

# Agenda of Special Meeting

## The Board of Trustees Calallen ISD

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A Special meeting of the Board of Trustees of Calallen ISD will be held May 21, 2008, beginning at 6:30 PM in the Central Administration Office, 4205 Wildcat Dr., Corpus Christi, Texas.

The subjects to be discussed or considered or upon which any formal action may be taken are as listed below. Items do not have to be taken in the order shown on this meeting notice.

Unless removed from the consent agenda, items identified within the consent agenda will be acted on at one time.

- |    |   |    |
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| 1. | Opening of Special Meeting by Chairman  | 3  |
| 2. | New Business  |    |
| A. | Consider approval to purchase and install air conditioning in buses<br>Presenter: Mr. Morris  | 4  |
| B. | Consider approval of JJAEP Memorandum of Understanding for 2008-2009<br>Presenter: Mr. Romero   | 6  |
| C. | Consider and take action on an Order authorizing the issuance of Calallen Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2008; authorizing the execution of a Bond Purchase Agreement, approving an Official Statement and the execution of an Escrow Agreement and approving other matters relating to the issuance of the Bonds<br>Presenter: Mr. Morris | 16 |
| D. | Closed Session<br>Presenter: Dr. Almendarez   | 90 |
| E. | Personnel - Consider resignations and appointments<br>Presenter: Mr. Romero   | 91 |
| 3. | Adjourn   |    |





## **Calling the Meeting to Order**

**I call this meeting of the Calallen Independent School District Board of Trustees to order and let the record show that a quorum of Board Members is present and that this meeting was duly called and posted in accordance with the Texas Open Meetings Act, Texas Government Code 551.**

BOARD OF EDUCATION  
CALALLEN INDEPENDENT SCHOOL DISTRICT  
CORPUS CHRISTI, TEXAS

Date: May 21, 2008

Subject: Consider approval to Purchase/Install Air Conditioning in Buses

**New Business**

**Action**

**BACKGROUND INFORMATION**

Given the changes in UIL district alignment, rising gasoline costs, and extreme inflation on the costs of a new bus; District administration has considered methods to fit our transportation needs and remain cost efficient. District administration is recommending installing A/C systems on five current route buses (those used exclusively for regular in district routes at this time.) These buses are 2004 models, with an average of 45,000 miles and are definitely worth spending the money on for upgrades.

Presently, we are utilizing the four newest buses exclusively for extra curricular trips, since they have A/C. These buses are accumulating mileage rather quickly. With three Laredo teams in our district next year, they will accumulate mileage even more quickly.

If the District installs these systems as suggested, we may then rotate these buses on trips, thereby allowing the bus fleet mileage to accrue more evenly. This would not only benefit the District on trips, it will also give us more A/C route buses. District administration feels this is a win/win situation for all bus riders and the fleet in general.

**ITEM ADDRESSED**

District administration has met and discussed the need to consider air conditioning some of our bus fleet. The cost to upgrade these buses would be \$8800.00 per bus or \$44,000.00

**RECOMMENDED ACTION**

District administration is recommending installing A/C systems on five current route buses. The cost to the District would be \$8800.00 per bus or \$44,000.00.

**BUDGETARY INFORMATION**

Although this item was not specifically budgeted for in the 07-08 budget, current funds will be utilized. Therefore, no need for an increase in budget is necessary at this time. Transportation capital outlay budget will be the source of funding.

BOARD OF EDUCATION  
CALALLEN INDEPENDENT SCHOOL DISTRICT  
CORPUS CHRISTI, TEXAS

Date: May 21, 2008

Subject: Consider approval of JJAEP Memorandum of Understanding for 2008-2009

New Business

**Action**

**BACKGROUND INFORMATION**

In the past, Calallen ISD has reserved two seats at JJAEP for placement purposes. We have requested that they reserve five seats for the 2008-2009 school year at a cost of \$15,534.00 per seat.

**ITEM ADDRESSED**

Consider approval of JJAEP Memorandum of Understanding for 2008-2009

**RECOMMENDED ACTION**

The Administration recommends approval of JJAEP Memorandum of Understanding for 2008-2009.

JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAM  
MEMORANDUM OF UNDERSTANDING

NUECES COUNTY JUVENILE BOARD  
AND  
INDEPENDENT SCHOOL DISTRICTS  
2008-2009 School Year

**I. PURPOSE**

In 1995, the Texas legislature required that in counties of 125,000 population or more, juvenile boards and independent school districts must work separately and jointly to provide alternative education options for all youth. The link between schools and the juvenile justice system was expanded by the legislature in Chapter 37 of the Education Code. In 1997 the Texas Legislature amended the Provisions of Chapter 37. The educational spectrum for youth includes the creation of alternative education programs at local independent school systems, support services from the Nueces County Juvenile Department and the creation of a Nueces County Juvenile Justice Alternative Education Program, hereafter known as the NCJJAEP. This partnership between the Nueces County Juvenile Board hereafter known as the NCJB and the Independent School Districts in Nueces County hereafter known as ISD's, necessitates a memorandum of understanding.

A Student Code of Conduct must be adopted by the Board of Trustees of each ISD. The Student Code of Conduct must specify the circumstances under which a student may be removed from a classroom campus, or alternative education program. It must specify conditions that authorize or require a student to be transferred to an alternative education program, and it must outline conditions under which a student may be suspended or expelled.

The ISD's and the Nueces County Juvenile Board agree that there are three goals in this effort: (1) to establish consistency, predictability, and appropriateness of curriculum options and student placement following expulsions from regular schools or an AEP, (2) to return the student to a regular school setting when appropriate, and (3) to impress upon youth that there are progressive sanctions for misconduct in the public school setting. To accomplish these goals the following sections of this memorandum establish progressive sanctions and actions that move the student through the NCJJAEP, but also recapture the student to transition that student back to a regular school setting when possible.

**II. ENROLLMENT AND COST**

Due to the loss of Chapter 41 funds to offset the cost of discretionary expulsion of students to the JJAEP and the desire of several ISD's to continue sending discretionary expulsion students under Section 37.007 (b), (c), and (f), it is necessary to fund the education of 48 students by allocating chairs by ISD. The cost per chair is \$15,534.00 for the 180 day school year payable in 10 equal installments (for those ISD's purchasing at least one chair) from August, 2008 through May, 2009, and \$3,020.50 for the 35 day summer session billed in two installments in June and July 2009. The

number of chairs to be purchased by the ISD's who desire to send students are as follows:

	<u>Regular Session</u>	<u>Summer Session</u>
Aransas Pass ISD	1	
Agua Dulce ISD	0	
Banquette ISD	0	
Bishop ISD	1	
Calallen ISD	5	
Corpus Christi ISD	25	10
Driscoll ISD	0	
Flour Bluff ISD	12	5
London ISD	0	
Robstown ISD	2	
Tuloso-Midway ISD	1	
West Oso ISD	2	
Port Aransas ISD	0	

ISD's that have not purchased any chairs may send only mandatory students at a cost of \$120.00 per day for a minimum of 90 successful days billed from the first day of the month the student enters and through the end of the month the student exits.

#### **A. MANDATORY STUDENTS**

Mandatory students expelled under the expulsion criteria for offenses under 37.007(a) (d) (e) will be provided services by the NCJJAEP. Firearm violations 37.007 (e) will require placement in NCJJAEP for a period of one year. All other MANDATORY students will require placement in NCJJAEP for a period no less than 60 to 90 "successful" days according to the NCJJAEP school calendar or the number of "successful" days approved by the ISD Board of Trustees or Superintendent on appeal. If the offense occurs during the last six weeks of the semester the placement will extend into the next semester. All mandatory student attendance days will be reimbursed at the rate of \$79.00 per attendance day based on TJPC's reimbursement schedule. Mandatory expulsion students assigned by ISD's that have not purchased chairs will be billed to the ISD at the rate of \$120.00 per day for a minimum of 90 successful days with the State reimbursement of \$79.00 per attendance day repaid to the ISD based on TJPC's reimbursement schedule. During a period where all 48 chairs are occupied and paid by the districts, those ISD's that purchased at least one chair will not be billed for the additional mandatory student if that student's expulsion complies with the 60 to 90 successful day expulsion criteria. The reimbursement and reimbursement rate are dependent on the appropriation of funds by the Texas Legislature. An administrative review will be conducted at the request of the sending ISD to facilitate early return to the home campus for students doing well.

#### **B. DISCRETIONARY STUDENTS**

Discretionary students expelled under Section 37.007 (b), (c) and (f) may be placed in a separate alternative school program administered by the ISD, in a separate alternative school program under contract with the ISD, or be placed in the NCJJAEP. The school district is responsible for providing

an immediate educational program to students expelled under 37.007 (b), (c), and (f) until required paperwork supporting the expulsion is received by the Nueces County Juvenile Probation Department. Each ISD will continue to receive their ADA on these students during the period of expulsion. All students shall be assigned for a period no less than 60 to 90 “successful” school days according to the NCJJAEP school calendar or the number of “successful” days approved by the ISD Board of Trustees or Superintendent on appeal. An administrative review will be conducted at the request of the sending ISD to facilitate early return to the home campus for students doing well.

Upon discretionary expulsion to the NCJJAEP, parents electing to place their child in a private or home school will be required to meet with the JJAEP Coordinator or the student’s probation officer and provide private school information or home school curriculum information. The JJAEP Coordinator will then notify the ISD of the parent’s decision to place their child in private or home school.

### **C. ENGLISH AS A SECOND LANGUAGE STUDENTS**

Students who qualify for English As A Second Language (ESL) services will be provided those services by the sending ISD.

### **D. MISCELLANEOUS**

ISD’s whose student demonstrates exemplary performance at the NCJJAEP may request early release after 60 successful days or as directed by ISD Board policy subject to an agreement of the NCJJAEP Director, the Nueces County Department’s JJAEP Coordinator, and the ISD representative. The district may initiate withdrawal of a student for nonattendance in accordance with ISD’s policy. Students withdrawn for nonattendance shall be permitted to re-enroll and complete expulsion order. ISD’s will assist with administration of state assessment tests, if requested by the JJAEP Director.

## **III. DEFINITION OF SERIOUS/PERSISTENT MISBEHAVIOR**

The definition of serious and/or persistent misbehavior occurring at an AEP is that a student has established a pattern of defiance of authority, including chronic truancy and disruptive behaviors while at the AEP. This must be demonstrated through attendance records and behavior reports.

## **IV. LAW ENFORCEMENT REPORTS**

Notice of expulsions submitted to the Nueces County JJAEP Coordinator will initiate intake process for the Juvenile Court, and facilitate placement in the JJAEP. A police report must be filed and presented to the Juvenile Probation Department for all students referred to the JJAEP when a law violation has led to the expulsion. When a law violation on or off campus has led to the expulsion, the ISD will be notified in accordance with Subsection (g) Article 15.27 Code of Criminal Procedure that a prosecution was refused for lack of prosecutorial merit, if the court or jury found the student not guilty or the case was dismissed with prejudice.

## **V. REQUIRED ENROLLMENT DOCUMENTATION**

The school district shall provide to the Nueces County JJAEP Coordinator (prior to acceptance into the JJAEP) the following documents: a completed JJAEP Enrollment Form, education transcripts, graduation plan, state assessments, discipline history, attendance records and law enforcement offense report. For students expelled for Serious/Persistent Misbehavior, a copy of the signature page of their Student Code of Conduct will be required along with attendance reports and behavior reports used to demonstrate the definition of Serious/Persistent Misbehavior.

## **VI. SPECIAL EDUCATION AND 504 STUDENTS**

Students who are expelled under Chapter 37.007 and are classified as a student with disabilities may be expelled from the school district only after a duly constituted Admission, Review, and Dismissal (ARD) Committee determines that the alleged offense is not related to the student's disability/ies, in accordance with Section 37.004 of the Texas Education Code, the Individuals with Disabilities Education Act (I.D.E.A.), Section 504 of the Rehabilitation Act, the other applicable state and federal laws. A juvenile court may order an adjudicated youth to attend the Nueces County JJAEP without regard to any determination by an ARD Committee that the student's misconduct is related or not related to the student's handicapping condition. For students with disabilities who are adjudicated and placed in the Nueces County JJAEP by a juvenile court, the ARD Committee will review the student's Individual Education Plan (IEP) and determine the appropriate educational services to be provided for the student while in the Nueces County JJAEP.

The school district shall provide reasonable notice to the JJAEP Director of a pending expulsion ARD. At the time of the ARD, the school district shall provide to the JJAEP Director complete documents covering manifestation ARD including Individual Education Plan (IEP), modifications, and Behavior Intervention Plan (BIP), most recent annual ARD documents including IEP, modifications, and BIP, most recent academic and psychological assessments, and reading and math competency assessments.

Students with disabilities who are placed in the Nueces County JJAEP will be afforded educational services determined by a duly constituted ARD Committee to be appropriate for the student to receive a free and appropriate public education as defined by Federal and State Laws. It is the understanding of the parties that the School District has the ultimate responsibility of providing and ensuring these services including all other support services, related services, and non-educational services.

Any student assigned to Nueces County JJAEP who, after a review of all relevant records by representatives of the Nueces County JJAEP, is believed to be in need of services under I.D.E.A. or Section 504, shall be referred to the school district for the assessment of eligibility. Any student subsequently determined to qualify for services and protection under I.D.E.A. or Section 504, shall be afforded all lawfully required services and protection by the school district, to the extent that the Nueces County JJAEP is not able to provide the service and the district is notified of the need to provide the service.

The Nueces County Juvenile Board agrees that the school district shall have no responsibility to serve students with disabilities who have not previously been admitted to the district or who are not presently eligible for admission and who are at the Nueces County JJAEP. In accordance with Chapter 37, TEC, accountability for students placed at the Nueces County JJAEP shall remain with the student's district of expulsion.

## **VII. JJAEP ADVISORY BOARD AND DISTRICT LIAISON**

Each participating ISD will appoint a person to coordinate services and communications related to the educational programming, and the transition back to the ISD for students who have fulfilled all conditions of expulsion. This liaison will attend monthly NCJJAEP Advisory Board meetings and convey all information back to the ISD.

## **VIII. TRANSPORTATION**

Transportation to and from the NCJJAEP Program will be in accordance with an established plan for student transportation that complies with statute and TEA policies. The Sending District may make alternative transportation arrangements in the case of discretionary expulsion students as necessary. When an IEP for a special education student has provided transportation immediately preceding the NCJJAEP placement, that transportation shall be continued during the period of expulsion to the NCJJAEP. In cases of hardship, the assigned juvenile probation officer may recommend that a student city bus pass be authorized and paid from the JJAEP operating expenses account for any mandatory student.

## **IX. TIMELY NOTIFICATIONS REQUIRED**

The provisions of the Texas Family Code Section 52.041 (d) and (e) are included as cited:

(d) The office or official designated by the juvenile board shall within two working days notify the school district that expelled the child if:

- (1) a determination was made under Section 53.01 that the person referred to juvenile court was not a child within the meaning of this title;
- (2) a determination was made that no probable cause existed to believe the child engaged in delinquent conduct or conduct indicating a need for supervision;
- (3) no deferred prosecution or formal court proceedings have been or will be initiated involving the child;
- (4) the court or jury finds that the child did not engage in delinquent conduct or conduct indicating a need for supervision and the case has been dismissed with prejudice; or
- (5) the child was adjudicated but no disposition was or will be ordered by the court.

(e) In any county where a juvenile justice alternative education program is operated, no student shall be expelled without written notification by the board of the school district or its designated agent to the juvenile board's designated representative. The notification shall be made not later than two

business days following the board's determination that the student is to be expelled. Failure to timely notify the designated representative of the juvenile board shall result in the child's duty to continue attending the school district's educational program, which shall be provided to that child until such time as the notification to the juvenile board's designated representative is properly made.

## **X. END OF PLACEMENT**

Student placement at the NCJJAEP shall end upon expiration of the expulsion, upon agreement after review by the ISD, JJAEP Director, and JJAEP Coordinator that it is in the student's best interest to return to the home school, or when Juvenile Court jurisdiction ends whichever is earlier.

## **XI. PLACEMENT OF TITLE 5 FELONIES AND REGISTERED SEX OFFENDERS**

### **A. PLACEMENT OF TITLE 5 FELONIES (EC 37.0081, Section 1)**

The Nueces County Juvenile Justice Alternative Education Program (NCJJAEP) will accept for discretionary expulsion any Title 5 felony committed on or after September 1, 2007 as long as the Independent School District (ISD) has an open chair. The student must be placed on deferred prosecution; adjudicated delinquent; referred to the Juvenile Court; placed on probation or deferred adjudication; arrested for or charged with; or convicted of a Title 5 felony; AND the student's presence in the regular classroom threatens the safety of other students; will be detrimental to the education process; or is not in the best interest of the district's students. The referral to the NCJJAEP must be accompanied by a law enforcement report.

### **B. PLACEMENT OF REGISTERED SEX OFFENDERS (EC 37.0081, Subchapter I)**

The NCJJAEP will accept for discretionary expulsion any registered sex offender required to register on or after September 1, 2007 as long as the ISD has an open chair. The ISD must provide a copy of the notice under Article 15.27, Code of Criminal Procedure (CCP), or Chapter 62, CCP, that a student is required to register as a sex offender under that chapter. This enrollment does not apply to a student who is no longer required to register as a sex offender under Chapter 62, CCP, including a student who receives an exemption from registration under Subchapter H, Chapter 62, CCP, or a student who receives an early termination of the obligation to register under Subchapter I, Chapter 62, CCP.

The student, who is under any form of court supervision, including probation, community supervision, or parole, must be placed at the NCJJAEP for a minimum of 90 successful days according to the NCJJEAP school calendar. If this student transfers to another ISD while attending the NCJJAEP, the new ISD may require the student to complete an additional 90 successful days according to the NCJJAEP school calendar without conducting a review of the student's placement for that semester under Section 37.306.

For a student who is not under any type of court supervision, the ISD must determine that the student's presence in the regular classroom threatens the safety of other students or teachers; will be detrimental to the learning process; or is not in the best interests of the district's students.

### **C. REVIEW COMMITTEE FOR SEX OFFENDER PLACEMENT (EC 37.306)**

This student's placement must be reviewed by a Review Committee at the end of the first 90 successful days according to the NCJJAEP school calendar. The Review Committee shall be comprised of a classroom teacher from regular campus; the student's probation or parole officer (if no PO, the NCJJAEP Coordinator); an instructor from the NCJJAEP; a school board designee; and an ISD counselor.

The Review Committee by a majority vote will make a recommendation regarding this student's placement. If the Review Committee's recommendation is to return this student to the regular classroom, the ISD school board shall return the student to the regular classroom unless the board determines that the student's presence in the regular classroom is a threat to the safety of other students or teachers; will be detrimental to the learning process of the students; or it is not in the best interest of the ISD's students.

If the Review Committee recommends that the student remain at the NCJJAEP, the ISD school board shall continue the student's placement in the NCJJAEP unless the board determines that the student's presence in the regular classroom does not threaten the safety of other students or teachers; will not be detrimental to the educational process; or it is not contrary to the best interest of the district's students.

If, after receiving a recommendation from the Review Committee, the board determines that the student shall remain at the NCJJAEP, the board shall convene the Review Committee to review the student's placement before the beginning of each school year.

### **D. STUDENTS WITH DISABILITIES (EC 37.307)**

All expulsions will comply with the Individuals with Disabilities Education Act (IDEA). Placement review may only be done by a duly constituted admission, review, and dismissal committee (ARD).

### **E. AGE REQUIREMENT**

Students expelled under the Title 5 felony Offenses or Registered Sex Offender category must be between the ages of twelve and seventeen. Any students being considered for expulsion eighteen years of age or older will be reviewed for admission on an individual basis, and will be admitted or denied at the sole discretion of the Nueces County Chief Juvenile Probation Officer or his designee.

### **F. TERM OF PLACEMENT**

Placement for discretionary Title 5 felony offenses and Registered Sex Offenders must be for a minimum of 90 successful days. The maximum placement period shall be 180 successful days. Through mutual agreement with the Nueces County Juvenile Probation Department JJAEP

Coordinator and the local ISD, a student may be expelled longer than a calendar year. This student will be reviewed by the NCJJAEP and the ISD at least every 120 days. If the Title 5 felony charge is reduced or dismissed, the student will be exited within 10 school days upon proof of reduction or dismissal.

**G. COST OF PLACEMENT (EC 37.0081(g))**

The ISD's shall reimburse the Nueces County Juvenile Probation Department for the actual cost incurred each day for the student while the student is enrolled in the NCJJAEP. The actual cost incurred each day of the program is determined by the Nueces County Juvenile Board, and is based on the Board's annual audit. The cost for placement of a discretionary student with a Title 5 felony offense or Registered Sex Offender category shall be \$97.26 per attendance day.

**XI. TERM OF AGREEMENT**

The NCJB and the Nueces County ISD's agree that this Memorandum of Understanding shall be effective August 1, 2008 through July 31, 2009.

Accepted and Agreed by \_\_\_\_\_ Independent School District:

\_\_\_\_\_  
President, Board of Trustees

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

\_\_\_\_\_  
Superintendent

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

\_\_\_\_\_  
In-House Counsel (if applicable)

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

Approved by the Nueces County Juvenile Board:

\_\_\_\_\_  
Judge Carl Lewis  
Juvenile Board Chairman

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

JJAEP MOU ISD 2008-2009

BOARD OF EDUCATION  
CALALLEN INDEPENDENT SCHOOL DISTRICT  
CORPUS CHRISTI, TEXAS

Date : May 21, 2008

Subject: Consider Authorization of Bond Issuance

New Business

**Action**

**BACKGROUND INFORMATION**

See attached information

**ITEM ADDRESSED**

**RECOMMENDED ACTION**

The Administration recommends the Board authorize the issuance of Calallen ISD unlimited tax school building and refunding bonds, Series 2008, authorizing the execution of a Bond Purchase Agreement, approving an Official Statement and the execution of an Escrow Agreement and approving other matters relating to the issuance of the Bonds.

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**ORDER OF BOARD OF TRUSTEES  
of  
CALLEN INDEPENDENT SCHOOL DISTRICT**

**AUTHORIZING THE ISSUANCE OF**

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**CALLEN INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX  
SCHOOL BUILDING AND REFUNDING BONDS,  
SERIES 2008**

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**ORDER AUTHORIZING THE ISSUANCE OF CALALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2008, AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT, APPROVING AN OFFICIAL STATEMENT AND THE EXECUTION OF AN ESCROW AGREEMENT IN CONNECTION THEREWITH**

**THE STATE OF TEXAS** §  
**NUECES COUNTY** §  
**CALALLEN INDEPENDENT SCHOOL DISTRICT** §

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WHEREAS, there are presently outstanding the following bonds (the "Series 1994 Bonds") of Calallen Independent School District (the "Issuer"), which mature on August 15 in of each year as follows:

<b>Calallen Independent School District</b>		
<b><u>School Building Unlimited Tax Bonds, Series 1994</u></b>		
Maturity (2/15)	Principal Amount <u>Outstanding</u>	Refunded Principal Amount
2009	\$ 125,000	\$ 125,000
2010	130,000	130,000
2011	135,000	135,000
2012	145,000	145,000
2013	155,000	155,000
2014	165,000	165,000
2015	<u>170,000</u>	<u>170,000</u>
Totals	<u>\$1,025,000</u>	<u>\$1,025,000</u>

all of which are secured by the full faith and credit of the Issuer and a pledge by the Issuer to levy ad valorem taxes sufficient to pay principal of and interest on the bonds as they become due (being part of the Issuer's outstanding Unlimited Tax Bonds); and

WHEREAS, the Issuer now desires to refund the Refunded Principal Amount (as indicated in the table above) of the Series 1994 Bonds, in the aggregate principal amount of \$1,025,000 (the "Refunded 1994 Bonds"); and

WHEREAS, there are presently outstanding the following bonds (the "Series 1998 Bonds") of the Issuer, which mature on February 15 in of each year as follows:

**Calallen Independent School District**  
**School Building Unlimited Tax Bonds, Series 1998**

Maturity (8/15)	Principal Amount <u>Outstanding</u>	Refunded Principal <u>Amount</u>
2008	\$ 115,000	\$ -0-
2009	450,000	450,000
2010	450,000	450,000
2011	450,000	450,000
2012	450,000	450,000
2013	450,000	450,000
2014	100,000	100,000
2015	100,000	100,000
2016	275,000	275,000
2017	275,000	275,000
2018	275,000	275,000
2019	275,000	275,000
Totals	<u>\$3,665,000</u>	<u>\$3,550,000</u>

all of which are secured by the full faith and credit of the Issuer and a pledge by the Issuer to levy ad valorem taxes sufficient to pay principal of and interest on the bonds as they become due (being part of the Issuer's outstanding Unlimited Tax Bonds); and

WHEREAS, the Issuer now desires to refund the Refunded Principal Amount (as indicated in the table above) of the Series 1998 Bonds, in the aggregate principal amount of \$3,550,000 (the "Refunded 1998 Bonds" and, collectively with the Refunded 1994 Bonds, the "Refunded Bonds"); and

WHEREAS, Chapter 1207, Tex. Gov't Code ("Chapter 1207") authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying 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; and

WHEREAS, Chapter 1207 authorizes the Issuer to enter into an escrow agreement with any paying agent for the Refunded Bonds with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested and reinvested only in direct 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, and that 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; and

WHEREAS, The Bank of New York Trust Company, National Association, Dallas, Texas, is a paying agent for the Refunded Bonds; and

WHEREAS, the Board of Trustees of the Issuer hereby finds and declares a public purpose and it is in the best interest of the issuer to refund the Refunded Bonds for debt service savings, and finds that the refunding of the Refunded Bonds results in a net present value debt service saving of \$ \_\_\_\_\_, and a gross debt service savings of \$ \_\_\_\_\_; and

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

WHEREAS, at an election in the Issuer on November 6, 2007 (the "Election"), the voters of the Issuer approved the following bond propositions:

<u>Proposition Number</u>	<u>Purpose</u>	<u>Bonds Authorized</u>
Proposition 1	Acquiring, constructing, equipping and renovating school facilities in the Issuer	\$43,665,000
Proposition 2	Refunding all or a portion of the Issuer's existing Tax and Revenue Notes, Series 2002	\$450,000

WHEREAS, the Board of Trustees of the Issuer deems it necessary and advisable to authorize, issue and deliver all of the authorization from Proposition 1 for the purposes stated in the preceding paragraph (no authorization is being used herein from Proposition 2); and

WHEREAS, Chapter 1207 authorizes the Issuer to authorize, issue and deliver said voted bonds in conjunction with the issuance of the refunding bonds hereinafter authorized; and

WHEREAS, the bonds hereafter authorized are being issued and delivered pursuant to said Chapter 1207 and Sections 45.001 and 45.003(b)(1) of the Texas Education Code.

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

**Section 1. AMOUNT AND PURPOSE OF THE BONDS.** The Board of Trustees of the Issuer hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that said recitals are true and correct. The bonds of Calallen Independent School District (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$ \_\_\_\_\_, to wit: \$ \_\_\_\_\_ **FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE ISSUER'S OUTSTANDING UNLIMITED TAX BONDS AND \$ \_\_\_\_\_ FOR THE ACQUISITION, CONSTRUCTION, EQUIPPING AND RENOVATION OF SCHOOL FACILITIES IN THE ISSUER.**

**Section 2. DEFINITIONS.** As used in this Order, unless the context shall otherwise require, the following terms shall have the following respective meanings, to wit:

"Bonds" shall mean and include collectively the Capital Appreciation Bonds and the Current Interest Bonds initially issued and delivered pursuant to this Order and all substitute Capital Appreciation Bonds and Current Interest Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Capital Appreciation Bonds" shall mean the Bonds on which no interest is paid prior to maturity, maturing on February 15 in each of the years 2010 through 2022, inclusive, in the aggregate principal amount of \$\_\_\_\_\_.

"Compounded Amount" shall mean, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with Section 4 hereof.

"Current Interest Bonds" shall mean the Bonds on which interest is paid semiannually, and maturing on February 15, 2009 through February 15, 2019, inclusive, and on February 15, 2022 through February 15, 2038, inclusive, in the aggregate principal amount of \$\_\_\_\_\_.

"Issuance Date" shall mean June 13, 2008 or such other date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

Section 3. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF BONDS. Each Bond issued pursuant to this Order shall be designated: CALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BOND, SERIES 2008," and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, with the Bonds being dated May 15, 2008, in the respective denominations and principal amounts hereinafter stated, with the initial Current Interest Bond numbered TR-1 and the initial Capital Appreciation Bond numbered TCAB-1, with bonds issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward for the Current Interest Bonds and being numbered consecutively from CR-1 upward for the Capital Appreciation Bonds, payable to the respective initial Registered Owners thereof (as designated in Section 15 hereof), or to the registered assignee or assignees of said Bonds or any portion or portions thereof (in each case, the "Registered Owner").

Section 4. PAYMENT OF PRINCIPAL AND INTEREST. The Current Interest Bonds shall (i) mature and be payable serially on February 15 in each of the years and in the principal amounts, respectively, as set forth in the following schedule and (ii) bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORMS OF BOND set forth in this Order to their respective dates of maturity or date of redemption prior to maturity at the following rates per annum:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009			2024		

2010	2025
2011	2026
2012	2027
2013	2028
2014	2029
2015	2030
2016	2031
2017	2032
2018	2033
2019	2034
***	2035
2022	2036
2023	2037
	2038

The Capital Appreciation Bonds shall (i) mature and be payable on February 15 in the years and in the aggregate principal amounts and aggregate payments at maturity, respectively, as set forth in the following schedule and (ii) bear interest from the Issuance Date, calculated on the basis of a 360-day year composed of twelve 30-day months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on February 15 and August 15 of each year, commencing August 15, 2008, and payable, together with the principal amount thereof, in the manner provided in the FORMS OF BOND set forth in this Order, at the rates per annum shown in the following schedule:

<u>Year</u>	<u>Principal Amount</u>	<u>Aggregate Payment at Maturity</u>	<u>Interest Rate</u>
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			

Interest on the Current Interest Bonds and the Capital Appreciation Bonds shall be payable in the manner provided and on the dates stated in the FORMS OF BOND set forth in this Order. Reference is hereby made to Exhibit A hereto, which sets forth the rounded original principal amounts at the Issuance Date for the Capital Appreciation Bonds and the Compounded Amounts thereof (per

\$5,000 payment at maturity), including the initial premium, if any, as of each February 15 and August 15, commencing August 15, 2008, and continuing until the final maturity of the Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a February 15 or August 15 is the amount set forth on Exhibit A, as the case may be, plus the portion of the difference between such amount and the amount set forth on Exhibit A 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 5. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of The Bank of New York Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer, conversion and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall at all times maintain an office in the State of Texas or shall keep a copy of the Registration Books in the State of Texas. 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; but it shall be the duty 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. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The Issuer 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. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORMS OF BOND set forth in this Order. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORMS OF BOND set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing

conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein. Pursuant to Chapter 1201, Subchapter D, Texas Government Code, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Order, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Order. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof; (ii) may or shall be redeemed prior to their scheduled maturities; (iii) may be transferred and assigned; (iv) may be converted and exchanged for other Bonds; (v) shall have the characteristics; (vi) shall be signed, sealed, executed and authenticated; (vii) the principal of and interest on the Bonds shall be payable; and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORMS OF BOND set forth in this Order. The Bonds initially issued and delivered pursuant to this Order are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORMS OF BOND.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the Issuer 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 Order, and that the Paying Agent/Registrar will be one such entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective not later than 45 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 Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order. 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 Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the 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 Order, and a certified copy of this Order shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry Only System. The Bonds issued in exchange for the Bonds initially issued to the purchaser specified herein shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer 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 Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Order to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the Registered Owners, as shown in the Registration Books as provided in this Order, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Order. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has

determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Order with respect to interest checks being mailed to the Registered Owner at the close of business on the Record date, the words "Cede & Co." in this Order shall refer to such new nominee of DTC.

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

(g) Payments to Cede & Co. Notwithstanding any other provision of this Order to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(h) Cancellation of Initial Bond. On the closing date, one initial Bond representing the entire principal amount of the Current Interest Bonds and one initial Bond representing the entire maturity amount of the Capital Appreciation Bonds, payable in stated installments to the order of the initial purchaser of the Bonds or its designee, executed by manual or facsimile signature of the President and Secretary of the Board of Trustees of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the initial Bonds, the Paying Agent/Registrar shall cancel each of the initial Bonds and deliver to the Depository Trust Company on behalf of such purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity.

(i) Conditional Notice of Redemption. With respect to any optional redemption of the Current Interest Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not

redeem such Current Interest Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

Section 6. FORMS OF BOND. The forms of the Bonds, including forms of the initial Current Interest Bond and the initial Capital Appreciation Bond, the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Order, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Order.

(a) Forms of Bond

UNITED STATES OF AMERICA  
STATE OF TEXAS  
CALALLEN INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING  
BOND, SERIES 2008

[FORM OF FIRST THREE PARAGRAPHS OF CURRENT INTEREST BOND]

NO. R-			PRINCIPAL AMOUNT \$_____
INTEREST RATE	DATED DATE OF BOND	MATURITY DATE	CUSIP NO.
___%	May 15, 2008	February 15, ____	

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

ON THE MATURITY DATE specified above, CALALLEN INDEPENDENT SCHOOL DISTRICT, in Nueces County, Texas (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon from the Dated Date of Bonds set forth above, on February 15, 2009 and semiannually on each August 15 and February 15 thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), 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 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; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being

exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

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, at the principal corporate trust office of The Bank of New York Trust Company, National Association, Dallas, Texas, which is the "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 or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the order authorizing the issuance of the Bonds (the "Bond Order") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft 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 its address as it appeared on the last business 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. 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 interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or 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 payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer 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" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

[FORM OF FIRST TWO PARAGRAPHS OF CAPITAL APPRECIATION BOND]

NO. CR- PAYMENT  
AT  
MATURITY  
\$\_\_\_\_\_

INTEREST RATE	ISSUANCE DATE	MATURITY DATE	CUSIP NO.
____%		February 15, ____	

REGISTERED OWNER:

PAYMENT AT MATURITY:

ON THE MATURITY DATE specified above, CALALLEN INDEPENDENT SCHOOL DISTRICT, in Nueces County, Texas (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Payment at Maturity in the amount set forth above, representing the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on February 15 and August 15 of each year commencing August 15, 2008. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table.

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 principal corporate trust office of The Bank of New York Trust Company, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond, and shall be drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the order authorizing the issuance of the Bonds (the "Bond Order") 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. The Issuer 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" created by the Bond Order, the amounts required to provide for the payment, in immediately available funds of the Payment at Maturity, when due.

[FORM OF REMAINDER OF EACH BOND]

IF THE DATE for any payment due on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office 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 which is not such a Saturday, Sunday, legal holiday, or day on which 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 a series of Bonds dated as of May 15, 2008, authorized in accordance with the Constitution and laws of the State of Texas in the aggregate principal amount of \$\_\_\_\_\_, to wit: \$\_\_\_\_\_ FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE ISSUER'S OUTSTANDING UNLIMITED TAX BONDS AND \$\_\_\_\_\_ FOR THE ACQUISITION, CONSTRUCTION, EQUIPPING AND RENOVATION OF SCHOOL FACILITIES IN THE ISSUER, and comprised of (i) Bonds in the aggregate principal amount of \$\_\_\_\_\_ that pay interest only at maturity (the "Capital Appreciation Bonds") and (ii)

Bonds in the aggregate principal amount of \$\_\_\_\_\_ that pay interest semiannually (the "Current Interest Bonds").

[THE CURRENT INTEREST BONDS OF THIS SERIES maturing on and after February 15 in each of the years \_\_\_\_\_ are subject to mandatory redemption prior to maturity in part at random, by lot or other customary method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, and without premium, with funds on deposit in the Interest and Sinking Fund. Such Bonds shall be redeemed by the Paying Agent/Registrar on February 15 in each of the years and in the principal amounts, respectively, as are set forth in the following schedule:

Bonds Maturing February 15, 20		Bonds Maturing February 15, 20		Bonds Maturing February 15, 20	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>

<sup>(1)</sup> Final maturity of Bond.

The principal amount of the Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund shall be reduced by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the Issuer and delivered to the Paying Agent/Registrar for cancellation or (ii) redeemed pursuant to the optional redemption provision described below and not theretofore credited against a mandatory sinking fund requirement.

IN ADDITION TO THE FOREGOING MANDATORY REDEMPTION], the Current Interest Bonds of this series maturing on and after February 15, 2019 may be redeemed on February 15, 2018, or on any date thereafter, in whole or in part prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount of Bonds called for redemption, plus accrued interest thereon to the date fixed for redemption. The Issuer shall determine the maturity or maturities, and the principal amount of Bonds within each maturity, to be redeemed. If less than all Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot.

THE CAPITAL APPRECIATION BONDS are not subject to redemption prior to maturity.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, the Issuer shall cause written notice of such redemption to be sent by United States mail, first class, postage prepaid, to each Registered Owner of a Bond to be redeemed, in whole or

in part, at the address of the Registered Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. 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. If such written notice of redemption is mailed 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 the redemption price from the Paying Agent/Registrar 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 \$5,000, at the written request of the Registered Owner, and in an 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 Issuer, all as provided in the Bond Order.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, with respect to Current Interest Bonds, in the denomination of any integral multiple of \$5,000, and with respect to Capital Appreciation Bonds, in the denomination of \$5,000 payment at maturity amounts or any integral multiple thereof. As provided in the Bond Order, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Order. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange (i) with respect to Current Interest Bonds, during the period commencing with the close of business on any Record Date and ending

with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Order that it promptly will appoint a competent and legally qualified substitute therefor, and 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; that this Bond is a general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, without limit as to rate or amount.

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

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

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

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

(SEAL)

(b) [Form of Paying Agent/Registrar's Authentication Certificate]

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

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

Dated: \_\_\_\_\_ The Bank of New York Trust Company, National Association  
Dallas, Texas  
Paying Agent/Registrar

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

(c) [Form of Assignment]

ASSIGNMENT

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

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

Please insert Social Security or Taxpayer  
Identification Number of Transferee

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

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

\_\_\_\_\_

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

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

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by 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.

(d) [Form of Registration Certificate Of the Comptroller of Public Accounts]

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 of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) [Insertions for the initial Current Interest Bond]

(i) The initial Current Interest Bond shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"CALALLEN INDEPENDENT SCHOOL DISTRICT (the "Issuer"), being a political subdivision located in Nueces County, Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
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(Information for the Current Interest Bonds from Section 4 to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from May 15, 2008 at the respective Interest Rate per annum specified above. Interest is payable on February 15, 2009 and semiannually on each August 15 and February 15 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), 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 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; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The initial Current Interest Bond shall be numbered "TR-1."

(f) [Insertions for the initial Capital Appreciation Bond]

(i) The initial Capital Appreciation Bond shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NO. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"CALALLEN INDEPENDENT SCHOOL DISTRICT, in Nueces County, Texas (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the Payment at Maturity on February 15 in each of the years and in installments of the respective Maturity Amounts set forth in the following schedule:

<u>Year</u>	<u>Maturity Amounts</u>	<u>Interest Rates</u>
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(Information for the Capital Appreciation Bonds from Section 4 to be inserted)

The amount shown above as the respective Maturity Amounts represent the principal amount hereof and accrued and compounded interest hereon. Interest shall accrue on the principal amount hereof from the Issuance Date at the interest rate per annum specified above, compounded semiannually on February 15 and August 15 of each year commencing August 15, 2008. For convenience of reference, a table appears on the back of this Bond showing the "Compounded Amount" of the

original principal amount plus initial premium, if any, per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table."

C. The initial Capital Appreciation Bond shall be numbered "TCAB-1."

Section 7. TAX LEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Bonds, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Bonds. 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 Bonds or interest thereon are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Bonds as such principal matures; and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said 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 are hereby pledged for such payment, without limit as to rate or amount.

Section 8. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Order in order to (i) cure any ambiguity, defect or omission in this Order that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Order and that shall not materially adversely affect the interests of the holders, (v) qualify this Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) make such other provisions in regard to matters or questions arising under this Order as shall not be inconsistent with the provisions of this Order and that shall not in the opinion of Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Bonds aggregating in principal amount 51% of the principal amount and Maturity Amount, as the case may be, of then outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in principal amount and

Maturity Amount, as the case may be, of the then outstanding Bonds, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Order or in any of the Bonds so as to:

- (1) Make any change in the maturity of any of the outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or
- (5) Change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Order under this Section, the Issuer shall send by U.S. mail to each Registered Owner of the affected Bonds a copy of the proposed amendment.

(d) Whenever at any time within one year from the date of publication of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in principal amount and Maturity Amount, as the case may be, of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Order pursuant to the provisions of this Section, this Order shall be deemed to be modified and amended in accordance with such amendatory Order, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same bond during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in principal amount and Maturity Amount, as the case may be, of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

For the purposes of establishing ownership of the Bonds, the Issuer shall rely solely upon the registration of the ownership of such bonds on the Registration Books kept by the Paying Agent/Registrar.

#### Section 9. DEFEASANCE OF BONDS.

(a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Order, except to the extent provided in subsection (d) of this Section 7, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Order, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Order to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection 7(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 7(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United

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

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

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

#### Section 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

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

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Subchapter D, Texas Government Code, this Section 10 of this Order shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Order for Bonds issued in conversion and exchange for other Bonds.

Section 11. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION AND ENGAGEMENT OF BOND COUNSEL; USE OF CUSIP NUMBERS. The President of the Board of Trustees of the Issuer is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Order, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. Exhibit A attached hereto may be printed on the Capital Appreciation Bonds, but errors or omissions in the printing thereof or the numbers therein shall have no effect on the validity of such Bonds.

The obligation of the initial purchaser to accept delivery of the Bonds is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Bonds to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Bonds is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the President of the Board of Trustees and the President of the Board of Trustees is hereby authorized to execute such engagement letter.

Section 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS. The Issuer covenants to take any action necessary to assure, or refrain from any action that 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

the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the Projects (defined below) (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the Projects are so used, such amounts, whether received by the Issuer, with respect to such private business use, do not, under the terms of this Order or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

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

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

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

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

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

(1) proceeds of the Bonds invested for a reasonable temporary period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

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

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

(g) 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);

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

(i) to use all of the net proceeds of the Bonds for the payment of principal and interest on the Refunded Bonds.

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

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

**SECTION 13. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT.** The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the projects financed and refinanced with proceeds of the Bonds (collectively, the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The Issuer recognizes that in order for the proceeds to be considered used

for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 14. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the Project, being the property financed with the proceeds of the Bonds and the Refunded Bonds, will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 15. SALE OF BONDS. The Bonds are hereby sold and shall be delivered to Southwest Securities, Inc., Ramirez & Co, Inc., RBC Capital Markets Corporation and Wells Fargo Brokerage Services, LLC (the "Underwriters"), at a price of \$\_\_\_\_\_ (which represents the par amount of the Bonds, plus an aggregate net original offering premium of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_) plus accrued interest on the Current Interest Bonds, pursuant to the terms and provisions of a Bond Purchase Contract that the President of the Board of Trustees of the Issuer is hereby authorized to execute and deliver and that the Secretary of the Board of Trustees of the Issuer is hereby authorized to attest. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall initially be registered in the name of Southwest Securities, Inc.

Section 16. APPROVAL OF OFFICIAL STATEMENT. The Issuer hereby approves the form and content of the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement dated May \_\_, 2008, prior to the date hereof is hereby ratified and confirmed.

Section 17. FURTHER PROCEDURES. The President or Vice President and Secretary of the Board of Trustees of the Issuer, the Superintendent of the Issuer and all other officers, employees

and agents of the Issuer, and each of them, shall be and 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 corporate seal and on behalf of the Issuer the Letter of Representation with DTC regarding the Book-Entry-Only System attached hereto, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar, and all other instruments, whether herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry-Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its provisions shall prevail over any other provisions of this Order in the event of conflict. In case any officer whose signature shall appear 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 such officer had remained in office until such delivery.

Section 18. PERMANENT SCHOOL FUND GUARANTEE PROGRAM. The Issuer covenants to timely comply with all applicable requirements and procedures under Article VII, Section 5 of the Texas Constitution, Subchapter C of Chapter 45, Texas Education Code and the Rules of the State Board of Education relating to the guarantee of the principal and interest on the Bonds by the Texas Permanent School Fund. Upon defeasance of such Bonds prior to maturity in accordance with applicable law, the guarantee of the principal and interest on such Bonds by the Texas Permanent School Fund shall cease and no longer be available. In case of a default in the payment of principal or interest on the Bonds, and in accordance with Section 45.061, Texas Education Code, the Comptroller of Public Accounts of the State of Texas is authorized to withhold from the Issuer amounts equal to the amounts paid by the Permanent School Fund on account of such default, plus interest thereon, from the first state money payable to the Issuer from the following sources and in the following order, to wit: foundation school fund, available school fund.

Section 19. COMPLIANCE WITH RULE 15c2-12.

(a) Annual Reports. (i) The Issuer shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 2008, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 16 of this Order, being the information described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide unaudited financial statements by the required time and will provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements become available.

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

(b) Material Event Notices. The Issuer 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:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of holders of the Bonds;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds; and
11. Rating changes.

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

(c) Limitations, Disclaimers, and Amendments. (i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Issuer in any event will give the notice required by Subsection (b) hereof of any Bond calls and defeasance that cause the Issuer to no longer be such an "obligated person".

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer 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 Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Issuer 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.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER 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 ISSUER, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, 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.

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under the Order for purposes of any other provision of this Order. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

(v) The provisions of this Section may be amended by the Issuer 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 Issuer, 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 the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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, 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.

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

"SEC" means the United States Securities and Exchange Commission.

"SID" means any person designated by the State of Texas 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 the Rule from time to time.

**Section 20. INTEREST EARNINGS ON BOND PROCEEDS; USE OF ACCRUED INTEREST AND PREMIUM RECEIVED FROM SALE OF BONDS.**

(a) Interest Earnings. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on bond proceeds that are required to be rebated to the United States of America pursuant to Section 12 hereof 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.

(b) Use of Accrued Interest and Premium. The accrued interest received from the sale of the Current Interest Bonds in the amount of \$\_\_\_\_\_ shall be deposited to the Interest and Sinking Fund. The net premium received from the sale of the Bonds in the amount of \$\_\_\_\_\_ shall be applied as follows: the sum of \$\_\_\_\_\_ shall be deposited to the Interest and Sinking Fund; the sum of \$\_\_\_\_\_ shall be applied to pay the Underwriters' discount; the sum of \$\_\_\_\_\_ shall be applied to pay costs of issuance; the sum of \$\_\_\_\_\_ shall be deposited into deposited into the escrow fund established under the agreement approved by the Board of Trustees in Section 21 hereof (the "Escrow Agreement"); and the sum of \$\_\_\_\_\_, together with principal amount of \$\_\_\_\_\_ (for a total use of bond authorization from the Election of \$\_\_\_\_\_), shall be deposited to a construction account and used for the purposes approved by the voters at the Election.

**Section 21. APPROVAL OF ESCROW AGREEMENT.** The President of the Board of Trustees of the Issuer is hereby authorized to execute and deliver, and the Secretary of the Board of Trustees of the Issuer is hereby authorized to attest the signature of the Board President to, an Escrow Agreement with respect to the Refunded Bonds with the paying agent/registrar therefor, The Bank of New York Trust Company, National Association, Dallas, Texas. In addition, the President or the Superintendent for the Issuer is authorized to purchase such federal securities, execute such subscriptions for the purchase of United States Treasury Securities, State and Local Government Series and to deposit such cash on hand of the Issuer, as may be necessary for the payment fund created in accordance with the Escrow Agreement.

**Section 22. NOTICE OF REDEMPTION OF REFUNDED BONDS.** (a) The Issuer hereby directs that the (i) Refunded Bonds be called for redemption prior to maturity at the redemption price of par and accrued interest on July 13, 2008.

(b) The paying agents for the Refunded Bonds are hereby directed to make appropriate arrangements so that the Refunded Bonds may be redeemed on such redemption date. The paying agents for the Refunded Bonds is directed to mail the appropriate notice of redemption as required

by the orders authorizing the Refunded Bonds. Suggested forms of the notices of redemption and defeasance are attached hereto as Exhibit C.

Section 23. GOVERNING LAW. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 24. SEVERABILITY. If any provision of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Order would have been enacted without such invalid provision.

Section 25. CONTINUED PERFECTION OF SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes granted by the Issuer under Section 7 of this Order, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the taxes granted by the Issuer under Section 7 of this Order is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Registered Owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 26. FACILITIES ALLOTMENT FUNDS; STATE ASSISTANCE FUNDS.

(a) In connection with the issuance of the Bonds, the Issuer may receive financial assistance from the Texas Education Agency in accordance with the instructional facilities allotment program established pursuant to Chapter 46, Texas Education Code, as amended (the "Program"). In each fiscal year in which the Issuer receives funding under the Program or any successor State funding program that provides a debt service subsidy for the Bonds and, in either case, that requires the Issuer to deposit such debt service subsidy into the Interest and Sinking Fund for the Bonds (such funds being collectively referred to herein as "Debt Subsidy Funds"), the Issuer shall deposit immediately upon receipt the Debt Subsidy Funds received to the credit of the Interest and Sinking Fund for the Bonds created pursuant to Section 7. Notwithstanding the requirements of Section 7, if Debt Subsidy Funds are actually on deposit in the Interest and Sinking Fund for the Bonds in advance of the time when ad valorem taxes are scheduled to be levied for any fiscal year, then the amount of ad valorem taxes that otherwise would have been required to be levied pursuant to Section 7 shall be reduced to the extent and by the amount of the Debt Subsidy Funds then on deposit in the Interest and Sinking Fund for the Bonds.

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

amounts of State assistance received or to be received in accordance with the terms of said Section 45.0031.

Section 27. EVENTS OF DEFAULT. Each of the following occurrences or events for the purpose of this Order is hereby declared to be an event of default (an "Event of Default"):

(i) the failure to make payment of the principal of or interest on any of the Current Interest Bonds or the Maturity Value of the Capital Appreciation Bonds when the same becomes due and payable; or

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

Section 28. REMEDIES FOR DEFAULT. (a) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the may proceed against the Issuer or the Board of Trustees of the Issuer, as appropriate for the purpose of protecting and enforcing the rights of the Registered Owners under this Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

Section 29. REMEDIES NOT EXCLUSIVE. (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Order.

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

(c) By accepting the delivery of a Bond authorized under this Order, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Order do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the Issuer or the Board of Trustees of the Issuer.

Section 30. ALLOCATION OF PROCEEDS BETWEEN REFUNDING AND CONSTRUCTION PURPOSES. The principal amount of the Bonds is hereby allocated between and designated as being applied for the purposes of refunding the Refunded Bonds and for the construction and equipment of school buildings and the purchase of the necessary sites therefor as follows:

<u>Date</u>	<u>Construction</u>	<u>Refunding</u>	<u>Total</u>
02/15/2009			
02/15/2010			
02/15/2011			
02/15/2012			
02/15/2013			
02/15/2014			
02/15/2015			
02/15/2016			
02/15/2017			
02/15/2018			
02/15/2019			
02/15/2020			
02/15/2021			
02/15/2022			
02/15/2023			
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02/15/2025			
02/15/2026			
02/15/2027			
02/15/2028			
02/15/2029			
02/15/2030			
02/15/2031			
02/15/2032			
02/15/2033			
02/15/2034			
02/15/2035			
02/15/2036			
02/15/2037			
02/15/2038			



Exhibit A

Compounded Amounts of Capital Appreciation Bonds at Approximate Yields

For the Capital Appreciation Bonds, the Compounded Amounts (which include the principal amount, initial premium, if any, and accrued interest) as of each February 15 and August 15 per \$5,000 of maturity amount, shall be as set forth below:

## Exhibit B

### **Continuing Disclosure Information**

The following information is referred to in Section 19(a) of this Order:

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section are as specified (and included in the Appendices of the Official Statement referred to) below:

The quantitative financial information and operating data pertaining to the Issuer of the general type included in Appendix A to the Official Statement (with the exception of Table 7) and in Appendix C to the Official Statement.

The financial statements of the Issuer that will be provided will be unaudited, unless an audit is performed, in which event the audited financial statements will be made available.

#### **Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements that are attached to the Official Statement as Exhibit C, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

Exhibit C

NOTICE OF DEFEASANCE AND REDEMPTION

CALALLEN INDEPENDENT SCHOOL DISTRICT (TEXAS)

NOTICE IS HEREBY GIVEN that the Calallen Independent School District has called for early redemption the outstanding Bonds of the District described as follows:

Calallen Independent School District School Building Unlimited Tax Bonds, Series 1994, dated December 1, 1994, bearing interest at the rates shown below and maturing on August 15 in the years and in the amounts shown below (the "Series 1994 Bonds"). Such Bonds have been called for redemption on July 13, 2008 at the redemption price of par and accrued interest to the date fixed for redemption:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP Number</u>	<u>Interest Rate</u>
2009	\$ 125,000	128109LR4	6.600%
2010	130,000	128109LS2	6.200
2011	135,000	128109LT0	6.200
2012	145,000	128109LU7	6.000
2013	155,000	128109LV5	6.000
2014	165,000	128109LW3	6.000
2015	170,000	128109LX1	6.000

aggregating \$1,025,000 in principal amount. Funds for the payment of the Series 1994 Bonds have been irrevocably deposited as of June 13, 2008 with, and the Series 1994 Bonds shall be redeemed in whole at, Wells Fargo Bank National Association, Austin, Texas, the Paying Agent/Registrar for the Series 1994 Bonds. Upon presentation of the Series 1994 Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

If due and proper arrangements have been made for providing the place of payment of the Series 1994 Bonds called for redemption with funds sufficient to pay the principal amount of the Series 1994 Bonds and the interest thereon to the redemption date, then the Series 1994 Bonds shall be redeemed as provided herein. In that event, and in the further event the Series 1994 Bonds or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

CALALLEN INDEPENDENT SCHOOL DISTRICT

/s/ Richard Roecker  
President, Board of Trustees

NOTICE OF DEFEASANCE AND REDEMPTION

CALALLEN INDEPENDENT SCHOOL DISTRICT (TEXAS)

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

Calallen Independent School District School Building Unlimited Tax Bonds, Series 1998, dated January 15, 1998, bearing interest at the rates shown below and maturing on February 15 in the years and in the amounts shown below (the "Series 1998 Bonds"). Such Bonds have been called for redemption on July 13, 2008 at the redemption price of par and accrued interest to the date fixed for redemption:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>CUSIP Number</u>	<u>Interest Rate</u>
2009	\$ 450,000	128109MU6	5.500%
2010	450,000	128109MV4	4.400
2011	450,000	128109MW2	4.400
2012	450,000	128109MX0	4.500
2013	450,000	128109MY8	4.100
2014	100,000	128109MZ5	4.000
2015	100,000	128109NA9	4.000
2016	275,000	128109NB7	4.000
2017	275,000	128109NC5	4.000
2018	275,000	128109ND3	4.000
2019	275,000	128109NE1	4.000

aggregating \$3,550,000 in principal amount. Funds for the payment of the Series 1998 Bonds have been irrevocably deposited as of June 13, 2008 with, and the Series 1998 Bonds shall be redeemed in whole at, The Bank of New York Trust Company, National Association, Dallas, Texas, the Paying Agent/Registrar (the "Paying Agent") for the Series 1998 Bonds. Upon presentation of the Series 1998 Bonds at the Paying Agent on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

If due and proper arrangements have been made for providing the place of payment of the Series 1998 Bonds called for redemption with funds sufficient to pay the principal amount of the Series 1998 Bonds and the interest thereon to the redemption date, then the Series 1998 Bonds shall be redeemed as provided herein. In that event, and in the further event the Series 1998 Bonds or any of them are not presented for redemption by the date fixed for their redemption, they shall not thereafter bear interest.

CALALLEN INDEPENDENT SCHOOL DISTRICT

/s/ Richard Roecker  
President, Board of Trustees

## ESCROW AGREEMENT

Calallen Independent School District  
School Building Unlimited Tax Bonds, Series 1994  
School Building Unlimited Tax Bonds, Series 1998

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THIS ESCROW AGREEMENT, dated as of May 15, 2008 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the Calallen Independent School District (herein called the "Issuer") and The Bank of New York Trust Company, National Association, Dallas, Texas, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

### W I T N E S S E T H:

WHEREAS, the Issuer heretofore has issued and there presently remain outstanding the obligations styled "School Building Unlimited Tax Bonds, Series 1994" (the "Series 1994 Bonds") and "School Building Unlimited Tax Bonds, Series 1998" (the "Series 1998 Bonds") as described in Exhibit "B" attached hereto (collectively, the "Refunded Obligations"); and

WHEREAS, the Refunded Obligations are scheduled to mature in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit "C" attached hereto and made a part hereof; and

WHEREAS, when firm banking arrangements have been made for the payment of principal and interest to the maturity or redemption dates of the Refunded Obligations, then the Refunded Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, Chapter 1207, Texas Government Code ("Chapter 1207"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with any place of payment (paying agent) for any of the Refunded Obligations, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 further authorizes the Issuer to enter into an escrow agreement with any such paying agent for any of the Refunded Obligations, or a trust company or commercial bank that does not act as a depository for the Issuer, with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent, trust company or commercial bank may agree, provided that such deposits may be invested only in direct 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, and which may be in book entry form, and that mature and/or bear interest payable at such times and

in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Obligations when due (the "Escrowed Securities"); and

WHEREAS, the Escrow Agent is the paying agent for the Series 1998 Bonds and is a commercial bank that does not act as a depository for the Issuer and this Agreement constitutes an escrow agreement of the kind authorized and required by said Chapter 1207; and

WHEREAS, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and timely make available to the other places of payment (paying agents) for the Refunded Obligations the amounts required to provide for the payment of the principal of and interest on such obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the issuance, sale, and delivery of the \$\_\_\_\_\_ Calallen Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2008 (the "Refunding Obligations") have been authorized for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of the Refunded Obligations at their respective maturity dates or dates of redemption and the interest thereon to such dates; and

WHEREAS, the Issuer desires that, concurrently with the delivery of the Refunding Obligations to the purchasers thereof, certain proceeds of the Refunding Obligations, together with certain other available funds of the Issuer, if applicable, shall be applied to purchase Escrowed Securities for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations on their maturity dates or dates of redemption; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the paying agents for the Series 1994 Bonds and the Series 1998 Bonds, Wells Fargo Bank, National Association and The Bank of New York Trust Company, N.A., respectively (collectively, the "Paying Agent"), have acknowledged receipt of this Agreement and its acceptance of the terms and provisions of this Agreement in such capacity.

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Obligations, the Issuer and the

Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

## ARTICLE I

### DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Code" means the Internal Revenue Code of 1986, as amended, or to the extent applicable the Internal Revenue Code of 1954, together with any other applicable provisions of any successor federal income tax laws.

"Escrow Fund" means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

Section 1.02. Other Definitions. The terms "Agreement", "Issuer", "Escrow Agent", "Escrowed Securities", "Refunded Obligations", "Refunding Obligations" and "Paying Agent", when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law.

## ARTICLE II

### DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits in the Escrow Fund. Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in Exhibit "D" attached hereto, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

## ARTICLE III

### CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Calallen Independent School District Unlimited Tax Refunding and Improvement Bonds, Series 1994 and Series 1998 Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will irrevocably deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit "D" attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations at their respective maturity dates and interest thereon to such maturity dates in the amounts and at the times shown in Exhibit "C" attached hereto.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in Exhibit "E" attached hereto. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by each place of payment (paying agent) for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, the Issuer shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given as promptly as practicable as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The

Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as an Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by the Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

#### ARTICLE IV

##### LIMITATION ON INVESTMENTS

Section 4.01. Except as provided in Sections 4.02, 4.03 and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in Exhibit "D" hereto, the Escrow Agent shall reinvest cash balances shown in Exhibit "F" attached hereto in zero (0) interest rate United States Treasury Obligations - State and Local Government Series to the extent such Obligations are available from the Department of the Treasury. All such reinvestments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes or Bonds - State and Local Government Series. All such reinvestments shall be acquired on and shall mature on the dates shown on Exhibit "F" attached hereto.

Section 4.03. Substitutions and Reinvestments. At the discretion of the Issuer, the Escrow Agent shall reinvest cash balances representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable, nonprepayable direct obligations of the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with Exhibit "C", the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing direct noncallable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for non-interest bearing Escrowed Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in Exhibit "D" for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in Exhibit "D" for which such Substitute Obligation is substituted, and
- (c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in Exhibit "E" hereto, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

Section 4.05. Arbitrage. The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of the Code.

## ARTICLE V

### APPLICATION OF CASH BALANCES

Section 5.01. In General. Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund.

## ARTICLE VI

### RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the Refunded Obligations.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

## ARTICLE VII

### CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow

Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer as promptly as practicable of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Obligations or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as a place of payment and paying agent and/or a Paying Agent/Registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Bonds, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the amount set forth in Exhibit "G" attached hereto, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) The Issuer covenants to timely pay for all future paying agency services of the Paying Agent for the Refunded Obligations in accordance with the paying agent fee schedule now in effect through the final payment of the Refunded Obligations, the sufficiency of which is hereby acknowledged by the Paying Agent. Additionally, the Paying Agent has agreed to look only to the Issuer for the payment of such fees and reimbursement of such expenses, and for the benefit of the registered owners of the Refunded Obligations, to perform the services as Paying Agent without regard to the future payment of such fees and expenses. The Paying Agent shall in no event assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Paying Agent, or in any other capacity, or for reimbursement for any of its expenses.

(c) **TO THE EXTENT PERMITTED BY LAW, THE ISSUER AGREES TO INDEMNIFY THE ESCROW AGENT FOR, AND HOLD IT HARMLESS AGAINST, ANY LOSS, LIABILITY, OR EXPENSE INCURRED WITHOUT NEGLIGENCE OR BAD FAITH ON ITS PART, ARISING OUT OF OR IN CONNECTION WITH ITS ACCEPTANCE OR ADMINISTRATION OF ITS DUTIES HEREUNDER, INCLUDING THE COST AND EXPENSE AGAINST ANY CLAIM OR LIABILITY IN CONNECTION WITH THE EXERCISE OR PERFORMANCE OF ANY OF ITS POWERS OR DUTIES UNDER THIS AGREEMENT.**

Section 7.04. Notice of Redemption. The Paying Agent is hereby authorized and directed to cause notice of defeasance and redemption of the Refunded Obligations to be given at the time and in the form and manner prescribed in the proceedings that authorized the issuance of the Refunded Obligations.

Section 7.05. Acknowledgment of Notice of Redemption. The Escrow Agent, by its execution hereof, as paying agent/registrar for the Refunded Obligations, acknowledges receipt of written notice of the redemption of the Refunded Obligations, as required by the proceedings that authorized the issuance of the Refunded Obligations, and agrees to provide or cause to be provided notice of defeasance and redemption of such Refunded Obligations as required by the proceedings that authorized the issuance of such Refunded Obligations.

Section 7.06. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the Escrow Agent or the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be: (i) a corporation, bank or banking association organized and doing business under the laws of the United States or the State of Texas; (ii) be authorized under such laws to exercise corporate trust powers; (iii) be authorized under Texas law to act as an escrow agent; (iv) have its principal office and place of business in the State of Texas; (v) have a combined capital and surplus of at least \$5,000,000; and (vi) be subject to the supervision or examination by Federal or State authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than sixty (60) days' written notice to the Issuer and publishing notice thereof, specifying the date when such resignation will take effect, in a newspaper printed in the English language and with general circulation in New York, New York, such publication to be made once at least three (3) weeks prior to the date when the resignation is to take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the Refunded Obligations or by the Issuer as herein provided and shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

Under any circumstances, the Escrow Agent shall pay over to its successor Escrow Agent proportional parts of the Escrow Agent's fee and, if applicable, its Paying Agent's fee hereunder.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof. Prior written notice of any amendment to this Agreement contemplated pursuant to Section 8.08 and immediate written notice of any incidence of a severance pursuant to Section 8.04 shall be sent to Moody's Investors Service, Attn: Public Finance Rating Desk/Refunded Obligations, 99 Church Street, New York, New York 10007 and Standard & Poor's Corporation, Attn: Municipal Bond Department, 25 Broadway, New York, New York 10004.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the owners of the Refunded Obligations or to any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.05. Texas Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.07. Effective date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in Exhibit "D" attached hereto and the Escrowed Securities, together with the specific sums stated in subsections (a) and (b) of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

Section 8.08. Amendments. This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless

the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations.

Section 8.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original for all purposes, and all counterparts shall together constitute one and the same instrument.

(Execution Page Follows)

EXECUTED as of the date first written above.

CALLEN INDEPENDENT SCHOOL DISTRICT

\_\_\_\_\_  
President, Board of Trustees

THE BANK OF NEW YORK TRUST COMPANY,  
NATIONAL ASSOCIATION

By: \_\_\_\_\_

Title: \_\_\_\_\_

## INDEX TO EXHIBITS

Exhibit "A"	Addresses of the Issuer and the Escrow Agent
Exhibit "B"	Description of the Refunded Obligations
Exhibit "C"	Schedule of Debt Service on Refunded Obligations
Exhibit "D"	Description of Beginning Cash Deposit (if any) and Escrowed Securities
Exhibit "E"	Escrow Fund Cash Flow
Exhibit "F"	Reinvestments in Zero Coupon SLGS
Exhibit "G"	Compensation of Escrow Agent

EXHIBIT "A"

ADDRESSES OF THE ISSUER AND THE ESCROW AGENT

ISSUER

Calallen Independent School District  
4205 Wildcat Drive  
Calallen, Texas 78410

Attention: President, Board of Trustees

ESCROW AGENT

The Bank of New York Trust Company, N.A.  
2001 Bryan Street, 8th Floor  
Dallas, Texas 75021

Attention: Corporate Trust Department

EXHIBIT "B"

DESCRIPTION OF THE  
REFUNDED OBLIGATIONS

**Calallen Independent School District**  
**School Building Unlimited Tax Bonds, Series 1994**

Maturity (2/15)	Interest Rate	Refunded Principal Amount
2009	6.600%	\$ 125,000
2010	6.200	130,000
2011	6.200	135,000
2012	6.000	145,000
2013	6.000	155,000
2014	6.000	165,000
2015	6.000	<u>170,000</u>
Total		<u>\$1,025,000</u>

**Calallen Independent School District**  
**School Building Unlimited Tax Bonds, Series 1998**

Maturity (8/15)	Interest Rate	Refunded Principal Amount
2009	5.500%	\$450,000
2010	4.400	450,000
2011	4.400	450,000
2012	4.500	450,000
2013	4.100	450,000
2014	4.000	100,000
2015	4.000	100,000
2016	4.000	275,000
2017	4.000	275,000
2018	4.000	275,000
2019	4.000	275,000
Total		<u>\$3,550,000</u>

The Refunded Obligations are the Principal Amount Refunded (as indicated in the tables above) of (i) the Calallen Independent School District Unlimited Tax School Building Bonds, Series 1994, aggregating \$1,025,000 in principal amount, and (ii) the Calallen Independent School District Unlimited Tax School Building Bonds, Series 1998, aggregating \$3,550,000 in principal amount. The Refunded Obligations having been called for redemption on July 13, 2008 at the price of par.

EXHIBIT "C"

SCHEDULE OF DEBT SERVICE  
ON REFUNDED OBLIGATIONS

EXHIBIT "D"

ESCROW DEPOSIT

The sum of \$\_\_\_\_\_, representing the outstanding principal balance of the Refunded Obligations of \$4,575,000.00 and accrued interest in the amount of \$\_\_\_\_\_, shall be deposited with the Escrow Agent on June 13, 2008 and invested in U.S. Treasury State and Local Government Series securities as shown on Exhibit "E", until transferred to the respective paying agents for the Refunded Obligations and used to redeem the Refunded Obligations on July 13, 2008.

EXHIBIT "E"

ESCROW FUND CASH FLOW

EXHIBIT "F"

REINVESTMENTS IN ZERO COUPON SLGS

None

EXHIBIT "G"

COMPENSATION OF ESCROW AGENT

## **PAYING AGENT/REGISTRAR AGREEMENT**

THIS AGREEMENT is entered into as of May 15, 2008 (this "Agreement"), by and between Calallen Independent School District (the "Issuer"), and The Bank of New York Trust Company, National Association, Dallas, Texas, a national banking association duly organized and existing under the laws of the United States of America (the "Bank").

### **RECITALS**

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Unlimited Tax School Building and Refunding Bonds, Series 2008 (the "Securities") in the aggregate principal amount of \$45,000,000, such Securities to be issued in fully-registered form only as to the payment of principal and interest thereon; and

WHEREAS, the Securities are scheduled to be delivered to the initial purchasers thereof on or about June 13, 2008; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

### **ARTICLE ONE**

#### **APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

##### **Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Order" (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Order."

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

**Section 1.02. Compensation.**

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the Fiscal Year of the Issuer, and shall be effective upon the first day of the following Fiscal Year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

**ARTICLE TWO  
DEFINITIONS**

**Section 2.01. Definitions.**

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the principal corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Fiscal Year" means the fiscal year of the Issuer, ending August 31.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the President or Vice President of the Board of Trustees of the Issuer, any one or more of said officials, delivered to the Bank.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Order" means the order, ordinance or resolution of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary of the Board of Trustees or any other officer of the Issuer and delivered to the Bank.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Order).

"Record Date" means the last business day of the month next preceding payment.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Order.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Securities.

"Stated Maturity" means the date specified in the Order the principal of a Security is scheduled to be due and payable.

## **Section 2.02. Other Definitions.**

The terms "Bank," "Issuer" and "Securities (Security)" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

## **ARTICLE THREE PAYING AGENT**

### **Section 3.01. Duties of Paying Agent.**

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor or the Issuer

**Section 3.02. Payment Dates.**

The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Order.

**ARTICLE FOUR  
REGISTRAR**

**Section 4.01. Security Register - Transfers and Exchanges.**

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") and, if the Bank Office is located outside the State of Texas, a copy of such books and records shall be kept in the State of Texas, for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be canceled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

**Section 4.02. Certificates.**

At any time that the Securities are not subject to a book-entry-only system of registration and transfer, the Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

**Section 4.03. Form of Security Register.**

The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those that the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

**Section 4.04. List of Security Holders.**

The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

**Section 4.05. Cancellation of Certificates.**

All certificates surrendered to the Bank, at the designated Payment/Transfer Office, for payment, redemption, transfer or replacement, shall be promptly canceled by the Bank. The Bank will provide to the Issuer, at reasonable intervals determined by it, a certificate evidencing the destruction of canceled certificates.

**Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities.**

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Order, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities as long as the same does not result in an over-issuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

**Section 4.07. Transaction Information to Issuer.**

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

**ARTICLE FIVE  
THE BANK**

**Section 5.01. Duties of Bank.**

The Bank undertakes to perform the duties set forth herein and in the Order and agrees to use reasonable care in the performance thereof.

**Section 5.02. Reliance on Documents, Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer executed in accordance with Section 4.01 hereof, which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

**Section 5.03. Recitals of Issuer.**

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

**Section 5.04. May Hold Securities.**

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

**Section 5.05. Moneys Held by Bank.**

The Bank shall deposit any moneys received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of the Securities, with such moneys in the account that exceed the deposit insurance available to the Issuer by the Federal Deposit Insurance Corporation, to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

Subject to the Unclaimed Property Law of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after the final maturity of the Security has become due and payable will be paid by the Bank to the Issuer if the Issuer so elects, and the Holder of such Security shall

hereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such monies shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title Six of the Texas Property Code, as amended.

**Section 5.06. Indemnification.**

**TO THE EXTENT PERMITTED BY LAW, THE ISSUER AGREES TO INDEMNIFY THE BANK, ITS DIRECTORS, OFFICERS AND EMPLOYEES, AND HOLD IT HARMLESS AGAINST, ANY LOSS, LIABILITY OR EXPENSE INCURRED WITHOUT NEGLIGENCE OR BAD FAITH ON ITS PART, ARISING OUT OF OR IN CONNECTION WITH ITS ACCEPTANCE OR ADMINISTRATION OF ITS DUTIES HEREUNDER, INCLUDING THE COST AND EXPENSE AGAINST ANY CLAIM OR LIABILITY IN CONNECTION WITH THE EXERCISE OR PERFORMANCE OF ANY OF ITS POWERS OR DUTIES UNDER THIS AGREEMENT.**

**Section 5.07. Interpleader.**

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the Issuer are located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

**Section 5.08. Depository Trust Company Services.**

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements," effective August 1, 1987, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

**Section 5.09. Reporting Requirements.**

To the extent required by the Internal Revenue Code or the Treasury Regulations, the Bank shall report to the Holders and the Internal Revenue Service the amount of interest paid or the amount treated as interest accrued on the Bonds which is required to be reported by the Holders on their returns of federal income tax.

**ARTICLE SIX  
MISCELLANEOUS PROVISIONS**

**Section 6.01. Amendment.**

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. Assignment.**

This Agreement may not be assigned by either party without the prior written consent of the other.

**Section 6.03. Notices.**

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

**Section 6.04. Effect of Headings.**

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

**Section 6.05. Successors and Assigns.**

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Any corporation or association into which the Bank may be converted or merged, or with which it may be consolidated, or to which it may sell, lease, or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party, ipso facto, shall be and become successor Paying Agent/Registrar hereunder and vested with all of the powers, rights, obligations, duties, remedies, discretions, immunities, privileges, and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed, or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**Section 6.06. Severability.**

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 6.07. Benefits of Agreement.**

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**Section 6.08. Entire Agreement.**

This Agreement and the Order constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Order, the Order shall govern.

**Section 6.09. Counterparts.**

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.10. Termination.**

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

The resigning Paying Agent/Registrar may petition any court of competent jurisdiction for the appointment of a successor Paying Agent/Registrar if an instrument of acceptance by a successor Paying Agent/Registrar has not been delivered to the resigning Paying Agent/Registrar within sixty (60) days after the giving of such notice of resignation.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.**

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION

By \_\_\_\_\_  
Title Vice President

Issuer Administrative Services  
2001 Bryan Street, 8th Floor  
Dallas, Texas 75201

CALLEN INDEPENDENT SCHOOL DISTRICT

By \_\_\_\_\_  
President, Board of Trustees

4205 Wildcat Drive  
Calallen, Texas 78410

SCHEDULE A

Paying Agent/Registrar Fee Schedule  
[To be supplied by the Bank]

## **Closed Session Statement**

The Superintendent requests that the Board of Trustees convene in closed meeting as authorized by the provisions of the Open Meetings Act, Chapter 551 of the Texas Government Code. This executive session is in accord with Section 551.074: For the purpose of considering the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear complaints or charges against a public officer or employee.

BOARD OF EDUCATION  
CALALLEN INDEPENDENT SCHOOL DISTRICT  
CORPUS CHRISTI, TEXAS

Date: May 21, 2008

Subject: Consider approval of resignations and new hires

New Business

**Action**

**BACKGROUND INFORMATION**

Calallen I.S.D. administration prepares of list of resignations and new hires since the previous Board meeting.

**ITEM ADDRESSED**

As per Personnel Lists presented to the Board.

**RECOMMENDED ACTION**

Administration recommends the Board approve resignations and appointments as presented.