converted from an Auction Rate Mode to a Daily Rate Mode or a Weekly Rate Mode. Any such conversion shall be made as follows:

(i) The Conversion Date from an Auction Rate Mode shall be the Interest Payment Date following the final Auction Period.

(ii) The Board shall give written notice of any such conversion to the Paying Agent/Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Paying Agent/Registrar is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Bonds to be converted, the Conversion Date and the new rate period to which the conversion shall be made. Together with such notice, the Board shall obtain a Favorable Opinion of Bond Counsel to the effect that the conversion of the Bonds to be converted shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No change to a Daily Rate Mode or a Weekly Rate Mode shall become effective unless the Board shall also file with the Paying Agent/Registrar such a Favorable Opinion of Bond Counsel dated the Conversion Date.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Paying Agent/Registrar shall mail a written notice of the conversion to the registered owners of all Bonds to be converted, specifying the Conversion Date.

(iv) At anytime prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Conversion Date the Board may withdraw its notice of conversion and the Auction for such Bonds shall be held on such Auction Date as if no conversion notice had ever been given. If on a Conversion Date the conversion notice has not been withdrawn as set forth in the preceding sentence and any condition precedent to such conversion has not been satisfied, the Paying Agent/Registrar shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owner of the Bonds to have been converted, the Board, the Auction Agent and the Broker-Dealer that such conversion has not occurred, that the Bonds shall not be purchased on the failed Conversion Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds which otherwise would have been converted during the Auction Period commencing on such failed Conversion Date shall be the Maximum Auction Rate, and the Auction Period shall be the seven-day Auction Period.

(v) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds shall not be

subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Auction Rate.

**Section 4. Fixed Rate Conversion at Option of Board.** At the option of the Board, all of a Series of Bonds bearing interest at in the Auction Rate Mode (in an amount which is an Authorized Denomination for the new Rate Period) may be converted to bear interest at the Fixed Rate as hereinafter provided. Any such conversion shall be made as follows:

(a) The Conversion Date to a Fixed Rate shall be in the case of a conversion from an Auction Rate Mode, the Interest Payment Date following the final Auction Period.

(b) Not less than seven (7) Business Days prior to the date on which the Paying Agent/Registrar is required to notify the registered owners of the conversion pursuant to subparagraph (c) below, the Board shall give written notice of the conversion to the Paying Agent/Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer, setting forth the proposed Conversion Date. Together with such notice, the Board shall obtain a Favorable Opinion of Bond Counsel to the effect that the conversion of the Bonds to a Fixed Rate Mode, including the assignment of new maturity dates and amortization requirements pursuant to subparagraph (g) of this Section, shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No conversion to the Fixed Rate Mode shall occur unless the Board shall also file with the Paying Agent/Registrar such a Favorable Opinion of Bond Counsel dated the Conversion Date.

(c) In the event of a conversion from an Auction Rate Mode, the Paying Agent/Registrar shall mail a notice of the proposed conversion to the registered owners of all Bonds to be converted not less than twenty (20) days prior to the proposed Conversion Date. Such notice shall state that the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Auction Rate.

(d) Not later than 12:00 noon, New York City time, on the Business Day prior to the Conversion Date, the Remarketing Agent shall determine the Fixed Rate for the Bonds to be converted.

(e) Such determination shall be conclusive and binding upon the Board, the Paying Agent/Registrar, the Broker-Dealer, the Auction Agent and the beneficial owners of the Bonds to which such rate shall be applicable. Not later than 5:00 p.m., New York City time, on the date of determination of the Fixed Rate, the Remarketing Agent shall notify the Board and the Paying Agent/Registrar of such rate by telephone.

(f) The Board may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate by giving written notice of such revocation to the Paying Agent/Registrar, the Remarketing Agent, the Auction Agent and the Broker-Dealer at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the proposed Conversion Date and if the Bonds bear interest at an Auction Period Rate an Auction for such Bonds shall be held on such date as if no notice of conversion had ever been given.

(g) Prior to the conversion of any of the Bonds to a Fixed Rate pursuant to this Section, the Remarketing Agent shall deliver to the Paying Agent/Registrar and the Board a certificate which includes a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate which shall mature on \_\_\_\_\_ of the years specified in such schedule and the interest rate payable on the Bonds to be converted to a Fixed Rate of each such maturity date and a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate maturing on \_\_\_\_\_ of the years specified in such schedule or to be called for mandatory redemption pursuant to the amortization requirements on \_\_\_\_\_ 1 of the Bond Years specified in such schedule. In determining the maturity dates, amortization requirements and interest rates, the Remarketing Agent shall use the following guidelines:

(i) The Remarketing Agent shall determine the schedule of principal payments on the Bonds to be converted to a Fixed Rate to achieve annual level debt service with respect to the converted Bonds. In making such schedule, the Remarketing Agent shall, to the extent necessary, alternately round down and up to the nearest \$5,000 the amount allocable to the Bonds which are being converted;

(ii) The Remarketing Agent shall allocate the Bonds to be converted to a Fixed Rate between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such Bonds; and

(iii) The Remarketing Agent shall set the interest rate on each Bond to be converted to a Fixed Rate of a particular maturity date at the lowest interest rate that shall enable such Bond, upon conversion, to be remarketed at par (plus any accrued interest) taking into account the maturity date of such Bond and amortization requirements with respect to the Bonds of such maturity date.

The foregoing notwithstanding, the Board may agree to another method for providing for payment of principal of the Bonds after the Conversion Date if (i) the Remarketing Agent deems the utilization of such other method necessary in order to remarket the Bonds at a price of par and (ii) there is delivered to the Paying Agent/Registrar and the Board a Favorable Opinion of Bond Counsel to the effect that utilization of such other method shall not adversely affect the validity of any Bonds or any exclusion from federal income taxation to which the interest on the Bonds would otherwise be entitled.

(h) Mandatory redemption of Bonds converted to the Fixed Rate by operation of the Sinking Fund Account shall be without premium. The Bonds converted to the Fixed Rate shall be redeemed by the Paying Agent/Registrar pursuant to the provisions of this Section and Exhibit without any notice from or direction by the Board.

(i) If on the proposed Conversion Date any condition precedent to such conversion is not satisfied and the Bonds bear interest at the Auction Period Rate, the Paying Agent/Registrar shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owners of the Bonds, the Board and the Broker-Dealer that such conversion has not occurred, that the Bonds shall not be purchased on the failed Conversion Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed Conversion Date shall be the Maximum Auction Rate, and the Auction Period shall be the seven-day Auction Period.

**Section 5.** *Auction Agent.* (a) The Auction Agent shall be appointed by the Board to perform the functions specified herein. The Auction Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Board, the Paying Agent/Registrar and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Board.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

**Section 6.** *Qualifications of Auction Agent; Resignation; Removal.* The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of the National Association of Securities Dealers having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Resolution and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least ninety (90) days notice to the Board. The Auction Agent may be removed at any time by the Board by written notice, delivered to the Auction Agent. Upon any such resignation or removal, the Board shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Board; provided, however, that if a successor Auction Agent has not been appointed within 45 days of the giving of such notice of resignation or removal of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a substitute Auction Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the Board even if a successor Auction Agent has not been appointed.



**APPENDIX I**

**TO**

**EXHIBIT B**

**AUCTION PROCEDURES**

**TABLE OF CONTENTS**

ARTICLE I Definitions.....1

ARTICLE II Auction Procedures .....7

    Section 2.01. Orders by Existing Owners and Potential Owners .....7

    Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.....8

    Section 2.03. Treatment of Orders by the Auction Agent.....10

    Section 2.04. Determination of Auction Period Rate .....12

    Section 2.05. Allocation of Bonds .....13

    Section 2.06. Notice of Auction Period Rate .....14

    Section 2.07. Index .....15

    Section 2.08. Miscellaneous Provisions Regarding Auctions .....15

    Section 2.09. Changes in Auction Period or Auction Date.....16

Any reference herein to “Series” such as “a Series of Bonds” or “Bonds of a Series” shall not apply if there is only one Series of Bonds.

## ARTICLE I

### Definitions

In addition to the words and terms otherwise defined in the Resolution, the following words and terms as used in this Appendix I (hereinafter “this Appendix”) and elsewhere in the Resolution have the following meanings with respect to Bonds in an Auction Rate Mode unless the context or use indicates another or different meaning:

“**Agent Member**” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“**All Hold Rate**” means, as of any Auction Date, \_\_\_% of the Index in effect on such Auction Date for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and \_\_\_% of the Index in effect on such Auction Date for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

“**ARS Conversion Date**” means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an Auction Rate Mode and begin to bear interest at the Auction Period Rate.

“**Auction**” means each periodic implementation of the Auction Procedures.

“**Auction Agent**” means initially, \_\_\_\_\_, and thereafter the auctioneer, or any successor, appointed in accordance with Exhibit B.

“**Auction Agreement**” means an agreement between the Auction Agent and the Board pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“**Auction Date**” means with respect to any Series of Bonds, the first Auction Date of \_\_\_\_\_ and thereafter as follows:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the

last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

**“Auction Desk”** means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

**“Auction Period”** means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Periods Generally End this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding \_\_\_\_\_ or \_\_\_\_\_;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Auction Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“**Auction Period Rate**” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Appendix; provided, however, in no event may the Auction Period Rate exceed the Maximum Auction Rate.

“**Auction Procedures**” means the procedures for conducting Auctions for Bonds in an Auction Rate Mode set forth in this Appendix.

“**Auction Rate**” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate for such Series of Bonds.

“**Auction Rate Mode**” means, for each Series of Bonds, any period of time during which the Auction Period and the interest rate is determined in accordance with Exhibit B and this Appendix thereto.

“**Authorized Officer**” means the Authorized Representative.

“**Available Bonds**” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“**Bid**” has the meaning specified in subsection (a) of Section 2.01 of this Appendix.

“**Bidder**” means each Existing Registered Owner and Potential Registered Owner who places an Order.

“**Broker-Dealer**” means initially \_\_\_\_\_, and thereafter any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Board and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Board. The “Broker-Dealer of record” with respect to any Bond is the

Broker-Dealer which placed the Order for such Bond or whom the Existing Registered Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent.

**“Broker-Dealer Agreement”** means an agreement among the Auction Agent, the Board and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix, as such agreement may from time to time be amended or supplemented.

**“Broker-Dealer Deadline”** means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

**“Business Day”** in addition to any other definition of “Business Day” included in the Resolution, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

**“Clerical Error”** means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Registered Owners or Potential Registered Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a “Clerical Error” is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

**“Conversion Date”** means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

**“Electronic Means”** means, facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

**“Error Correction Deadline”** means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

**“Existing Registered Owner”** means a beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Registered Owner.

**“Flexible Auction Period”** means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a

Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“**Hold Order**” means an Order to hold the Bonds as provided in Section 2.01(a) of this Appendix or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Appendix.

“**Index**” means on any Auction Date with respect to Bonds in any Auction Period of 35 days or less \_\_\_\_\_. The Index with respect to Bonds in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by Board and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Board. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e. a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

“**Initial Period**” has the meaning set forth in Schedule I.

“**Initial Period**” means the period from the Issuance Date to but not including \_\_\_\_\_, \_\_\_\_ with respect to the Bonds.

“**Interest Payment Date**” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Resolution to the contrary, the first Interest Payment Date for such Series of Bonds of \_\_\_\_\_, 200\_ and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

“**Maximum Auction Rate**” means \_\_\_\_\_.

“**Order**” means a Hold Order, Bid or Sell Order.

“**Potential Registered Owner**” means any person or entity, including any Existing Registered Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such person or entity, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Registered Owner.

“**Record Date**” means, notwithstanding anything else in the Resolution, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

“**Securities Depository**” means, notwithstanding anything else in the Resolution to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Board.

“**Sell Order**” has the meaning specified in subsection (a) of Section 2.01 of this Appendix.

“**Submission Deadline**” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Authorized Officer pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association’s Early Market Close Recommendations for shortened trading days for the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is instructed otherwise in writing by the Authorized Officer. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“**Submitted Bid**” has the meaning specified in subsection (b) of Section 2.04 of this Appendix.

“**Submitted Hold Order**” has the meaning specified in subsection (b) of Section 2.04 of this Appendix.

“**Submitted Order**” has the meaning specified in subsection (b) of Section 2.04 of this Appendix.

“**Submitted Sell Order**” has the meaning specified in subsection (b) of Section 2.04 of this Appendix.

“**Sufficient Clearing Bids**” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Registered Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Registered Owners specifying rates higher than the Maximum Auction Rate.

“**Units**” has the meaning set forth in Section 2.02(a)(iii) of this Appendix.

“**Winning Bid Rate**” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

## ARTICLE II

### Auction Procedures

*Section 2.01. Orders by Existing Registered Owners and Potential Registered Owners.* (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Registered Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Registered Owner which such Existing Registered Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Registered Owner which such Existing Registered Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Registered Owner which such Existing Registered Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Registered Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Registered Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Registered Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Registered Owner or a Potential Registered Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Registered Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Registered Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Registered Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:



(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Registered Owner is not submitted to the Broker-Dealer of record for such Existing Registered Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Registered Owner covering the principal amount of Bonds held by such Existing Registered Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Registered Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Registered Owner covering the principal amount of Bonds to be converted held by such Existing Registered Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Registered Owner or Potential Registered Owner shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

*Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.*

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Registered Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Registered Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Registered Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Registered Owner; and

(v) to the extent such Bidder is a Potential Registered Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Registered Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Registered Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Registered Owners with those of other Potential Registered Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Registered Owners with other Existing Registered Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Board, the Paying Agent/Registrar or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Registered Owner or Potential Registered Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Registered Owner, Potential Registered Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Registered Owner or Potential Registered Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Registered Owner or Potential Registered Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Registered Owner, a Potential Registered Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

*Section 2.03. Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Registered Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Registered Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record

over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Registered Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(D) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Registered Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Paying Agent/Registrar or the Authorized Officer that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Paying Agent/Registrar or the Authorized Officer has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

*Section 2.04. Determination of Auction Period Rate.* (a) If requested by the Authorized Officer or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Paying Agent/Registrar, if requested) of the All Hold Rate, the Index and, if the Maximum Auction Rate is not a fixed interest rate, the Maximum Auction Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be \_\_\_% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and \_\_\_% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be \_\_\_% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and \_\_\_% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Auction Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Auction Rate.

*Section 2.05. Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Registered Owner shall be accepted, thus requiring each such Existing Registered Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Registered Owner shall be accepted and the Submitted Bid of each Existing Registered Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Registered Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Registered Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Registered Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Registered Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Registered Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Registered Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Registered Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of outstanding Bonds held by such Existing Registered Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of outstanding Bonds subject to such Submitted Bids made by all such Existing Registered Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Registered Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Registered Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Registered Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of outstanding Bonds subject to such Submitted Bids made by all such Potential Registered Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Registered Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Registered Owner shall be accepted, thus requiring each such Existing Registered Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Registered Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Registered Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Registered Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Registered Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Registered Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Registered Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of outstanding Bonds held by such Existing Registered Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Registered Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Registered Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

*Section 2.06. Notice of Auction Period Rate.* (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Registered Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Registered Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Registered Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Registered Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Registered Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Registered Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Registered Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Registered Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Registered Owner or

Potential Registered Owner shall: (i) if requested by an Existing Registered Owner or a Potential Registered Owner, advise such Existing Registered Owner or Potential Registered Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Registered Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Registered Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Registered Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Registered Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Authorized Officer and the Paying Agent/Registrar by mutually acceptable Electronic Means and the Paying Agent/Registrar shall promptly give notice of such Auction Rate to the Securities Depository.

*Section 2.07. Index.*

(a) If for any reason on any Auction Date the Index shall not be determined, the Index shall be the Index for the Auction Period ending on such Auction Date.

(b) The determination of the Index as provided herein shall be conclusive and binding upon the Board, the Paying Agent/Registrar, the Broker-Dealers, the Auction Agent and the owners of the Bonds.

*Section 2.08. Miscellaneous Provisions Regarding Auctions.*

(a) In this Appendix, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Mode with respect to each Series of Bonds, the provisions of the Resolution, including the Award Certificate, Exhibit B to the Resolution, this Appendix and the definitions contained herein, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Auction Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Resolution by obtaining the consent of the owners of all affected outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent/Registrar mailed notice of such proposed amendment to the registered owners of the affected outstanding Bonds as required by the Resolution, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Board a Favorable Opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Board that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Board within 90 days after the Board receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Board shall execute and the Paying Agent/Registrar shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Board and the Paying Agent/Registrar.

During an Auction Rate Mode, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Registered Owner or a beneficial owner may sell, transfer or



otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Registered Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Registered Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

*Section 2.09. Changes in Auction Period or Auction Date.*

(a) Changes in Auction Period.

(i) During any Auction Rate Mode, the Board may, from time to time, on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Board shall initiate the change in the length of the Auction Period by giving written notice to the Paying Agent/Registrar, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Registered Owner submits an Order with respect to such Bonds of any Series, each Existing Registered Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Auction Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any Auction Rate Mode, the Auction Agent, at the direction of the Board, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Board's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Paying Agent/Registrar, the Board and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which a Flexible Auction Period ends and the Interest Payment Date relating to a Flexible Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday.

## EXHIBIT C

### CPI BOND PROVISIONS

This Exhibit C contains provisions governing the CPI Bonds. In the event of any conflict between any provision of this Exhibit C and another provision of the Resolution of the Board to which this Exhibit C is attached (the “Resolution”) regarding the calculation of interest on the CPI Bonds, the provisions of this Exhibit C shall control. In the event the Authorized Representative designates any of the Bonds as CPI Bonds in the Award Certificate, the Authorized Representative is authorized to make such modifications to the provisions set forth in this Exhibit C as in the judgment of the Authorized Representative are necessary to effectuate the issuance and delivery of such CPI Bonds, including the completion of any blanks contained herein.

**Definitions with Respect to CPI Bonds and the CPI Rate.** In addition to the terms otherwise defined in the Resolution, the following words and terms as used in this Exhibit C and elsewhere in the Resolution shall have the following meanings with respect to Bonds designated as CPI Bonds pursuant to the Award Certificate unless the context or use indicates another or different meaning:

“**Bloomberg CPURNSA**” shall have the meaning assigned to such term under the caption “Consumer Price Index” below.

“**BLS**” shall have the meaning assigned to such term under the caption “Interest Rate” below.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in The City of New York.

“**Calculation Agent**” means, initially, \_\_\_\_\_ or such other Calculation Agent as may be selected by the Board or the owners of a majority in principal amount of outstanding CPI Bonds, their successors or assigns.

“**CPI**” has the meaning given to such term under the caption “Interest Rate” below.

“**CPI Bonds**” means those maturities, if any, designated as CPI Bonds in the Award Certificate bearing interest at the CPI Rate, as described in this Exhibit C.

“**CPI Rate**” shall have the meaning assigned to such term under the caption “Interest Rate.”

“**Initial Interest Rate**” means the rate or rates with respect to the maturities of the CPI Bonds as provided in the Award Certificate.

“**Initial Interest Period**” means the period from and including the date of the delivery of the CPI Bonds to but excluding the initial Interest Reset Date.

**“Interest Payment Date”** means the first Business Day of each month commencing on such date as provided in the Award Certificate.

**“Interest Period”** means each period (other than the Initial Interest Period) from and including one Interest Reset Date to but excluding the next Interest Reset Date; provided that the final Interest Period shall end on but exclude the maturity date for the CPI Bonds.

**“Interest Reset Dates”** means the first calendar day of each month, commencing on such date as provided in the Award Certificate.

**“Maximum Rate”** has the meaning given to such term in Section 1.01 of the Resolution.

**“Record Date”** means the fifteenth day (whether or not a Business Day) of the month preceding each Interest Payment Date.

**“Reference Month”** means, with respect to an Interest Reset Date, the second calendar month preceding that Interest Reset Date. For example, the Reference Month for December Interest Reset Date will be October.

**“Spread”** shall have the meaning assigned to such term under the caption “Interest Rate” below.

### **Consumer Price Index**

The amount of interest payable on the CPI Bonds on each Interest Payment Date will be linked to changes in the Consumer Price Index. The Consumer Price Index for purposes of the CPI Bonds is the non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment (“CPI”), published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor (“BLS”) and reported on Bloomberg CPURNSA or any successor service (“Bloomberg CPURNSA”). The CPI for a particular month is generally released and published during the following month. The CPI is a measure of the average change in consumer prices over time for a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors’ and dentists’ services, and drugs. In calculating the index, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically by the BLS to take into account changes in consumer expenditure patterns. The CPI is expressed in relative terms in relation to a time base reference period for which the level is set at 100.0. The base reference period for the CPI Bonds is the 1982-1984 average.

### **Interest Rate**

The CPI Bonds will bear interest at the Initial Interest Rate during the Initial Interest Period. Thereafter, the CPI Bonds will bear interest at an annual rate (the “CPI Rate”) that the Calculation Agent determines as of each Interest Reset Date, for the Interest Period beginning on that Interest Reset Date, pursuant to the following formula:

$$[(CPI_t - CPI_{t-12}) / CPI_{t-12}] + \text{Spread}$$

Where:

$CPI_t$  = CPI for the applicable Reference Month;

$CPI_{t-12}$  = CPI for the twelfth month prior to the applicable Reference Month; and

Spread = The percentage assigned to various maturities of the CPI Bonds as provided in the Award Certificate;

$CPI_t$  for each Interest Reset Date is the CPI for the applicable Reference Month, which is generally released and published in the first calendar month prior to such Interest Reset Date.  $CPI_{t-12}$  for each Interest Reset Date is the CPI for the twelfth month prior to the applicable Reference Month, which is generally released and published in the eleventh month prior to the applicable Reference Month. For example, for the October 2007 Interest Period,  $CPI_t$  will be the CPI for August 2007 and  $CPI_{t-12}$  will be the CPI for August 2006. The CPI for August 2007 is expected to be published by BLS and reported on Bloomberg CPURNSA in September 2007 and the CPI for August 2006 was published and reported in September 2006.

Movements in the CPI that have occurred in the past are not necessarily indicative of changes that may occur in the future. Actual changes in the CPI may be less than or greater than those that have occurred in the past.

The amount of interest accruing on the CPI Bonds during the Initial Interest Period and each Interest Period will be computed on the basis of a 360-day year of twelve 30 day calendar months and will be payable in arrears on the Interest Payment Date for the Initial Interest Period and each Interest Period to the owners thereof as of the applicable Record Date. If, for any Interest Period, the CPI Rate is zero or a negative number, the interest rate for the CPI Bonds for that Interest Period will be 0%. In no event will the CPI Rate be greater than the Maximum Rate. All calculations and determinations by the Calculation Agent will be final, absent manifest error.

At or prior to 12:00 noon, New York time, on each Interest Reset Date (or, if such Interest Reset Date is not a Business Day, on the next succeeding Business Day), the Calculation Agent will calculate the CPI Rate applicable to that Interest Reset Date and shall supply to the Paying Agent/Registrar and the Board the CPI Rate so determined in writing or by electronic communication promptly confirmed in writing. As noted, the calculation of the CPI Rate by the Calculation Agent will be final and conclusive and binding on the Paying Agent/Registrar, the owners of the CPI Bonds and the Board, absent manifest error.

If the CPI is not reported on Bloomberg CPURNSA for a particular month by 11:00 AM on an Interest Reset Date, but the CPI has otherwise been published by the BLS, the Calculation Agent will determine the CPI as published by the BLS for such month using a source it deems to be accurate and appropriate. However, if the CPI is not published by the BLS for a particular month by 11:00 AM on an Interest Reset Date, the Calculation Agent will determine the CPI Rate with reference to an index number based on the last twelve-month change in the CPI available and announced by the Department of Treasury for its Inflation-Indexed Securities as described at 62 Federal Register 846-874 (January 6, 1997) (the "Treasury Inflation-Indexed

Securities Regulation”) or, if no such securities are outstanding or no such substitute index number is chosen, in accordance with general market practice at the time.

In calculating  $CPI_t$  and  $CPI_{t-12}$ , the Calculation Agent will use the most recently available value of the CPI determined as described above on the applicable Interest Reset Date, even if such value has been adjusted from a prior reported value for the relevant month. However, if a value of  $CPI_t$  and  $CPI_{t-12}$  used by the Calculation Agent on any Interest Reset Date to determine the interest rate on the CPI Bonds (an “Initial CPI Value”) is subsequently revised by the BLS, the Calculation Agent will continue to use the Initial CPI Value for all purposes hereunder, and the interest rate for the related Interest Period, as determined based upon the Initial CPI Value, will not be revised.

If the CPI is rebased to a different year or period, the base reference period for the CPI Bonds will continue to be the 1982-1984 reference period as long as the 1982-1984 CPI continues to be published. If the 1982-1984 CPI is not published, the Calculation Agent will determine the percentage change in inflation in accordance with general market practice at the time.

If, while the CPI Bonds are outstanding, the CPI is discontinued or substantially altered, as determined in the sole discretion of the Calculation Agent, the Calculation Agent will determine the CPI Rate with reference to an applicable substitute index chosen by the Department of Treasury for its Inflation-Indexed Securities as described in the Treasury Inflation-Indexed Securities Regulation or, if no such securities are outstanding or no such substitute index is chosen, in accordance with general market practice at the time.

There will be no adjustment to the principal amount of the CPI Bonds at maturity or at any other time during the term of the CPI Bonds. The amount that owners of the CPI Bonds will receive at maturity is equal to the principal amount of CPI Bonds purchased by such owners.

### **Rounding**

All percentages resulting from any calculation of the interest rate will be rounded to the nearest third decimal place (one thousandth of a percentage point), rounding upwards if the fourth decimal place is five or greater (e.g., 9.8765% (or .098765) would be rounded up to 9.877% (or .09877) and 9.8764% (or .098764) would be rounded down to 9.876% (or .09876)). All dollar amounts used in or resulting from such calculation on the CPI Bonds will be rounded to the nearest cent (with one-half cent being rounded upward).

## EXHIBIT D

### LIBOR-BASED BOND PROVISIONS

This Exhibit D contains provisions governing the LIBOR-Based Bonds. In the event of any conflict between any provision of this Exhibit D and another provision of the Resolution of the Board to which this Exhibit D is attached (the “Resolution”) regarding the calculation of interest on the LIBOR-Based Bonds, the provisions of this Exhibit D shall control. In the event the Authorized Representative designates any of the Bonds as LIBOR-Based Bonds in the Award Certificate, the Authorized Representative is authorized to make such modifications to the provisions set forth in this Exhibit D as in the judgment of the Authorized Representative are necessary to effectuate the issuance and delivery of such LIBOR-Based Bonds, including the completion of any blanks contained herein.

**I. Definitions** – In addition to the terms otherwise defined in the Resolution, the following words and terms as used in this Exhibit D and elsewhere in the Resolution shall have the following meanings with respect to Bonds designated as LIBOR-Based Bonds pursuant to the Award Certificate unless the context or use indicates another or different meaning:

“Calculation Agent” means, initially, \_\_\_\_\_, or such other Calculation Agent as may be selected by the Board or the owners of a majority in principal amount of outstanding LIBOR-Based Bonds, their successor or assigns.

“Interest Accrual Date” means the first day of any LIBOR-Based Rate Period and, thereafter, each Interest Payment Date (whether or not a Business Day).

“Interest Payment Date” means with respect to the LIBOR-Based Bonds, the first Business Day of each January, April, July and October.

“LIBOR-Based Interest Accrual Period” has the meaning set forth in Section III(A).

“LIBOR-Based Rate” means the variable rate of interest with respect to LIBOR-Based Bonds. The LIBOR-Based Rate for each LIBOR-Based Bond shall be (a) \_\_\_% per annum for the period from the Issuance Date until \_\_\_\_\_, 200\_, and (b) for each subsequent LIBOR-Based Interest Accrual Period, the rate of interest per annum determined by the Calculation Agent on a LIBOR Rate Determination Date to be \_\_\_% of the Three Month LIBOR Rate plus a spread of \_\_\_ basis points; provided, however, that the LIBOR-Based Rate shall not exceed the Maximum Rate.

“LIBOR-Based Rate Period” means each period with respect to the LIBOR-Based Bonds during which a LIBOR-Based Rate is in effect.

“LIBOR Rate Determination Date” has the meaning set forth in Section III(A).

“London Banking Day” means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

“Record Date” means for any Interest Payment Date, the 15th day of the calendar month preceding the calendar month in which such Interest Payment Date falls or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a LIBOR-Based Rate Period, that first day.

“Three Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on [Reuters Screen LIBOR01 Page] (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the LIBOR Rate Determination Date; provided, however, that:

(1) if such three-month rate does not appear on such page on the LIBOR Rate Determination Date, the “Three Month LIBOR Rate” shall be a rate determined by the Calculation Agent on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on the LIBOR Rate Determination Date, to prime banks in the London interbank market by three major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Calculation Agent. The Calculation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m., New York City time, on the LIBOR Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity; and

(2) If none of the banks in New York City selected by the Calculation Agent are then quoting rates for such loans, then the “Three Month LIBOR Rate” for the ensuing interest period will mean the Three Month LIBOR Rate then in effect in the immediately preceding LIBOR-Based Interest Accrual Period.

## **II. Terms of the LIBOR-Based Bonds; Payment of Principal and Interest.**

(A) (1) The LIBOR-Based Bonds shall bear interest from their Issuance Date, payable in lawful money of the United States of America, at the LIBOR-Based Rate as determined pursuant to this Exhibit D.

(2) Interest shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date.

(3) Interest on the LIBOR-Based Bonds shall be payable for the final Rate Period to the date on which the LIBOR-Based Bonds shall have been paid in full. Interest shall be computed on the basis of a 365 or 366-day year, as appropriate, and the actual number of days elapsed.

(4) The initial interest rate for the LIBOR-Based Bonds and the determination for the LIBOR-Based Bonds of the LIBOR-Based Rate by the Calculation Agent shall be conclusive and binding upon the Board, the Calculation Agent and the owners of such Bonds.

(B) The LIBOR-Based Bonds are not subject to tender at the option of the owners thereof.

### **III. LIBOR-Based Rate Period Provisions.**

(A) Determination of LIBOR-Based Rates. During each LIBOR-Based Rate Period with respect to the LIBOR-Based Bonds, the LIBOR-Based Bonds shall bear interest at the LIBOR-Based Rate, which shall be determined by the Calculation Agent on a date that is two London Banking Days preceding the first day of each LIBOR-Based Interest Accrual Period (each a “LIBOR Rate Determination Date”). The first LIBOR-Based Rate for each LIBOR-Based Rate Period shall apply to the period commencing on the first day of such LIBOR-Based Rate Period and ending on the day immediately prior to the first Interest Payment Date and thereafter, each LIBOR-Based Rate shall apply to the period commencing on and including an Interest Accrual Date to but not including the following Interest Payment Date (each a “LIBOR-Based Interest Accrual Period”).

(B) As soon as possible after 11:00 a.m. (New York time) on each LIBOR Rate Determination Date, but in no event later than 11:00 a.m. (New York time) on the Business Day immediately following each LIBOR Rate Determination Date, the Calculation Agent will notify the Board and the owner of the LIBOR-Based Rate for the next LIBOR-Based Interest Accrual Period.

### **IV. Calculation Agent.**

(A) The acceptance by the Calculation Agent of its duties hereunder shall be evidenced by an agreement in form and substance satisfactory to the Authorized Representative.

(B) The Calculation Agent may resign at any time by giving 30 days’ notice to the Board. No such resignation shall become effective until a successor Calculation Agent has been appointed and has accepted its duties and obligations hereunder.

(C) The Board may remove the Calculation Agent at any time upon 30 days’ notice to the Calculation Agent. No such removal shall become effective until a successor Calculation Agent has been appointed and has accepted its duties and obligations hereunder.

(D) If the Calculation Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Calculation Agent for any cause, the Board



shall promptly appoint a successor Calculation Agent, which shall be independent from the Board. Any successor Calculation Agent shall signify its acceptance of such appointment and its assumption of the duties and obligations imposed upon it hereunder by execution and delivery of an agreement satisfactory to the Authorized Representative.

(E) Compensation and expenses of the Calculation Agent shall be paid by the Board, as provided in the agreement of the Calculation Agent accepting its appointment.

(F) The Calculation Agent shall not have a lien on the Interest of the System in the Available University Fund for payment of its compensation or expenses.