

**BOARD OF TRUSTEES
AGENDA**

<input type="checkbox"/> Workshop	<input checked="" type="checkbox"/> Regular	<input type="checkbox"/> Special
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(A) ☐ Report Only ☐ Recognition

Presenter(s):

Briefly describe the subject of the report or recognition presentation.

(B) ☒ Action Item

Presenter(s): JUAN AGUILERA, BOND COUNSEL
DAVID GONZALEZ, ESTRADA-HINOJOSA & COMPANY, INC.

Briefly describe the action required.

CONSIDERATION AND APPROVAL OF AN ORDER AUTHORIZING THE ISSUANCE OF EAGLE PASS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2015; ENTERING INTO AN ESCROW AGREEMENT, A PURCHASE CONTRACT, AND A PAYING AGENT/REGISTRAR AGREEMENT; DELEGATING TO CERTAIN DISTRICT ADMINISTRATIVE STAFF AND OFFICIALS THE AUTHORITY TO APPROVE ALL FINAL TERMS OF THE BOND; AND OTHER MATTERS RELATED THERETO.

(C) **Funding source: Identify the source of funds if any are required.**

(D) **Clarification: Explain any question or issues that might be raised regarding this item.**

SEE ATTACHED MEMORANDUM.



ESCAMILLA & PONECK, LLP
ATTORNEYS AND COUNSELORS

Phone (210) 225-0001 • Fax (210) 225-0041 • escamillaponeck.com

January 30, 2015

By Electronic Mail

Mr. Gilberto Gonzalez
Superintendent of Schools
Eagle Pass Independent School District
1420 Eidson Road
Eagle Pass, Texas 78852

Re: *Eagle Pass Independent School District Unlimited Tax Refunding Bonds,
Series 2015*

Dear Mr. Gonzalez:

Pursuant to Mr. David Gonzalez's request, attached hereto as Exhibit "A" are agenda items for the Board of Trustees' upcoming meeting.

Thank you for ensuring that the enclosed agenda item is properly posted in accordance with the Texas Open Meetings Act.

If you have any questions regarding this matter, please do not hesitate to contact our office.

Very truly,

ESCAMILLA & PONECK, LLP



JUAN F. AGUILERA

JFA/gls
Attachment

EXHIBIT "A"

Agenda Item

CONSIDERATION AND APPROVAL OF AN ORDER AUTHORIZING THE ISSUANCE OF EAGLE PASS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2015; ENTERING INTO AN ESCROW AGREEMENT, A PURCHASE CONTRACT, AND A PAYING AGENT/REGISTRAR AGREEMENT; DELEGATING TO CERTAIN DISTRICT ADMINISTRATIVE STAFF AND OFFICIALS THE AUTHORITY TO APPROVE ALL FINAL TERMS OF THE BONDS; AND OTHER MATTERS RELATED THERETO

CONSIDERATION AND APPROVAL OF AN ORDER AUTHORIZING THE ISSUANCE OF EAGLE PASS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2015; ENTERING INTO AN ESCROW AGREEMENT, A PURCHASE CONTRACT, AND A PAYING AGENT/REGISTRAR AGREEMENT; DELEGATING TO CERTAIN DISTRICT ADMINISTRATIVE STAFF AND OFFICIALS THE AUTHORITY TO APPROVE ALL FINAL TERMS OF THE BONDS; AND OTHER MATTERS RELATED THERETO

WHEREAS, the Eagle Pass Independent School District (the "District") has been organized, created, and established pursuant to the laws of the State of Texas as an independent school district and political subdivision of the State of Texas, and operates pursuant to the Texas Education Code, as amended;

WHEREAS, the District desires to refund certain maturities (in whole or in part) of one or more of the following outstanding bonds (the maturities, in whole or in part, selected by the Authorized Representative herein identified, collectively referred to as the "Refunded Bonds") and hereby calls the Refunded Bonds for redemption as noted in the Approval Certificate:

**Eagle Pass Independent School District
Unlimited Tax Refunding Bonds, Series 2005**

Maturities (August 15)	Original Principal Amount (\$)	Refunded Amount (\$)
2016	2,320,000.00	2,320,000.00
2017	2,420,000.00	2,420,000.00
2018	1,085,000.00	1,085,000.00
2019	xxxx	xxxx
2020	xxxx	xxxx
2021	xxxx	xxxx
*2022	4,860,000.00	4,860,000.00

* Term Bond

WHEREAS, Chapter 1207, Texas Government Code, authorizes the District to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with any authorized escrow agent for the Refunded Bonds, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

WHEREAS, said Chapter 1207 further authorizes the District to enter into an escrow agreement with any authorized escrow agent with respect to the safekeeping, investment, reinvestment, administration, and disposition of any such deposit, upon such terms and conditions as the District and such paying agent may agree, and which shall mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or prepayment of the Refunded Bonds;

WHEREAS, the Escrow Agreement hereinafter authorized constitutes an escrow agreement of the kind authorized and permitted by said Chapter 1207;

WHEREAS, the Board of Trustees of the District hereby finds and declares a public purpose and deems it advisable to refund the Refunded Bonds in order to effect a gross debt service savings of \$_____ and a net present value savings in the amount of \$_____;

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

WHEREAS, the Board hereby finds and determines that the issuance of the Bonds is in the best interest of the District;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF TRUSTEES OF THE EAGLE PASS INDEPENDENT SCHOOL DISTRICT THAT:

Section 1. Authorization of the Bonds; Delegation of Authority. There is hereby ordered to be issued, under and by virtue of the laws of the State of Texas, including particularly Chapter 1207, a series of bonds of the District to be known as "EAGLE PASS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2015" (the "Bonds"), in the principal amount of \$10,685,000.00, payable from *ad valorem* taxes as provided in this Order, for the purposes described in the "Form of the Bonds" contained in Section 4 hereof.

As authorized by Chapter 1207, the Superintendent of Schools and the Deputy Superintendent for Business and Finance of the District (each an "Authorized Representative") are hereby authorized, appointed, and designated as an officer of the District authorized to individually act on behalf of the District in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Order, including approval of the aggregate principal amount of each maturity of the Bonds, the redemption provisions therefor, and the rate of interest to be borne on the principal amount of each such maturity. The Authorized Representative, acting for and on behalf of the District, is authorized to execute the Approval Certificate attached hereto as Schedule "I." The Bonds shall be issued in the principal amount not to exceed \$10,685,000 and the net effective per annum interest rate shall not exceed a rate greater than the maximum rate provided by law calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code, and the net present value savings shall be at least 4.700%. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the District to the Underwriter(s) in accordance with the provisions of Chapter 1207. Upon execution of the Approval Certificate, Bond Counsel is authorized to complete this Order to reflect such final terms applicable to the Bonds. This Delegation of Authority, as provided herein will cease six months from the adoption of this Order, and any new action to refund the Refunded Bonds will require the adoption of a new order by the Board of Trustees to effectuate a refunding.

Section 2. Date, Denominations, Numbers, and Maturities of and Interest on the Bonds. The Bonds shall be issued, in part, as Current Interest Bonds (hereinafter defined) and, in

part, as Premium Capital Appreciation Bonds (hereinafter defined), and shall be dated May 1, 2015 (the "Dated Date"). Interest shall commence to accrue on the Current Interest Bonds from the date of initial delivery (the "Delivery Date"), pursuant to the Bond Purchase Agreement herein authorized and shall be payable on the dates specified in the Form of Bonds identified herein. Interest shall commence to compound on the Premium Capital Appreciation Bonds on the Delivery Date pursuant to the Bond Purchase Agreement and shall be payable on the dates specified in the Form of Bonds. The Bonds shall be in the respective denominations and principal amounts hereinafter stated, shall be numbered CIB-1 for the Initial Current Interest Bond and CAB-1 for the Initial Premium Capital Appreciation Bond (the Initial Current Interest Bond and the Initial Premium Capital Appreciation Bond, collectively the "Initial Bonds") and consecutively from R-1 upward for the definitive Current Interest Bonds and CR-1 upward for the definitive Premium Capital Appreciation Bonds, payable to the Underwriter (hereinafter defined), or to the registered assignee or assignees of the Bonds or any portion or portions thereof (in each case, the "Registered Owner").

The Current Interest Bonds shall mature on the date and in each of the years and in the amounts and bear interest as set forth in the following schedule:

<p style="text-align: center;">\$ _____ <u>Current Interest Bonds</u></p>		
Date of Stated <u>Maturity</u> (August 15)	Principal <u>Amount</u> (\$)	<u>Interest Rate</u> (%)
2015		
2016		
2017		
2018		
*2020		
*2022		
*2026		
*2031		
2033		
2034		
2035		
2036		
2037		

* Term Bonds

The Premium Capital Appreciation Bonds shall mature in maturing amounts of \$5,000 or any integral multiple thereof and be payable on the following dates in the aggregate principal amount and aggregate payment at maturity at the following yield, respectively, as set forth in the following schedule:

\$ _____
Premium Capital Appreciation Bonds

Date of Stated <u>Maturity</u> (August 15) 20__	Original Principal <u>Amount</u> (\$)	Stated Maturity <u>Amount</u> (\$)	Stated <u>Yields</u> (%)
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Reference is hereby made to Exhibit "C," attached hereto and incorporated by reference herein, which sets forth the original principal amount plus the premium paid at the Delivery Date (the Initial Offering Price shown above) for the Premium Capital Appreciation Bonds and the Accreted Value (hereinafter defined) thereof, per \$5,000 payment at maturity, as of each February 15 and August 15, commencing on the Delivery Date, and continuing until the final maturity of the Premium Capital Appreciation Bonds. The Accreted Value with respect to any date other than a February 15 or August 15 is the amount set forth on Exhibit "C" with respect to the last preceding February 15 or August 15, as the case may be, plus the portion of the difference between such amount and the amount set forth on Exhibit "C" with respect to the next succeeding February 15 or August 15, as the case may be, that the number of days (based on 30-day months) from such last preceding February 15 or August 15, as the case may be, to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding February 15 or August 15, as the case may be, to the next succeeding February 15 or August 15, as the case may be.

Section 3. Redemption of the Bonds.

(a) Mandatory Redemption. The Bonds maturing on ____, ____, ____ and 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption annually, on August 15 of the years and in the principal amounts set forth below, plus accrued interest from the most recent interest payment date on which interest has been paid or fully provided for, to the redemption date:

\$ _____ Term Bonds due August 15, 20__

Mandatory Redemption Dates (August 15)	Principal Amount (\$)
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Final

\$ _____ Term Bonds due August 15, 20__

Mandatory Redemption Dates (August 15)	Principal Amount (\$)
---	--------------------------

Final

\$ _____ Term Bonds due August 15, 20__

Mandatory Redemption Dates (August 15)	Principal Amount (\$)
---	--------------------------

\$ Term Bonds due August 15, 20

Mandatory Redemption Dates (August 15)	Principal Amount (\$)
---	--------------------------

Final

On or before August 15 of every year in which there are mandatory redemption requirements as defined above for the Term Bonds, the Paying Agent/Registrar shall (i) determine the principal amount of Term Bonds that must be mandatorily redeemed on August 15 of such year, after taking into account deliveries for cancellation and optional redemptions of Bonds as more fully provided below, (ii) select by lot or other customary random method the Term Bonds (or portions thereof) to be mandatorily redeemed on August 15 of such year and (iii) give notice thereof in the manner described below. The Issuer, at its option, may credit against any mandatory sinking fund Term Bonds which have been purchased and canceled by the Issuer or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement of any other Term Bond maturity then subject to redemption.

(b) Optional Redemption of Current Interest Bonds. The District reserves the right, at its option, to redeem prior to maturity, the Current Interest Bonds maturing on or after August 15, 20__, in whole or in part, on August 15, 20__, and on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Current Interest Bonds are redeemed, the particular Current Interest Bonds or portions thereof to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar on behalf of the District. THE PREMIUM CAPITAL APPRECIATION BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO STATED MATURITY.

Current Interest Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Current Interest Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Current Interest Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Current Interest Bonds for redemption, the Registrar shall treat each Current Interest Bond as representing that number of Current Interest Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000. Upon surrender of any Current Interest Bond for redemption in part, the Registrar, in accordance with the provisions of this Order, shall authenticate and deliver in exchange therefore a Current Interest Bond or Current Interest Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Current Interest Bond so surrendered.

Not less than thirty (30) days prior, but not more than sixty (60) days prior, to redemption date for the Current Interest Bonds, notice of such redemption shall be sent by U.S. mail, first class postage prepaid, in the name of the District to each registered Owner of a Current Interest Bond to be redeemed in whole or in part at the address of such Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notices shall state the redemption date, the redemption price, the place at which bonds are to be surrendered for payment and, if less than all Current Interest Bonds outstanding are to be redeemed, the numbers of Current Interest Bonds or portions thereof to be redeemed. Any notice of redemption so mailed as provided in this Section will be conclusively presumed to have been duly given, whether or not the registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Current Interest Bonds or portions thereof to be redeemed. When Current Interest Bonds have been called for redemption in whole or in part, notice of redemption has been given as herein provided and due provision has been made to redeem the same, the Current Interest Bonds or portions thereof so redeemed shall no longer be regarded to be outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest which would otherwise accrue after the redemption date on any Current Interest Bond or portion thereof called redemption shall terminate on the date fixed for redemption.

Section 4. General Characteristics and Form of the Bonds. The Bonds shall be issued, shall be payable, may be redeemable prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Bonds shall be sealed) all as provided, and in the manner indicated in the form set forth below. The Form of the Bonds, the Form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and manually endorsed on each of the Initial Bond, the Form of the Authentication Certificate, the Form of Permanent School Fund Guarantee, and the Form of Assignment, which shall be, respectively, substantially as follows, with necessary and appropriate variations, omissions, and insertions as permitted or required by this Order, and the definitions contained with each such form shall apply solely to such form:

[FORM OF DEFINITIVE CURRENT INTEREST BONDS]

United States of America
 State of Texas
 County of Maverick, Texas
 EAGLE PASS INDEPENDENT SCHOOL DISTRICT
 UNLIMITED TAX REFUNDING BOND, SERIES 2015

NUMBER					DENOMINATION
R-_____					\$ _____
REGISTERED					REGISTERED
INTEREST	DATED DATE	DELIVERY DATE	MATURITY DATE	CUSIP NO.	
RATE					
_____ %	May 1, 2015	_____, 2015	August 15, ____	_____	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT (\$ _____)

EAGLE PASS INDEPENDENT SCHOOL DISTRICT (the "District"), a political subdivision of the State of Texas, promises to pay to the Registered Owner, specified above, or registered assignees (the "Registered Owner") on the Maturity Date, specified above, upon presentation and surrender of this Bond at the designated payment office of _____ Bank, N.A., or its successor (the "Paying Agent/Registrar"), the Principal Amount, specified above, in lawful money of the United States of America, and to pay interest thereon at the Interest Rate, specified above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the Delivery Date, specified above, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Bond is payable by check on February 15, 2016, and each February 15 and August 15 thereafter, mailed to the Registered Owner of record as shown on the books of registration kept by the Paying Agent/Registrar (the "Register"), as of the date which is the close of business on the last day of the month preceding the interest payment date (the "Record Date") or in such other manner as may be acceptable to the Registered Owner and the Paying Agent/Registrar. CUSIP number identification with appropriate dollar amount of payment pertaining to each CUSIP number (if more than one CUSIP number) must accompany all payments of interest and principal, whether by check or wire transfer. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment thereof have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due payment (the "Special Payment Date," which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the Registered Owner appearing on the books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice. The District covenants with the Registered Owner that no later than each principal installment payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bond, when due, in the manner set forth in the Order defined below.

THIS BOND is one of a series of Bonds, dated as of May 1, 2015 (the "Bonds"), of like designation and tenor, except as to number, interest rate, denomination, and maturity issued pursuant to the Order adopted by the Board of Trustees of the District on November 10, 2014, (the "Order"), in the original aggregate principal amount of \$10,685,000.00 for the purpose of providing money for refunding certain outstanding bonds and to pay costs of issuance of the Bonds by virtue of the laws of the State of Texas, including particularly Chapter 1207, Texas Government Code. The series of which this Bond is one is comprised of (i) Bonds in the aggregate principal amount of \$_____ that pay interest semiannually until maturity (the "Current Interest Bonds") and (ii) Bonds in the aggregate original principal amount of \$_____ that pay interest only at maturity (the "Premium Capital Appreciation Bonds").

The District reserves the right, at its option, to redeem prior to maturity, the Current Interest Bonds maturing on or after August 15, 20____, in whole or in part, on August 15, 20____,

and on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Current Interest Bonds are redeemed, the particular Current Interest Bonds or portions thereof to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar on behalf of the District.

Current Interest Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Current Interest Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Current Interest Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Current Interest Bonds for redemption, the Registrar shall treat each Current Interest Bond as representing that number of Current Interest Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Current Interest Bond by \$5,000. Upon surrender of any Current Interest Bond for redemption in part, the Registrar, in accordance with the provisions of this Order, shall authenticate and deliver in exchange therefore a Current Interest Bond or Current Interest Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Current Interest Bond so surrendered.

Not less than thirty (30) days prior, but not more than sixty (60) days prior, to redemption date for the Current Interest Bonds, notice of such redemption shall be sent by U.S. mail, first class postage prepaid, in the name of the District to each registered Owner of a Current Interest Bond to be redeemed in whole or in part at the address of such Owner appearing on the Register at the close of business on the Business Day next preceding the date of mailing. Such notices shall state the redemption date, the redemption price, the place at which bonds are to be surrendered for payment and, if less than all Current Interest Bonds outstanding are to be redeemed, the numbers of Current Interest Bonds or portions thereof to be redeemed. Any notice of redemption so mailed as provided in this Section will be conclusively presumed to have been duly given, whether or not the registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Current Interest Bonds or portions thereof to be redeemed. When Current Interest Bonds have been called for redemption in whole or in part, notice of redemption has been given as herein provided and due provision has been made to redeem the same, the Current Interest Bonds or portions thereof so redeemed shall no longer be regarded to be outstanding, except for the purpose of receiving payment solely from the funds so provided for redemption, and interest which would otherwise accrue after the redemption date on any Current Interest Bond or portion thereof called redemption shall terminate on the date fixed for redemption.

THE BONDS are issued pursuant to the Order whereunder the District covenants to levy a continuing, direct, annual *ad valorem* tax on taxable property within the District, without legal limitation as to rate or amount, for each year while any part of the Bonds are considered outstanding under the provisions of the Order, in a sufficient amount to pay interest on each Bond as it becomes due, to provide for the payment of the principal or maturing amounts, as appropriate, of the Bonds when due, and to pay the expenses of assessing and collecting such tax. Reference is hereby made to the Order for provisions with respect to the custody and application of the District's funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owner.

THIS BOND IS TRANSFERABLE OR EXCHANGEABLE only upon presentation and surrender at the designated payment office of the Paying Agent/Registrar. If a Bond is being transferred, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner, or his authorized representative, subject to the terms and conditions of the Order. If a Bond is being exchanged, it shall be in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Order. The Registered Owner of this Bond shall be deemed and treated by the District 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 District and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on, or maturing amounts of (as appropriate) the Bonds by the levy of a continuing, direct, annual *ad valorem* tax upon taxable property within the District; and that issuance of the Bonds does not exceed any constitutional or statutory limitation.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Order, agrees to be bound by such terms and provisions, and agrees that the terms and provisions of this Bond and the Order constitute a contract between each Registered Owner and the District.

IN WITNESS WHEREOF this Bond has been signed with the manual or facsimile signature of the President of the Board of Trustees of the District and countersigned with the manual or facsimile signature of the Secretary of the Board of Trustees (or their respective designees), and the official seal of the District has been duly impressed, or placed in facsimile, on this Bond.

**EAGLE PASS INDEPENDENT
SCHOOL DISTRICT**

Secretary, Board of Trustees

President, Board of Trustees

(DISTRICT SEAL)

[FORM OF DEFINITIVE PREMIUM CAPITAL APPRECIATION BONDS]

United States of America
State of Texas
County of Maverick, Texas
EAGLE PASS INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BOND, SERIES 2015

NO. CR-__

<u>DATED DATE</u>	<u>DELIVERY DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
May 1, 2015	_____, 2015	August 15, ____	_____

REGISTERED OWNER: CEDE & CO.

PAYMENT AT MATURITY:

EAGLE PASS INDEPENDENT SCHOOL DISTRICT (the "District"), a political subdivision of the State of Texas, promises to pay to the Registered Owner, specified above, or registered assignees (the "Registered Owner") on the Maturity Date, specified above, the Payment at Maturity, in the amount specified above, representing the principal amount hereof and compounded interest hereon. Interest shall accrete on the principal amount hereof commencing on the Delivery Date, specified above, at the Interest Rate per annum, specified above, compounded on February 15, 2016, and semiannually thereafter on August 15 and February 15. For convenience of reference, a table appears on the back of this Bond showing the "Accreted Value" of the original principal amount plus initial premium per \$5,000 Payment at Maturity compounded semiannually at the approximate yield shown on such table. The Accreted Value with respect to any date other than a August 15 or February 15 is the amount set forth on the table with respect to the last preceding August 15 or February 15, as the case may be, plus the portion of the difference between such amount and the amount set forth on the table with respect to the next succeeding August 15 or February 15, as the case may be, that the number of days (based on 30-day months) from such last preceding August 15 or February 15, as the case may be, to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding August 15 or February 15, as the case may be, to the next succeeding August 15 or February 15, as the case may be.

THE PAYMENT AT MATURITY of this Bond is payable in lawful money of the United States of America, without exchange or collection charges. The Payment at Maturity of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity, at the designated payment office of _____ Bank, N.A., which is the initial "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and solely from, funds of the District required by the Order (described below) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided, payable to the Registered Owner hereof, as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. CUSIP number identification with appropriate dollar amount of payment pertaining to each CUSIP number (if more than one CUSIP number) must accompany all payments of interest and principal, whether by check or wire transfer. The

District covenants with the Registered Owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained pursuant to the Order, the amounts required to provide for the payment, in immediately available funds, of the Payment at Maturity, when due.

THIS BOND is one of a series of Bonds dated as of May 1, 2015 (the "Bonds") of like designation and tenor, except as to number, interest rate, denomination, and maturity issued pursuant to the Order adopted by the Board of Trustees of the District on November 10, 2014 (the "Order"), in the original aggregate principal amount of \$10,685,000.00 for the purpose of providing money for refunding certain outstanding bonds and to pay costs of issuance of the Bonds by virtue of the laws of the State of Texas, including particularly Chapter 1207, Texas Government Code. The series of which this Bond is one is comprised of (i) Bonds in the aggregate principal amount of \$_____ that pay interest semiannually until maturity (the "Current Interest Bonds"), and (ii) Bonds in the aggregate original principal amount of \$_____ that pay interest only at maturity (the "Premium Capital Appreciation Bonds").

THE PREMIUM CAPITAL APPRECIATION BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO STATED MATURITY.

THE BONDS are issued pursuant to the Order whereunder the District covenants to levy a continuing, direct, annual *ad valorem* tax on taxable property within the District, without legal limitation as to rate or amount, for each year while any part of the Bonds are considered outstanding under the provisions of the Order, in a sufficient amount to pay interest on each Bond as it becomes due, to provide for the payment of the principal or maturing amounts, as appropriate, of the Bonds when due, and to pay the expenses of assessing and collecting such tax. Reference is hereby made to the Order for provisions with respect to the custody and application of the District's funds, remedies in the event of a default hereunder or thereunder, and the other rights of the Registered Owner.

THIS BOND IS TRANSFERABLE OR EXCHANGEABLE only upon presentation and surrender at the designated payment office of the Paying Agent/Registrar. If a Bond is being transferred, it shall be duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner, or his authorized representative, subject to the terms and conditions of the Order. If a Current Interest Bond is being exchanged, it shall be in the principal amount of \$5,000 or any integral multiple thereof, and if a Premium Capital Appreciation Bond is being exchanged, the Payment at Maturity shall be in the amount of \$5,000 or any integral multiple thereof, all subject to the terms and conditions of the Order. The Registered Owner of this Bond shall be deemed and treated by the District 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 District and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the District, resigns, or otherwise ceases to act as such, the District has covenanted in the Order that it promptly will appoint a competent and legally qualified substitute therefore, and cause written notice thereof to be mailed to the Registered Owner.

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things necessary to be done precedent to the issuance of the Bonds in order to render the same legal, valid, and binding obligations of the District have happened and have been accomplished and performed in regular and due time, form, and manner, as required by law; that provision has been made for the payment of the principal of and interest on, or maturing amounts of (as appropriate) the Bonds by the levy of a continuing, direct, annual *ad valorem* tax upon taxable property within the District; and that issuance of the Bonds does not exceed any constitutional or statutory limitation.

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Order, agrees to be bound by such terms and provisions, and agrees that the terms and provisions of this Bond and the Order constitute a contract between each Registered Owner and the District.

IN WITNESS WHEREOF this Bond has been signed with the manual or facsimile signature of the President of the Board of Trustees of the District and countersigned with the manual or facsimile signature of the Secretary of the Board of Trustees (or their respective designees), and the official seal of the District has been duly impressed, or placed in facsimile, on this Bond.

**EAGLE PASS
INDEPENDENT SCHOOL DISTRICT**

Secretary, Board of Trustees

President, Board of Trustees

(DISTRICT SEAL)

(The Initial Current Interest Bond shall be in the form set forth above for the Definitive Current Interest Bond, except the following shall replace the heading and the first paragraph:)

NO. CIB-1

\$ _____

United States of America
State of Texas
County of Maverick, Texas
EAGLE PASS INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BOND, SERIES 2015

DATED DATE: May 1, 2015

DELIVERY DATE: _____, 2015

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ MILLION _____ THOUSAND AND NO/100
DOLLARS (\$ _____)

EAGLE PASS INDEPENDENT SCHOOL DISTRICT (the "District"), for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner, specified above, or the registered assigns thereof (the "Registered Owner"), the Principal Amount, specified above, with principal installments payable on the date and in each of the years, and bearing interest at per annum rates in accordance with the following schedule:

\$ _____
Current Interest Bonds

<u>Date of</u> <u>Stated Maturity</u> (August 15)	<u>Principal Amount</u> (\$)	<u>Interest Rate</u> (%)
---	---------------------------------	-----------------------------

[Terms to be inserted from the schedule in Section 2 hereof]

INTEREST on the unpaid Principal Amount hereof from the Delivery Date, specified above, or from the most recent interest payment date to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for shall be paid computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on August 15 and February 15 of each year, commencing February 15, 2016.

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 final payment of principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at final maturity, at the designated payment trust office of _____ Bank, N.A., which is the "Paying Agent/Registrar" for this Bond. The payment of principal installments and interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof as shown by the Registration Books kept by the Paying Agent/Registrar at the close of business on the Record Date by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the District required 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, postage prepaid, on each such payment date, to the registered owner hereof at its address as it appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The record date ("Record Date") for payments hereon means the close of business on the last day of the month preceding a scheduled payment. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment thereof have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due payment (the "Special Payment Date," which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the Registered Owner appearing on the books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice. The District covenants with the Registered Owner that no later than each principal installment payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the

payment, in immediately available funds, of all principal of and interest on this Bond, when due, in the manner set forth in the Order defined below.

[FORM OF INITIAL PREMIUM CAPITAL APPRECIATION BOND]

(The Initial Premium Capital Appreciation Bond shall be in the form set forth above for the Definitive Premium Capital Appreciation Bond, except the following shall replace the heading and the first paragraph)

NO. CAB-1

\$ _____

United States of America
State of Texas
County of Maverick, Texas
EAGLE PASS INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BOND, SERIES 2015

DATED DATE: May 1, 2015

DELIVERY DATE: _____, 2015

REGISTERED OWNER: _____

MATURITY AMOUNT: _____ HUNDRED _____ THOUSAND AND NO/100
DOLLARS (\$ _____)

EAGLE PASS INDEPENDENT SCHOOL DISTRICT (the "District"), for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner, specified above, or the registered assigns thereof (the "Registered Owner"), the aggregate of the Maturity Amounts, specified below, on the date in each of the years and in installments in accordance with the following schedule:

Date of Stated Maturity (August 15)	Principal Amounts (\$)	Stated Maturity Amount (\$)	Stated Yields (%)
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[Terms to be inserted from the schedule in Section 2 hereof]

(without the right of redemption or prepayment prior to Stated Maturity, specified above). The respective installments of the Maturity Amount hereof represent the accretion of the original principal amounts of each year of Stated Maturity from the Delivery Date of this Bond to the Registered Owners thereof to the respective years of Stated Maturity (including the initial premium, if any, paid by the Registered Owners) and such accretion in values occurring at the respective Accretion Rate and compounding on February 15, 2016, and semiannually thereafter on each August 15 and February 15. A table of the "Accreted Values" per \$5,000 "Accreted Value" at maturity is attached to this Bond. The Accreted Value with respect to any date other than an August 15 or February 15 is the amount set forth in the table (attached hereto) with respect to the last preceding August 15 or February 15, as the case may be, plus the portion of the difference between such amount and the amount set forth in the table with respect to the next succeeding August 15 or February 15, as the case may be, that the number of days (based on 30-

day months) from such last preceding August 15 or February 15, as the case may be, to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) from such last preceding August 15 or February 15, as the case may be, to the next succeeding August 15 or February 15, as the case may be.

The installments of the Maturity Amount of this Bond are payable in the Years of Stated Maturity to the registered owner hereof, without exchange or collection charges, upon its presentation and surrender, at the designated payment office of _____ Bank, N.A., or its successor (the "Paying Agent/Registrar"), and shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

*[FORM OF STATEMENT PUBLIC SCHOOL FUND GUARANTEE]
(To be printed on or attached to the Initial Bonds only)*

PSF CERTIFICATE

Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the payment, when due, of the principal of and interest on the issuance by the Eagle Pass Independent School District of its Unlimited Tax Refunding Bonds, Series 2015, dated May 1, 2015, in the principal amount of \$10,685,000.00 is guaranteed by the corpus of the Permanent School Fund of the State pursuant to the bond guarantee program administered by the Texas Education Agency. This guarantee shall be removed in its entirety upon defeasance of such bonds.

Reference is hereby made to the continuing disclosure agreement of the Texas Education Agency, set forth in Section I of the Agency's Investment Procedure Manual and the Agency's commitment letter for the guarantee. Such disclosure agreement has been made with respect to the bond guarantee program, in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, for the benefit of the holders and beneficial owners of the bonds.

In witness thereof I have caused my signature to be placed in facsimile on this bond.

/s/ Michael Williams
MICHAEL WILLIAMS
Commissioner of Education, State of Texas

*[FORM OF REGISTRATION CERTIFICATE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS]*

(To be printed on or attached to the Initial Bonds only)

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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 been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts, State of
Texas

[FORM OF AUTHENTICATION CERTIFICATE]

(To be printed or attached to definitive bonds only)

AUTHENTICATION CERTIFICATE

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

Bank, N.A.,
As Paying Agent/Registrar

Date of Authentication: _____

By: _____
Authorized Signature

[FORM OF ASSIGNMENT]

(To be printed or attached to definitive bonds only)

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Please print or type name, address, and zip code of Transferee) _____ (Please insert Social Security Number or Taxpayer Identification Number of Transferee) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer such bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

[END OF FORM]

* * * *

In case any officer of the District whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of any such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery. Any Bond which bears the facsimile signature of such person who at the actual time of the delivery of such Bond shall be an officer authorized to sign such Bond, but who at the date of such Bonds was not such an officer, shall be validly and sufficiently signed for such purpose as if such person had been such officer as the date of such Bond. The District authorizes the printing of a true and correct copy of an opinion of Escamilla & Poneck, LLP, Attorneys, relating to the validity and enforceability of the Bonds under Texas law and the status of interest on the Bonds under federal income tax laws said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinions or an executed counterpart thereof is hereby authorized to be either printed on definitive printed obligations or deposited with DTC along with the global certificates for the implementation and use of the Book-Entry-Only System used in the settlement and transfer of the Bonds. Additionally, the District also authorizes the imprinting of CUSIP (the American Bankers Association's Committee on Uniform Securities Identification Procedures) numbers on the Bonds; provided, however, that the failure of such opinion, certificate, or CUSIP numbers to appear on any Bond, or any errors therein or in any part of the Bond the form of which is not included in this Order, shall in no way effect the validity or enforceability of the Bonds or relieve the Underwriter of its obligation to accept delivery of and pay for the Bonds.

Section 5. Definitions. In addition to other words and terms defined in this Order (except those defined and used in Section 3), and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

"Accreted Value" - With respect to a Premium Capital Appreciation Bond, if any, as of any particular date of calculation, the original principal amount thereof, plus all interest compounded to the particular date of calculation, as determined in accordance with the Form of Bond in Section 3 hereof and the schedule attached hereto as Exhibit "C."

"Board" - The duly constituted Board of Trustees of the Eagle Pass Independent School District, or any successor thereto.

"Bond Purchase Agreement" - The Bond Purchase Agreement dated the date hereof and attached hereto as Exhibit "A."

"Bonds" - Any bond or bonds or all of the bonds, as the case may be, of that series styled "Eagle Pass Independent School District Unlimited Tax Refunding Bonds, Series 2015," authorized by this Order.

"Code" - The Internal Revenue Code of 1986, as amended.

"Current Interest Bonds" - The Bonds in which interest is payable on each Interest Payment Date, maturing in the years and in the aggregate original par amount, as provided in Section 2 hereof.

"District" - Eagle Pass Independent School District, or any successor thereto.

"Escrow Agent" – _____ Bank, N.A., or any successor thereto.

"Escrow Agreement" - The agreement between the District and the Escrow Agent attached hereto as Exhibit "D."

"Governmental Obligations" - Direct noncallable obligations of the United States, including (i) obligations that are unconditionally guaranteed by the United States; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopted or approves the 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; or (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 government body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than "AAA" or its equivalent.

"Initial Bond" - The Bonds registered by the Comptroller of Public Accounts of the State of Texas as described in Section 4 hereof.

"Interest Payment Date" - When used in connection with the Current Interest Bonds, shall mean February 15, 2016, and each August 15 and February 15 thereafter until maturity or earlier redemption of such Bond.

"Order" - This "Order authorizing the issuance of Eagle Pass Independent School District Unlimited Tax Refunding Bonds, Series 2015; entering into an Escrow Agreement, a Bond Purchase Agreement, and a Paying Agent/Registrar Agreement; delegating to certain district administrative staff and officials the authority to approve all

final terms of the bonds; and other matters related thereto" adopted by the Board on _____, 2015.

"Owners" - Any person who shall be the registered owner of any outstanding Bonds.

"Paying Agent/Registrar" - _____ Bank, N.A., and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of the Paying Agent/Registrar in accordance with this Order.

"Paying Agent/Registrar Agreement" - The agreement, dated _____, 2015, between the Paying Agent/Registrar and the District relating to the registration, authentication, and transfer of the Bonds, attached hereto as Exhibit "B."

"Premium Capital Appreciation Bonds" - The Bonds on which no interest is paid prior to maturity, if any, maturing in the years and in the aggregate original par amount as provided in Section 2 hereof.

"Record Date" - The close of business on the last day of the month preceding the applicable Interest Payment Date.

"Register" - The books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

"Underwriter(s)" - _____, as representative of a group of underwriters, identified in the Bond Purchase Agreement.

Section 6. District Funds. The District hereby confirms the establishment of the following funds of the District at a depository of the District:

(a) Interest and Sinking Fund and Tax Levy. A special "Interest and Sinking Fund" is hereby confirmed and shall be maintained by the District at an official depository bank of the District. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the District and shall be used only for paying the interest on and principal of the Bonds. The net proceeds of all *ad valorem* taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the principal of or interest on or maturing amounts of (as appropriate) the Bonds are outstanding and unpaid, the Board shall compute and ascertain a rate and amount of *ad valorem* tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds and the principal on the Bonds as such principal matures; the tax shall be based on the latest approved tax rolls of the District, with full allowances being made for tax delinquencies and the cost of tax collection. The rate and amount of *ad valorem* tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the District, for each year while any of the Bonds are outstanding and unpaid, and the tax shall be assessed and collected each year and deposited to the credit of the Interest and Sinking Fund. The *ad valorem* taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, without limit, are hereby pledged irrevocably for such payment.

(b) Escrow Fund. The Escrow Fund is the fund held by the Escrow Agent pursuant to the Escrow Agreement into which the proceeds of the Refunding Bonds shall be placed, except for accrued interest, which shall be paid into the Interest and Sinking Fund, and amounts to pay costs of issuance of the Refunding Bonds, which will be deposited into the District's depository bank or paid at closing by the Paying Agent/Registrar. The Escrow Fund shall be used to pay the costs necessary or appropriate to accomplish the purposes for which the Refunding Bonds are issued.

Section 7. Investments and Security.

(a) Investment of Funds. The Board may place money in the Interest and Sinking Fund in time or demand deposits or invest such money as authorized by law at the time of such deposit. Obligations purchased as an investment of money in a fund shall be deemed to be part of such fund.

(b) Amounts Received from Investments. Except as otherwise provided by law, amounts received from the investment of any money in the Interest and Sinking Fund shall be retained therein. Interest earnings derived from the investment of proceeds of the Refunding Bonds shall be used as provided in the Escrow Agreement. It is provided, however, that any interest earnings on proceeds of the Bonds which are required to be rebated to the United States of America in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

(c) Security for Funds. All funds created by this Order shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.

Section 8. Covenants of the District.

(a) General Covenants. The District covenants and represents that:

(i) The District is a duly created and existing independent school district and political subdivision of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms; and

(ii) The Bonds shall be ratably secured in such manner that no one Bond shall have preference over other Bonds.

(b) Specific Covenants. The District covenants and represents that, while the Bonds are outstanding and unpaid, it will:

(i) Levy an *ad valorem* tax that will be sufficient to provide funds to pay the current interest on the Bonds and to provide the necessary sinking fund, all as described in this Order; and

(ii) Keep proper books of record and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the funds created

pursuant to this Order, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request from any Owner.

(c) Covenants Regarding Tax Matters. The District covenants to take any action to maintain, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in "gross income" for federal income tax purposes. In furtherance thereof, the District specifically covenants as follows:

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

(ii) To take any action to assure that no more than 10% of the proceeds of the Bonds or the projects financed therewith are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10% of the proceeds or the projects financed therewith are so used, that amounts, whether or not received by the District with respect to such private business use, do not under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10% of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(iii) To take any action to assure that in the event that the "private business use" described in paragraph (ii) hereof exceeds 5% of the proceeds of the Bonds or the projects financed therewith, then the amount in excess of 5% is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(iv) To take any action to assure that no amount which is greater than the lesser of \$5,000,000 or 5% of the proceeds of the Bonds is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

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

(vi) Except to the extent permitted by section 148 of the Code and the regulations and rulings thereunder, to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds;

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

(viii) Except to the extent otherwise provided in section 148(f) of the Code and the regulations and rulings thereunder, to pay to the United States of America at least once during each five year period (beginning on the date of delivery of the Bonds) an amount that is at

least equal to 90% of the "Excess Earnings," within the meaning of section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100% of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(ix) To maintain such records as will enable the District to fulfill its responsibilities under this subsection and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

For the purposes of the foregoing, in the case of a refunding bond, the term proceeds includes transferred proceeds and, for purposes of paragraphs (ii) and (iii), proceeds of the refunded bonds.

The covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the District will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of nationally-recognized bond counsel, will not adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the District agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code.

Proper officers of the District charged with the responsibility of issuing the Bonds are hereby authorized and directed to execute any documents, certificates, or reports required by the Code and to make such elections, on behalf of the District, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Notwithstanding any other provision in this Resolution, to the extent necessary to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code the covenants contained in this subsection shall survive the later of the defeasance or discharge of the Bonds.

(d) Covenants Regarding Sale, Lease, or Disposition of Financed Property. The District covenants that the District will regulate the use of the property financed, directly or indirectly, with the proceeds of the Bonds and will not sell, lease, or otherwise dispose of such property unless (i) the District takes the remedial measures as may be required by the Code and the regulations and rulings thereunder in order to preserve the exclusion from gross income of interest on the Bonds under section 103 of the Code or (ii) the District seeks the advice of nationally-recognized bond counsel with respect to such sale, lease, or other disposition.

Section 9. Paying Agent/Registrar. The Paying Agent/Registrar is hereby appointed as paying agent for the Bonds. The principal of the Bonds and the accrued interest on the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the

United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America, as described in the Form of Bonds in Section 4 hereof.

The District, the Paying Agent/Registrar, and any other person may treat the Owner as the absolute owner of such Bonds for the purpose of making and receiving payment of the principal thereof and for the further purpose of receiving payment of the interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Order shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at one of its corporate trust offices in Texas in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Order.

The District may at any time and from time to time appoint another Paying Agent/Registrar in substitution for the previous Paying Agent/Registrar provided that any such Paying Agent/Registrar shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a paying agent/registrar. In such event, the District shall give notice by United States mail, first-class, postage prepaid to each Owner. Any bank or trust company with or into which any Paying Agent/Registrar may be merged or to which the assets and business of Paying Agent/Registrar may be sold or otherwise transferred, shall be deemed the successor of such Paying Agent/Registrar for the purposes of this Order.

The President and Secretary of the Board are hereby authorized to enter into, execute, and deliver the Paying Agent/Registrar Agreement with the initial Paying Agent/Registrar in substantially the form presented to the Board on this date.

Section 10. Initial Bond; Exchange or Transfer of Bonds. Initially, two Bonds (the "Initial Bonds") numbered CIB-1 for the Current Interest Bonds and CAB-1 for the Premium Capital Appreciation Bonds and being in the principal amount, respectively, as shown in Section 2 for each year of maturity, and representing the entire principal amount of Bond shall be registered in the name of the Underwriter or the designee thereof and shall be executed and submitted to the Attorney General of Texas for approval, and thereupon certified by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, by manual signature. At any time thereafter, the Owner may deliver the Initial Bond to the Paying Agent/Registrar for exchange, accompanied by instructions from the Owner or such designee designating the person, maturities, and principal amounts to and in which the Initial Bond is to be transferred and the addresses of such persons, and the Paying Agent/Registrar shall thereupon, within not more than 72 hours, register and deliver such Bond upon authorization of the District as provided in such instructions.

The Bond shall be transferable within 72 hours after request, but only upon the presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in the form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, to the extent possible and under reasonable circumstances within three business day after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations, of the same maturity, in the appropriate principal amount, and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the appropriate corporate trust office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount or maturing amounts, as appropriate, equal to the unpaid principal amount or maturing amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with this Order and each Bond so delivered shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The District or the Paying Agent/Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

Section 11. District Officer's Duties.

(a) Issuance of Bonds. The President of the Board shall submit the Initial Bond, the record of the proceedings authorizing the issuance of the Bonds, and any and all necessary orders, certificates, and records to the Attorney General of the State of Texas for his investigation. After obtaining the approval of the Attorney General, the President of the Board shall cause the Initial Bond to be registered by the Comptroller of Public Accounts of the State of Texas. The officers or acting officers of the Board are authorized to execute and deliver on behalf of the Board such certificates and instruments as may be necessary or appropriate prior to the delivery of and payment for the Bonds to and by the Underwriter.

(b) Execution of Order. The President and Secretary of the Board are authorized to execute the certificate to which this Order is attached on behalf of the Board and to do any and all things proper and necessary to carry out the intent hereof.

Section 12. Remedies of Owners. In addition to all rights and remedies of any Owner of the Bonds provided by the laws of the State of Texas, the District and the Board covenant and agree that in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make the payments required by this Order to be made into the Interest and Sinking Fund, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in this Order, the Owner of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the

Board and other officers of the District to observe and perform any covenant, obligation, or condition prescribed in this Order. No delay or omission by any Owner to exercise any right or power accruing to such Owner upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Order shall be available to any Owner of any of the Bonds and shall be cumulative of all other existing remedies.

Section 13. Lost, Stolen, Destroyed, Damaged, or Mutilated Bonds; Destruction of Paid Bonds.

(a) Replacement Bonds. In the event any outstanding Bond shall become lost, stolen, destroyed, damaged, or mutilated, at the request of the Owner thereof, the District shall cause to be executed, registered by the Paying Agent/Registrar, and delivered a substitute Bond of like date and tenor, in exchange and substitution for and upon cancellation of such mutilated or damaged Bond, or in lieu of and substitution for such Bond, lost, stolen, or destroyed, subject to the provisions of subsections (b), (c), (d), and (e) of this Section.

(b) Application and Indemnity. Application for exchange and substitution of lost, stolen, destroyed, damaged, or mutilated Bonds shall be made to the District. In every case the applicant for a substitute Bond shall furnish to the District such deposit for fees and costs as may be required by the District to save it and the Paying Agent/Registrar harmless from liability. In every case of loss, theft, or destruction of a Bond, the applicant shall also furnish to the District indemnity to the District's satisfaction and shall file with the District evidence to the District's satisfaction of the loss, theft, or destruction and of the ownership of such Bond. In every case of damage or mutilation of a Bond, the applicant shall surrender the Bond so damaged or mutilated to the Paying Agent/Registrar.

(c) Matured Bonds. 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 Bonds, the District may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a substitute Bond, if any, provided security or indemnity is furnished as above provided in this Section.

(d) Expense of Issuance. Upon the issuance of any substitute Bonds, the District may charge the owner of such Bond with all fees and costs incurred in connection therewith. Every substitute Bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, destroyed, damaged, or mutilated shall constitute a contractual obligation of the District, whether or not the lost, stolen, destroyed, damaged, or mutilated Bonds shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Order equally and proportionately with any and all other Bonds duly issued under this Order.

(e) Authority to Issue Substitute Bonds. This Order shall constitute sufficient authority for the issuance of any such substitute Bonds without necessity of further action by the Board or any other body or person, and the issuance of such substitute Bonds is hereby authorized, notwithstanding any other provisions of this Order.

(f) Destruction of Paid Bonds. At any time subsequent to six months after the payment thereof, the Paying Agent/Registrar is authorized to cancel and destroy any Bonds duly paid and shall furnish to the District a certificate evidencing such destruction.

Section 14. Defeasance.

(a) Except to the extent provided in subsection (c) of this Section, any Bond, and the interest thereon, shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Order (a "Defeased Bond") when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, 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 a person described by Section 1207.061(a), Texas Government Code, as amended (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit made under Section 1207.061, Texas Government Code, as amended, for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment or (B) Governmental Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment or redemption of any Defeased Bond. To cause any Bond scheduled to be paid or redeemed on a date later than the next scheduled interest payment date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

In connection with any defeasance of the Bonds, the District shall cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent firm of nationally recognized certified public accountants or certificate by the District's Financial Advisor verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or redemption date thereof ("Verification"); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from the District's Financial Advisor certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity or redemption date thereof. In addition to the required Verification or certificate, the District shall also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Verification, if any, and each certificate and opinion required hereunder shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the District. The Bonds shall remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

At such time as any Bond shall be deemed to be a Defeased Bond hereunder, and all herein required criteria have been met, such Bond and the interest thereon shall no longer be outstanding or unpaid and shall no longer be entitled to the benefits of the pledge of the security interest granted under this Order, and such principal and interest shall be payable solely from the Deposit of money or Governmental Obligations. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at