



Calallen ISD

Special Meeting

Thursday, February 1, 2018 7:15 AM

Agenda of Special Meeting

The Board of Trustees Calallen ISD

A Special Meeting of the Board of Trustees of Calallen ISD will be held February 1, 2018, beginning at 7:15 AM 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.

1. Opening of Special Meeting by Chairman 3
2. New Business
 - A. Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax School Building Bonds, Series 2018", including the adoption of an order authorizing the issuance of such bonds 4
Presenter: Mrs. George
 - B. Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax Refunding Bonds, Series 2018-A", including the adoption of an order authorizing the issuance of such bonds 47
Presenter: Mrs. George
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 : February 1, 2018

Subject: Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax School Building Bonds, Series 2018", including the adoption of an order authorizing the issuance of such bonds

New Business

Action

BACKGROUND INFORMATION

Voters approved Bonds in November of 2017. Calallen ISD Administration has aligned everything necessary to move forward with the sale of this 2018 Bond Series.

ITEM ADDRESSED

Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax School Building Bonds, Series 2018", including the adoption of an order authorizing the issuance of such bonds

RECOMMENDED ACTION

The Administration recommends the Board approve all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax School Building Bonds, Series 2018", including the adoption of an order authorizing the issuance of such bonds.



**Final Results –
2017 Bond Program and Refunding of
Existing Series 2008 Bonds for Savings**

Thursday, February 1, 2018

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Final Pricing Results – 2018 Bond Sales

- ❑ As presented to Calallen Independent School District’s (the “District”) Board of Trustees during the January 3, 2018 meeting, the Preliminary Financing Plan for the sale of bonds from the 2017 Bond Program and proposed refunding program included the sale of \$48.98 million of bonds as follows (collectively, the “2018 Bond Sales”):
 - ❖ **\$39,500,000 Unlimited Tax School Building Bonds, Series 2018** – To fund the various construction and repair/renovation projects approved within the 2017 Bond Program (the “Series 2018 Bonds”); and
 - ❖ **\$9,480,000 Unlimited Tax Refunding Bonds, Series 2018-A** – To refund the District’s existing Unlimited Tax School Building Bonds, Series 2008 at a lower interest rate (the “Series 2018-A Bonds”).
- ❑ On Wednesday, January 31, 2018, the District successfully sold its 2018 Bond Sales to investors and achieved the following results based upon favorable market conditions:
 - 2017 Bond Program was successfully implemented below the original cost communicated to voters.
 - ✓ Interest rate of 3.86% on the Series 2018 Bonds – Voter education material assumed 4.50%;
 - ✓ Net bond payments are \$6,069,619 lower than anticipated; and
 - ✓ Maximum 3.44-cent tax increase versus the 4.00-cent increase communicated.
 - The interest rate on the District’s existing Series 2008 Bonds was successfully reduced from 4.80% to 3.32% and the District’s actual savings totaled \$1,224,248 (net of all costs).



Final Pricing Results – Series 2018 Bonds

- ❑ The following compares the Original Financing Plan communicated to voters at the time of the November 2017 bond election, the Preliminary Financing Plan presented to the Board of Trustees on January 3, 2018, and the Actual Financing Plan.

Summary of Actual Financing Plan – 2017 Bond Program

Description	Voter Education Material	Preliminary Financing Plan (Jan. 3, 2018)	Actual Financing Plan (Jan. 31, 2018)
Funds Available for Capital Improvements within the District	\$ 39,500,000	\$ 39,500,000	\$ 39,500,000
Interest Rate (Including Costs) – Series 2018 Bonds	4.50%	4.06%	3.86%
Net Bond Payments – Series 2018 Bonds	\$ 76,263,650	\$ 72,058,225	\$ 70,194,031
Projected I&S Tax Rate Increase	4.00 Cents	3.80 Cents	3.44 Cents
Projected Annual I&S Tax Increase – \$147,878 Average Taxable Home Value	\$ 59.15	\$ 56.19	\$ 50.87
Projected Monthly I&S Tax Increase – \$147,878 Average Taxable Home Value	\$ 4.93	\$ 4.68	\$ 4.24
Final Maturity	2048	2048	2048

- ❑ The District will receive \$39,500,000 on **Thursday, March 1, 2018** to fund the capital improvements included within the 2017 Bond Program.



Final Pricing Results – Series 2018-A Bonds

- The table below summarizes the actual savings to the District by refunding its Unlimited Tax School Building Bonds, Series 2008 at a lower interest rate.

Summary of Actual Savings – Refunding of Series 2008 Bonds	
Description	Summary Of Results
Principal Amount of the Series 2008 Bonds to be Refunded	\$ 9,480,000
Interest Rate on the Series 2008 Bonds to be Refunded	4.80%
“All-In” True Interest Rate – Series 2018-A Bonds	3.32%
Total Debt Service Savings	\$ 1,224,248
Average Annual Savings (i.e. Years 2018/19 – 2037/38) (20-Years)	61,212
Present Value Debt Service Savings (@ All-In TIC)	878,667
Present Value Savings as a Percentage of the Principal Amount of the Series 2008 Bonds to be Refunded	9.27%

Summary of the Series 2008 Bonds to be Refunded					
Issue Outstanding	Principal Amount To Be Refunded	Maturities To Be Refunded	Interest Rate	Redemption Date	Redemption Price
Unlimited Tax School Building Bonds, Series 2008	\$ 9,480,000	02/15/2019 – 2023; 2037 & 2038	4.80%	03/05/2018	100.0%



Updated Savings from District's Debt Management Strategies/Practices

- Based upon the results from the 2018 Refunding Program, since year 2010, Calallen ISD has implemented 5 bond refunding programs and prepaid \$2.26 million of existing bonds to reduce the cost of voter-approved bonds – Such strategic actions have provided taxpayers with more than \$9.5 million of savings.

Summary of Interest Cost Savings Since Year 2010 - Debt Management Strategies/Practices

Issue / Description	Series Refunded	Principal Amount Refunded	Total Savings
Unlimited Tax Refunding Bonds, Series 2010	1994, 1998	\$ 3,550,000	\$ 234,836
Unlimited Tax Refunding Bonds, Series 2015	2008	8,700,000	1,481,233
Unlimited Tax Refunding Bonds, Series 2016	2008	8,885,000	1,982,906
Unlimited Tax Refunding Bonds, Series 2017	2008	9,200,000	2,336,083
Prepayment of Series 2008 Bonds - August 2017	2008	710,000	710,000
Unlimited Tax Refunding Bonds, Series 2018-A	2008	9,480,000	1,224,248
Prepayment of Series 2008 Bonds - February 2018	2008	1,550,000	1,550,000
Totals	---	\$ 42,075,000	\$ 9,519,306



Actual Financing Plan – 2018 Bond Sales

Actual Financing Plan - 2017 Bond Program And 2018 Refunding Program for Interest Cost Savings												
A	B	C	D	E	F	G	H	I	J	K	L	
Year	Total Existing Bond Payments	Less: Series 2008 Bonds To Be Refunded	Plus: February-18 Series 2018-A Refunding For Savings @ 3.32%	Savings From 2018 Refunding Program	Plus: February-18 Series 2018 New Money \$39,500,000 @ 3.86%	Total Combined Bond Payments	Less: Frozen Levy, Delinquent Tax Collections, Interest Earnings & Capitalized Interest	Net Combined Bond Payments	Total Taxable Assessed Valuation	Projected I&S Tax Rate	I&S Tax Rate Difference	
2017/18	\$4,205,058	\$209,323	\$207,644	\$1,678	\$762,560	\$4,965,940	\$907,560	\$4,058,379	\$2,019,338,598	\$0.2052		
2018/19	2,614,520	1,334,945	1,233,450	101,495	2,183,763	4,696,788	145,000	4,551,788	1,939,987,600	0.2396	\$0.0344	
2019/20	2,611,770	1,606,245	1,506,100	100,145	2,197,713	4,709,338	145,000	4,564,338	1,943,980,202	0.2396		
2020/21	2,609,958	1,604,433	1,503,000	101,433	2,210,213	4,718,738	145,000	4,573,738	1,948,652,804	0.2395		
2021/22	2,610,029	1,604,504	1,501,500	103,004	2,223,113	4,730,138	145,000	4,585,138	1,953,978,406	0.2394		
2022/23	2,611,844	1,606,319	1,505,750	100,569	2,231,113	4,742,388	145,000	4,597,388	1,959,930,008	0.2394		
2023/24	2,624,575	161,250	122,000	39,250	2,124,988	4,710,313	145,000	4,565,313	1,945,492,008	0.2395		
2024/25	2,626,675	161,250	122,000	39,250	2,090,863	4,678,288	145,000	4,533,288	1,931,632,008	0.2395		
2025/26	2,624,075	161,250	122,000	39,250	2,061,863	4,646,688	145,000	4,501,688	1,918,325,008	0.2395		
2026/27	2,628,875	161,250	122,000	39,250	2,027,988	4,617,613	145,000	4,472,613	1,905,851,008	0.2395		
2027/28	2,630,875	161,250	122,000	39,250	2,023,613	4,615,238	145,000	4,470,238	1,905,851,008	0.2393		
2028/29	2,590,875	161,250	122,000	39,250	2,066,738	4,618,363	145,000	4,473,363	1,905,851,008	0.2395		
2029/30	2,691,775	161,250	122,000	39,250	1,964,738	4,617,263	145,000	4,472,263	1,905,851,008	0.2394		
2030/31	2,687,675	161,250	122,000	39,250	1,968,613	4,617,038	145,000	4,472,038	1,905,851,008	0.2394		
2031/32	2,690,375	161,250	122,000	39,250	1,967,638	4,618,763	145,000	4,473,763	1,905,851,008	0.2395		
2032/33	2,679,213	161,250	122,000	39,250	1,976,803	4,616,766	145,000	4,471,766	1,905,851,008	0.2394		
2033/34	2,822,050	161,250	122,000	39,250	1,836,444	4,619,244	145,000	4,474,244	1,905,851,008	0.2396		
2034/35	2,824,050	161,250	122,000	39,250	1,834,844	4,619,644	145,000	4,474,644	1,905,851,008	0.2396		
2035/36	2,822,050	161,250	122,000	39,250	1,835,144	4,617,944	145,000	4,472,944	1,905,851,008	0.2395		
2036/37	2,823,150	2,598,750	2,493,600	105,150	1,899,419	4,617,419	145,000	4,472,419	1,905,851,008	0.2395		
2037/38	743,125	743,125	642,600	100,525	3,974,044	4,616,644	145,000	4,471,644	1,905,851,008	0.2396		
2038/39	0	0	0	0	2,752,169	2,752,169	145,000	2,607,169	1,905,851,008	0.1396	(\$0.1000)	
2039/40	0	0	0	0	2,750,669	2,750,669	145,000	2,605,669	1,905,851,008	0.1395		
2040/41	0	0	0	0	2,749,544	2,749,544	145,000	2,604,544	1,905,851,008	0.1394		
2041/42	0	0	0	0	2,748,544	2,748,544	145,000	2,603,544	1,905,851,008	0.1394		
2042/43	0	0	0	0	2,747,419	2,747,419	145,000	2,602,419	1,905,851,008	0.1393		
2043/44	0	0	0	0	2,750,794	2,750,794	145,000	2,605,794	1,905,851,008	0.1395		
2044/45	0	0	0	0	2,748,419	2,748,419	145,000	2,603,419	1,905,851,008	0.1394		
2045/46	0	0	0	0	2,747,800	2,747,800	145,000	2,602,800	1,905,851,008	0.1394		
2046/47	0	0	0	0	2,750,091	2,750,091	145,000	2,605,091	1,905,851,008	0.1395		
2047/48	0	0	0	0	2,748,938	2,748,938	145,000	2,603,938	1,905,851,008	0.1394		
Total	\$55,772,590	\$13,403,893	\$12,179,644	\$1,224,248	\$70,956,592	\$125,504,933	\$5,257,560	\$120,247,373				

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Summary of Bond Ratings

- ❑ As is customary for a new bond sale, the District participated in the bond rating process with both Fitch Ratings, Inc. and S&P Global Ratings. This consisted of a review of the District's financial position, debt position, various economic indicators and the District's management practices.
- ❑ The District's strong bond ratings of "AA" and "A+" were affirmed by Fitch and S&P, respectively. In particular, the rating agencies cited the following credit strengths:
 - **Fitch Ratings, Inc.:**
 - ✓ The District maintained a financial cushion at robust levels through the most recent recessionary pressures and accompanying state funding cuts;
 - ✓ Budgeting is conservative and management has been proactive in using excess revenues to limit debt issuance and boost reserves;
 - ✓ Although increasing slightly with the new money bond sale, the District's long-term liability burden remains low and is not expected to climb significantly, given limited near-term borrowing plans and expected continued economic expansion; and
 - ✓ Diverse employment base and continued taxable value growth, enhanced by the District's 313 Agreements.
 - **S&P Global Ratings:**
 - ✓ Economic ties to Corpus Christi, which contribute to its very strong income levels;
 - ✓ Very strong financial position; and
 - ✓ Limited future capital needs requiring the need for additional debt issuances.



Questions





BOK Financial Securities, Inc. – Specialized Texas School District Finance Team



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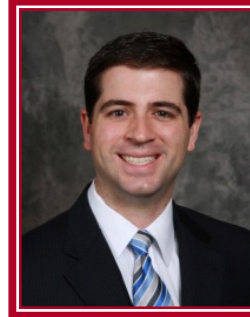
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CERTIFICATE FOR ORDER

THE STATE OF TEXAS
COUNTY OF NUECES
CALALLEN INDEPENDENT SCHOOL DISTRICT

We, the undersigned officers of the Board of Trustees (the "*Board*") of the Calallen Independent School District (the "*District*"), hereby certify as follows:

1. The Board convened in a special meeting on February 1, 2018, at the regular designated meeting place, and the roll was called of the duly constituted officers and members of the Board, to wit:

- Jason Floyd, President
- Dr. Lana Carr, Vice President
- Lori Jo Walker, Secretary
- Bill Kelly, Treasurer
- Allen Libbe, Member
- Royce Cameron, Member
- Heather Luckenbach, Member

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business the following was transacted at said meeting: a written

ORDER AUTHORIZING THE ISSUANCE OF UNLIMITED TAX SCHOOL BUILDING BONDS; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of the Board. It was then duly moved and seconded that said Order be passed; and, after due discussion, said motion, carrying with it the passage of said Order, prevailed and carried, with all members of the Board shown present above voting "Aye," except as noted below:

NAYS: _____ ABSTENTIONS: _____

2. A true, full, and correct copy of the aforesaid Order passed at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; said Order has been duly recorded in the Board's minutes of said meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of said meeting pertaining to the passage of said Order; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid meeting, and that said Order would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given all as required by the Texas Government Code, Chapter 551.

3. The Board has approved and hereby approves the Order; and the President and the Secretary of the Board hereby declare that their signing of this certificate shall constitute the signing of the attached and following copy of said Order for all purposes.

SIGNED AND SEALED ON FEBRUARY 1, 2018.

Secretary, Board of Trustees

President, Board of Trustees

(District Seal)

ORDER AUTHORIZING THE ISSUANCE OF UNLIMITED TAX SCHOOL BUILDING BONDS; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

STATE OF TEXAS
COUNTY OF NUECES
CALALLEN INDEPENDENT SCHOOL DISTRICT

WHEREAS, at an election in the Calallen Independent School District (the "*Issuer*") held on November 7, 2017 (the "*Election*"), the voters of the Issuer approved the issuance of unlimited tax bonds by the Issuer in the aggregate principal amount of \$39,500,000, pursuant to the following proposition:

"Shall the Board of Trustees of the Calallen Independent School District be authorized to issue the bonds of the District, in one or more series, in the aggregate principal amount of \$39,500,000 for the construction, acquisition and equipment of school facilities in the District and the acquisition of land therefor, with said bonds to mature within not to exceed 40 years from their date, bear interest, and be issued and sold, within the discretion of the Board of Trustees, in accordance with law at the time of issuance; and shall the Board of Trustees be authorized to levy and pledge, and cause to be assessed and collected, annual ad valorem taxes, on all taxable property in the District, sufficient, without limit as to rate or amount, to pay the principal of and interest on said bonds, and the costs of any credit agreements executed in connection with the bonds?"

WHEREAS, the Board of Trustees of the Issuer (the "*Board*") deems it necessary and advisable to authorize hereby and to issue and deliver a series of bonds for the purposes authorized by the Election and using all \$39,500,000 of the authorization from the Election, leaving \$0 of authorized but unissued bonds from the Election; and

WHEREAS, the Board hereby finds and determines that it is a public purpose and in the best interests of the Issuer to issue the Bonds on the terms described herein; and

WHEREAS, the bonds hereafter authorized are being issued and delivered pursuant to Sections 45.001 and 45.003(b)(1) of the Texas Education Code, as amended, and other applicable laws; and

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

Section 1. Recitals, Amount and Purpose of the Bonds; Definitions.

(a) The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) The Bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$36,935,000 with the proceeds of such Bonds being used for the purpose of (i) the construction, acquisition and equipment of school facilities in the Issuer and the acquisition of land therefor and (ii) to pay costs of issuance of the Bonds.

(c) Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise in this Order, the following term shall have the meaning specified below:

(i) "*Authorized Denomination*" means any integral multiple of \$5,000 in principal amount of the Bonds.

(ii) "*Board*" means the Board of Trustees of the Issuer.

(iii) "*Bonds*" means the "Calallen Independent School District Unlimited Tax School Building Bonds, Series 2018" and includes all Bonds initially issued and delivered pursuant to this Order and all substitute Bonds and 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.

(iv) "*Code*" means the Internal Revenue Code of 1986, as amended.

(v) "*Dated Date*" means January 1, 2018.

(vi) "*Defeasance Securities*" means any securities and obligations now or hereafter authorized by Texas law that are eligible to discharge obligations such as the Bonds.

(vii) "*Delivery Date*" means March 1, 2018 which is the date of delivery of the Bonds to the Underwriters thereof against payment therefor.

(viii) "*Election*" means the election held in the Issuer on November 7, 2017 at which voters of the Issuer approved the issuance of unlimited tax bonds by the Issuer in the aggregate principal amount of \$39,500,000.

(ix) "*Event of Default*" means (i) the failure of the Issuer to make payment of the principal of or interest on any of the 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, which failure 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.

(x) "*Interest and Sinking Fund*" means the special fund created and established in Section 7 of this Order to assure the timely availability of sufficient funds for the payment of debt service requirements on the Bonds.

(xi) "*Issuer*" means Calallen Independent School District.

(xii) "*Order*" means this Order adopted by the Board authorizing the issuance, sale and delivery of the Bonds.

(xiii) "*Paying Agent/Registrar*" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

(xiv) "*Project*" means the construction, acquisition and equipment of school facilities in the Issuer and the acquisition of land therefor and the payment of costs of issuance of the Bonds.

(xv) "*Registered Owner*" means the person or entity in whose name ownership of a Bond is registered, and the term includes beneficial owners of Bonds to whom the benefits of ownership of Bonds accrue notwithstanding that the Bonds may be held by, or registered in the name of, another person or entity.

(xvi) "*Registration Books*" means the books or records maintained by the Paying Agent/Registrar for the registration of the transfer, conversion and exchange of the Bonds.

(xvii) "*Underwriters*" means Frost Bank, George K. Baum & Company and Raymond James & Associates, Inc.

Section 2. Designation, Date, Authorized Denominations, Numbers, Interest Rates and Maturities of Bonds.

(a) Each Bond issued pursuant to this Order shall be designated "CALALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BOND, SERIES 2018", and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, dated January 1, 2018, in Authorized Denominations, with the Bonds being numbered consecutively R-1 upward, except that the Initial Bond (defined herein) shall be numbered T-1 and be in the aggregate principal amount of \$36,935,000, with Bonds issued in replacement thereof being in the respective Principal Amounts set forth in **Exhibit A** to this Order, payable to the respective Registered Owner thereof (with the Initial Bond being made payable to the Underwriters as described in Section 14 hereof), or to the registered assignee or assignees of said Bonds.

(b) Interest on the Bonds shall accrue from the Delivery Date and shall be payable on August 15, 2018 and on each February 15 and August 15 thereafter, until maturity or prior redemption. The Bonds shall mature and be payable on the Maturity Dates and in the Principal Amounts, respectively, and shall bear interest in the manner provided, on February 15 in each of the years, and from the dates set forth, in the "Form of Bond" set forth in **Exhibit A** to this Order to their respective Maturity Dates or redemption prior to maturity at the rates per annum, as set forth in the schedule included in the "Form of Bond" in **Exhibit A** hereto:

(c) The term "Bonds" as used in this Order shall mean and include collectively the Bonds initially issued and delivered pursuant to this Order and all substitute 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.

Section 3. Characteristics of the Bonds.

(a) The Issuer shall keep or cause to be kept at the corporate trust office of the Paying Agent/Registrar 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 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.

(b) The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owners 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 "Form of Bond" set forth in **Exhibit A** of 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 "Form of Bond" set forth in **Exhibit A** of this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

(c) Except as provided in (g) below, 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 "Paying Agent/Registrar's Authentication Certificate" is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for transfer 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 transfer 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, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Texas Government Code, Chapter 1201, Subchapter D, the duty of transfer and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said "Paying Agent/Registrar's Authentication Certificate", the transferred 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.

(d) 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.

(e) 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 be transferred and assigned, (iii) may be exchanged for other Bonds, (iv) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 45 days prior to any such redemption date), (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 "Form of Bond" set forth in **Exhibit A** of this Order.

(f) 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 entity 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 entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 45 days written notice to the Paying Agent/Registrar, to be effective not later than 30 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.

(g) The Initial Bond 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 issued under this Order the Paying Agent/Registrar shall execute the "Paying Agent/Registrar's Authentication Certificate" in the form set forth in the "Form of Bond." The Initial Bond delivered on the Delivery Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized

agent, which Comptroller's Registration Certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller. Except as described above, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears on such Bond the "Paying Agent/Registrar's Authentication Certificate" substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the "Paying Agent/Registrar's Authentication Certificate" on all of the Bonds.

(h) On the Delivery Date, one Initial Bond representing the entire principal amount of the Bonds (the "*Initial Bond*"), payable in stated installments to the Underwriters or their designee, executed by manual or facsimile signature of the President and Secretary of the Board, 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 the Underwriters or their designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC (as defined below) on behalf of the Underwriters 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.

Section 4. Book-Entry-Only System. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and The Depository Trust Company ("*DTC*"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. Immediately upon initial delivery of the Initial Bond that is payable to the Underwriters, the Paying Agent/Registrar shall cancel such Initial Bond, and substitute Bonds shall be delivered to and registered in the name of CEDE & CO., the nominee of DTC. It is expected that DTC will hold the Bonds on behalf of the initial purchasers and their respective participants. So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC the same in all respects as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book-entry system that will identify ownership of the Bonds in Authorized Denominations, with transfers of ownership being effected on the records of DTC and its participants pursuant to rules and regulations established by them, and that the Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any function of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or its participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the DTC Participants, as defined in the Official Statement herein approved, to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any respect covenant that the initial book-entry system establishment with DTC will be maintained in the future. Notwithstanding the initial establishment of the

foregoing book-entry system with DTC, if for any reason any of the originally delivered Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Order, substitute Bonds will be duly delivered as provided in this Order, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds. To effect the establishment of the foregoing book-entry system, the President of the Board or the Superintendent or the Director of Finance of the Issuer are hereby authorized to execute a "DTC Letter of Representation" in the form provided by DTC to evidence the Issuer's intent to establish said book-entry system.

Section 5. Redemption Provisions.

(a) Optional Redemption. The Bonds are subject to optional redemption as set forth in the Form of Bond attached hereto as **Exhibit A**.

(b) Mandatory Redemption. The Bonds are subject to mandatory sinking fund redemption as set forth in the Form of Bond attached hereto as **Exhibit A**.

(c) Notice of Redemption. At least thirty 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. All notices of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner.

(d) Firm Banking and Financial Arrangements. By the date fixed for any prior 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 redeemed. If 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 redeemed shall automatically 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 having the same maturity date, bearing interest at the same rate, in an Authorized Denomination, 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.

(e) Selection of Bonds for Redemption. If less than all Bonds of the same maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall randomly select by lot the Bonds within such maturity to be redeemed.

(f) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Order have been met and

moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 6. Form of Bond. The form of the Bond, including 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 only to the Bonds initially issued and delivered pursuant to this Order, shall be, respectively, substantially in the form provided in **Exhibit A**, with such appropriate variations, omissions, or insertions as are permitted or required by this Order. The Form of Bond as it appears in **Exhibit A** shall be completed, amended and modified by Bond Counsel to incorporate the bond pricing information.

Section 7. Tax Levy; Perfection of Security Interest.

(a) The special 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.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes granted by the Issuer under this section, 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 this section is to be subject to the filing requirements of Chapter 9, Texas Business and 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, Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur

Section 8. 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 8(d), 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.

(b) At such time as a Bond shall be deemed to be a Defeased Bond, 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 8(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 Registered 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.

(c) 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 8(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.

(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 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 9. 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, as the case may be. In every case of damage or mutilation of a Bond, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) 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, redemption premium, if any, 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 Tex. Gov't Code Ann. Chapter 1201, Subchapter D, this Section 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 3 of this Order for Bonds issued in conversion and exchange for other Bonds.

Section 10. Custody, Approval, and Registration of Bonds; Bond Counsel Opinion; Engagement of Bond Counsel; Attorney General Review Fee; CUSIP Numbers.

(a) The President of the Board 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.

(b) The obligation of the Underwriters to accept delivery of the Bonds is subject to the Underwriters 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 Delivery Date. 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.

(c) In accordance with the provisions of Section 1202.004, Texas Government Code in connection with the submission of the Bonds by the Attorney General of Texas for review and approval, a statutory fee (an amount equal to 0.1% principal amount of the Bonds, subject to a minimum of \$750 and a maximum of \$9,500) is required to be paid to the Attorney General upon the submission of the transcript of proceedings for the Bonds. The Issuer hereby authorizes and directs that a check in the amount of the Attorney General filing fee for the Bonds, made payable to the "Texas Attorney General," be promptly furnished to the Issuer's Bond Counsel, for payment to the Attorney General in connection with his review of the Bonds.

Section 11. Covenants Regarding Tax Exemption of Interest on the Bonds.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the 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:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used,

such amounts, whether or not received by the 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;

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

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

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

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

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);

(9) 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

(10) to assure that the Bonds are used for solely for new money construction projects.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), 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.

(c) Proceeds. 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 and any replacement funds administered by the Texas State Board of Education as part of the Permanent School Fund. 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 which 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 which impose additional requirements which 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 President of the Board, the Superintendent or the Director of Finance to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds

Section 12. Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with 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 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 purposes described in Section 1 of this Order (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 Date 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. Sale of Bonds and Approval of Official Statement.

(a) The Bonds are hereby sold and shall be delivered to the Underwriters for the purchase price of \$40,453,216.25 (representing the aggregate principal amount of the Bonds, plus a reoffering premium of \$3,750,075.90, less the Underwriters' discount of \$231,859.65). The Bonds shall initially be registered in the name of Frost Bank, as the senior managing underwriter for the syndicate of the Underwriters, or its designee.

(b) The Bonds are sold pursuant to the terms and provisions of a Purchase Contract, in substantially the form presented at this meeting, which the President or Vice President of the Board or the Director of Finance of the Issuer is hereby authorized to execute and deliver. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable to the Issuer.

(c) 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 any Issuer official set forth in Section 17 hereof may deem advisable. The distribution and use of the Preliminary Official Statement prior to the date hereof is hereby ratified and confirmed.

Section 15. Interest Earnings on Bond Proceeds; Use of Premium Received from Sale of Bonds.

(a) Interest Earnings. Interest earnings derived from the proceeds deposited to the Issuer's construction fund shall be retained therein and used for the purpose of constructing the Project, provided that after the completion of the Project, any amounts remaining therein shall be deposited to the Interest and Sinking Fund for the Bonds. 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 11 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 Bond Premium. The net premium received from the sale of the Bonds, in the amount of \$3,750,075.90 shall be applied as follows: (i) the sum of \$190,656.11 shall be applied to pay costs of issuance incurred in connection with the issuance of the Bonds, with any excess to be deposited into the Interest and Sinking Fund, (ii) the sum of \$231,859.65 shall be applied to pay the Underwriters' discount, (iii) the sum of \$762,560.14 shall be deposited into the Interest and Sinking Fund and (iv) the sum of \$2,565,000 shall be deposited into the Construction Fund and applied against voted authorization. Therefore, the voted authorization of Bonds which are being issued pursuant to the Election is \$39,500,000, with the balance of voted but unissued bonds authorized at the Election being \$0.

(c) Establishment of Construction Fund.

(i) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "*Series 2018 Bonds Construction Fund*" (the "*Construction Fund*") for use by the Issuer for payment of all lawful costs associated with the Project as hereinbefore provided. Proceeds of the Bonds in the amount of \$39,500,000 shall be deposited into the Construction Fund. Upon payment of all such Project costs, any moneys remaining on deposit in the Construction Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 7 of this Ordinance.

(ii) The Issuer may place proceeds of the Bonds (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the Project for which the Bonds are issued.

(iii) All deposits authorized or required by this Order shall be secured to the fullest extent required by law for the security of public funds.

Section 16. Method of Amendment. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions:

(a) Amendment Without Consent. The Issuer may from time to time, without the consent of any Registered Owner (except as required by subsection (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 Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (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 Registered Owners, (iv) 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 (v) 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 Registered Owners.

(b) Amendment Requiring Consent. The Registered Owners of Bonds aggregating in a majority of the principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right to approve any amendment to this Order that may be deemed necessary or desirable by the Issuer; provided, however, the consent of the Registered Owners of 100% of the aggregate principal amount of then outstanding Bonds shall be required in order to amend the terms and conditions of this Order or the Bonds so as to:

- (i) make any change in the maturity of any of the outstanding Bonds;
- (ii) reduce the rate of interest borne by any of the outstanding Bonds;
- (iii) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;
- (iv) 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
- (v) 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 and state whether consent of the Registered Owners is or is not required for such proposed amendment.

(d) Whenever at any time within one year from the date of mailing of such notice the Issuer shall receive an instrument or instruments executed by the Registered Owners of a majority in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and which 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 Registered

Owners of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of such consent and shall be conclusive and binding upon all future Registered Owners of the same bond during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner 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 Registered Owners of a majority in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) 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 17. Further Procedures. The President or Vice President and Secretary of the Board, and the Superintendent and the Director of Finance of the Issuer shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representations with DTC regarding the Book-Entry-Only System, a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, the Purchase Contract between the Issuer and the Underwriters, if any, all forms and documents necessary to ensure the interest on the Bonds is exempt from federal income taxation, and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order and the Bonds. In addition, prior to the delivery of the Bonds, the President or Vice President and Secretary of the Board and the Superintendent and the Director of Finance of the Issuer are each hereby authorized and directed to approve any changes or corrections to this Order or to any of the documents authorized and approved by this Order: (i) in order to cure any ambiguity, formal defect or omission in this Order or such other document, or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Bonds by the Attorney General. 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. The President and Secretary of the Board shall sign each Bond, including the Initial Bond, with their manual or facsimile signatures, and the official seal of the Issuer shall be duly impressed, or placed in facsimile, on each Bond. 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. Compliance with Rule 15c2-12 (17 C.F.R. § 240.15c2-12).

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

(i) "MSRB" means the Municipal Securities Rulemaking Board or any

successor to its functions under the Rule.

- (ii) "Rule" means SEC Rule 15c2 12, as amended from time to time.
- (iii) "SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB certain updated financial information and operating data pertaining to the Issuer, consisting of the following: (1) the quantitative financial information and operating data of the type included in Tables 1 through 19 in Appendix A to the Official Statement and (2) the Issuer's comprehensive annual financial report. The Issuer will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2018 and, if not submitted as part of such annual financial information, the Issuer will provide its audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

(c) Any financial information so to be provided shall be (i) prepared in accordance with the accounting principles described in the financial statements of the Issuer appended to the Official Statement, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

(d) If the Issuer changes its fiscal year, it will notify the MSRB 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 documents available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(e) Event Notices.

(i) *Material Event Notices*. The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (A) non-payment related defaults;
- (B) modifications to rights of Registered Owners;
- (C) Bond calls;
- (D) release, substitution, or sale of property securing repayment of the Bonds;

(E) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(F) appointment of a successor or additional trustee or the change of name of a trustee.

(ii) *Event Notices Without Regard to Materiality.* The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

(A) principal and interest payment delinquencies;

(B) unscheduled draws on debt service reserves reflecting financial difficulties;

(C) unscheduled draws on credit enhancements reflecting financial difficulties;

(D) substitution of credit or liquidity providers, or their failure to perform;

(E) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(F) tender offers;

(G) defeasances;

(H) rating changes;

(I) bankruptcy, insolvency, receivership or similar event of an obligated person.

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

(f) 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 (e) 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.

Section 19. 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 20. 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 21. Inconsistent Provisions. All indentures, orders or resolutions, or parts thereof, that are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict and the provisions of this Order shall be and remain controlling as to the matters contained herein.

Section 22. 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 23. 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 24. Remedies for Events of Default.

(a) **Remedies for Default.** Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized legal representative thereof, including, but not limited to, a trustee for such Registered Owner, may proceed against the Issuer or the Board, 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 in this Order, 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. All such proceedings for remedy shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(b) **Remedies are not Exclusive.**

(i) No remedy conferred or reserved in this Order is intended to be exclusive of any other available 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 service payments evidenced by the Bonds shall not be available as a remedy under this Order.**

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

(iii) 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.

Section 25. Appropriation. In order to pay any debt service coming due on the Bonds prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

Exhibit A

FORM OF BOND

(a) The form of the Bond, including 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 only 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.

NO. R-__	UNITED STATES OF AMERICA STATE OF TEXAS CALALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BOND SERIES 2018	PRINCIPAL AMOUNT \$_____	
<u>INTEREST RATE</u>	<u>DELIVERY DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
_____%	March 1, 2018	February 15, 20__	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, CALALLEN INDEPENDENT SCHOOL DISTRICT (the "Issuer"), in the Texas county of Nueces, being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (the "Registered Owner") the Principal Amount set forth above, and to pay interest thereon from the Delivery Date set forth above, on August 15, 2018 and on each February 15 and August 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 the date fixed for its redemption prior to maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., 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, 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 this Bond (the "*Bond Order*") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at 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 the event of a non-payment of interest on a scheduled payment date, and for thirty 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 (the "*Special Payment Date*" which shall be fifteen 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 Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Bonds shall be payable in the regular manner described above). The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued 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.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar that is designated for payment of the Bonds is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; 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 January 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$36,935,000, with the proceeds of such being used for the construction, acquisition and equipment of school facilities in the Issuer and to pay costs of issuance of the Bonds.

THE BONDS MATURING on February 15, 2048, are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2021, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. In addition, the Bonds maturing on February 15 in each of the years 2028 through 2039, 2042, 2043 and 2045 are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part, in

principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

IN ADDITION TO THE FOREGOING, THE BONDS scheduled to mature on February 15 in the years 2042, 2045 and 2048 (the "Term Bonds") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bonds, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Bond Maturity: February 15, 2042		Term Bond Maturity: February 15, 2045	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>	<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
February 15, 2040	\$ 1,875,000	February 15, 2044	\$ 2,290,000
February 15, 2041	1,970,000	February 15, 2045*	2,405,000
February 15, 2042*	2,070,000		

Term Bond Maturity: February 15, 2048	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
February 15, 2046	\$ 2,510,000
February 15, 2047	2,605,000
February 15, 2048*	2,700,000

* Stated maturity.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

WITH RESPECT TO ANY OPTIONAL REDEMPTION OF THE BONDS, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

AT LEAST THIRTY 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 an Authorized Denomination, 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 in an Authorized Denomination. As provided in the Bond Order, this Bond, or any unredeemed portion hereof, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully-registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same Authorized Denomination 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 transferring and exchanging any Bond or portion thereof shall be paid by the Issuer, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer 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) 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; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of an unredeemed balance of a Bond called for redemption in part.

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 voted, 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.

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

BY BECOMING the Registered Owner of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Bond Order, agrees to be bound by such terms and provisions, acknowledges that the Bond Order is duly recorded and available for inspection in the official minutes and records of the governing body of the 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
Calallen Independent School District

(signature)
President, Board of Trustees
Calallen Independent School District

(SEAL)

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)

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 exchange for a bond or bonds, or a portion of a bond or bonds of a series that 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 MELLON TRUST
COMPANY, N.A.,
Dallas, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

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 type name and address, including zip code of Transferee

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

Dated: _____.

Signature Guaranteed:

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

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

PSF CERTIFICATE

Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the payment, when due, of the principal of and interest on the issuance by the Calallen Independent School District of its Unlimited Tax School Building Bonds, Series 2018, dated January 1, 2018, in the principal amount of \$36,935,000 is guaranteed by the corpus of the Permanent School Fund of the State pursuant to the bond guarantee program administered by the Texas Education Agency. This guarantee shall be removed in its entirety upon defeasance of such bonds.

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

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



Mike Morath
Commissioner of Education

INSERTIONS FOR THE INITIAL BOND. The Initial Bond shall be in the form set forth in paragraph (a) of this Form of Bond, except that:

- i. 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.
- ii. the first paragraph shall be deleted and the following will be inserted:

"CALALLEN INDEPENDENT SCHOOL DISTRICT (the "*Issuer*"), being a political subdivision located in the Texas county of Nueces, hereby promises to pay to the Registered Owner specified above, or registered assigns (the "*Registered Owner*"), on February 15 in each of the years, in the Principal Amounts and bearing interest at the per annum Interest Rates set forth in the following schedule:

<u>Maturity Date</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
2019	\$ 515,000	2.000 %
2020	545,000	4.000
2021	580,000	4.000
2022	620,000	5.000
2023	660,000	5.000
2024	585,000	5.000
2025	580,000	5.000
2026	580,000	5.000
2027	575,000	5.000
2028	600,000	5.000
2029	675,000	5.000
2030	605,000	5.000
2031	640,000	5.000
2032	665,000	3.000
2033	695,000	3.125
2034	580,000	5.000
2035	605,000	4.000
2036	630,000	4.000
2037	725,000	5.000
2038	2,890,000	5.000
2039	1,785,000	5.000

***	***	***
2042	5,915,000	5.000
2043	2,175,000	5.000
***	***	***
2045	4,695,000	5.000
***	***	***
2048	7,815,000	3.625

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 the Delivery Date shown above at the respective Interest Rate per annum specified above. Interest is payable on August 15, 2018, and on each February 15 and August 15 thereafter to the date of payment of the Principal Amounts 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."

iii. The Initial Bond shall be numbered "T-1."

BOARD OF EDUCATION
CALALLEN INDEPENDENT SCHOOL DISTRICT
CORPUS CHRISTI, TEXAS

Date : February 1, 2018

Subject: Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax Refunding Bonds, Series 2018-A", including the adoption of an order authorizing the issuance of such bonds

New Business

Action

BACKGROUND INFORMATION

ITEM ADDRESSED

Consider all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax Refunding Bonds, Series 2018-A", including the adoption of an order authorizing the issuance of such bonds

RECOMMENDED ACTION

The Administration recommends the Board approve all matters incident and related to the issuance and sale of "Calallen Independent School District Unlimited Tax Refunding Bonds, Series 2018-A", including the adoption of an order authorizing the issuance of such bonds.

CERTIFICATE FOR ORDER

THE STATE OF TEXAS
COUNTY OF NUECES
CALALLEN INDEPENDENT SCHOOL DISTRICT

We, the undersigned officers of the Board of Trustees (the "*Board*") of the Calallen Independent School District (the "*District*"), hereby certify as follows:

1. The Board convened in a special meeting on February 1, 2018, at the regular designated meeting place, and the roll was called of the duly constituted officers and members of the Board, to wit:

Jason Floyd, President
Dr. Lana Carr, Vice President
Lori Jo Walker, Secretary
Bill Kelly, Treasurer
Allen Libbe, Member
Royce Cameron, Member
Heather Luckenbach, Member

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business the following was transacted at said meeting: a written

ORDER AUTHORIZING THE ISSUANCE OF UNLIMITED TAX REFUNDING BONDS; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

was duly introduced for the consideration of the Board. It was then duly moved and seconded that said Order be passed; and, after due discussion, said motion, carrying with it the passage of said Order, prevailed and carried, with all members of the Board shown present above voting "Aye," except as noted below:

NAYS: _____ ABSTENTIONS: _____

2. A true, full, and correct copy of the aforesaid Order passed at the meeting described in the above and foregoing paragraph is attached to and follows this Certificate; said Order has been duly recorded in the Board's minutes of said meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of said meeting pertaining to the passage of said Order; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid meeting, and that said Order would be introduced and considered for passage at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given all as required by the Texas Government Code, Chapter 551.

3. The Board has approved and hereby approves the Order; and the President and the Secretary of the Board hereby declare that their signing of this certificate shall constitute the signing of the attached and following copy of said Order for all purposes.

SIGNED AND SEALED ON FEBRUARY 1, 2018.

Secretary, Board of Trustees

President, Board of Trustees

(District Seal)

ORDER AUTHORIZING THE ISSUANCE OF UNLIMITED TAX REFUNDING BONDS;
LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY
FOR AND PAYMENT OF SAID BONDS; APPROVING AN OFFICIAL STATEMENT; AND
ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

STATE OF TEXAS
COUNTY OF NUECES
CALALLEN INDEPENDENT SCHOOL DISTRICT

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

WHEREAS, the Issuer now desires to refund all or part of the bonds described in **Exhibit B** attached hereto (the "*Refunded Bonds*"); 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 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, the Board of Trustees (the "*Board*") of the Issuer hereby finds and determines that it is a public purpose and in the best interests of the Issuer to refund the Refunded Bonds in order to achieve a net present value debt service savings in the amount of \$878,667.43; 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, the bonds hereafter authorized are being issued and delivered pursuant to said Chapter 1207; and

WHEREAS, it is officially found, determined and declared that the meeting at which this Order has been adopted was open to the public, and public notice of the date, hour, place and subject of said meeting, including this Order, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. ch. 551;

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

Section 1. Recitals, Amount and Purpose of the Bonds; Definitions.

(a) The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) The Bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$9,000,000 with the proceeds of such Bonds being used for the purpose of (i) providing funds to refund a portion of the Issuer's outstanding indebtedness payable from ad valorem taxes and (ii) to pay costs of issuance of the Bonds.

(c) Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise in this Order, the following term shall have the meaning specified below:

(i) "*Authorized Denomination*" means any integral multiple of \$5,000 in principal amount of the Bonds.

(ii) "*Board*" means the Board of Trustees of the Issuer.

(iii) "*Bonds*" means the "Calallen Independent School District Unlimited Tax Refunding Bonds, Series 2018-A" and includes all Bonds initially issued and delivered pursuant to this Order and all substitute Bonds and 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.

(iv) "*Code*" means the Internal Revenue Code of 1986, as amended.

(v) "*Dated Date*" means January 1, 2018.

(vi) "*Defeasance Securities*" means any securities and obligations now or hereafter authorized by Texas law that are eligible to discharge obligations such as the Bonds.

(vii) "*Delivery Date*" means March 1, 2018 which is the date of delivery of the Bonds to the Underwriters thereof against payment therefor.

(viii) "*Event of Default*" means (i) the failure of the Issuer to make payment of the principal of or interest on any of the 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, which failure 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.

(ix) "*Interest and Sinking Fund*" means the special fund created and established in Section 7 of this Order to assure the timely availability of sufficient funds for the payment of debt service requirements on the Bonds.

(x) "*Issuer*" means Calallen Independent School District.

(xi) "*Order*" means this Order adopted by the Board authorizing the issuance, sale and delivery of the Bonds.

(xii) "*Paying Agent/Registrar*" means The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

(xiii) "*Registered Owner*" means the person or entity in whose name ownership of a Bond is registered, and the term includes beneficial owners of Bonds to whom the benefits of ownership of Bonds accrue notwithstanding that the Bonds may be held by, or registered in the name of, another person or entity.

(xiv) "*Registration Books*" means the books or records maintained by the Paying Agent/Registrar for the registration of the transfer, conversion and exchange of the Bonds.

(xv) "*Underwriters*" means Frost Bank, George K. Baum & Company and Raymond James & Associates, Inc.

Section 2. Designation, Date, Authorized Denominations, Numbers, Interest Rates and Maturities of Bonds.

(a) Each Bond issued pursuant to this Order shall be designated "CALALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BOND, SERIES 2018-A", and initially there shall be issued, sold and delivered hereunder fully registered Bonds, without interest coupons, dated January 1, 2018, in Authorized Denominations, with the Bonds being numbered consecutively R-1 upward, except that the Initial Bond (defined herein) shall be numbered T-1 and be in the aggregate principal amount of \$9,000,000, with Bonds issued in replacement thereof being in the respective Principal Amounts set forth in **Exhibit A** to this Order, payable to the respective Registered Owner thereof (with the Initial Bond being made payable to the Underwriters as described in Section 14 hereof), or to the registered assignee or assignees of said Bonds.

(b) Interest on the Bonds shall accrue from the Delivery Date and shall be payable on August 15, 2018 and on each February 15 and August 15 thereafter, until maturity or prior redemption. The Bonds shall mature and be payable on the Maturity Dates and in the Principal Amounts, respectively, and shall bear interest in the manner provided, on the dates in each of the years, and from the dates set forth, in the "Form of Bond" set forth in **Exhibit A** to this Order to their respective Maturity Dates or redemption prior to maturity at the rates per annum, as set forth in the schedule included in the "Form of Bond" in **Exhibit A** hereto.

(c) The term "Bonds" as used in this Order shall mean and include collectively the Bonds initially issued and delivered pursuant to this Order and all substitute 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.

Section 3. Characteristics of the Bonds.

(a) The Issuer shall keep or cause to be kept at the corporate trust office of the Paying Agent/Registrar 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 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.

(b) The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owners 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 "Form of Bond" set forth in **Exhibit A** of 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 "Form of Bond" set forth in **Exhibit A** of this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

(c) Except as provided in (g) below, 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 "Paying Agent/Registrar's Authentication Certificate" is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for transfer 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 transfer 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, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Texas Government Code, Chapter 1201, Subchapter D, the duty of transfer and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said "Paying Agent/Registrar's Authentication Certificate", the transferred 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.

(d) 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.

(e) 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 be transferred and assigned, (iii) may be exchanged for other Bonds, (iv) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 45 days prior to any such redemption date), (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 "Form of Bond" set forth in **Exhibit A** of this Order.

(f) 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 entity 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 entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 45 days written notice to the Paying Agent/Registrar, to be effective not later than 30 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.

(g) The Initial Bond 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 issued under this Order the Paying Agent/Registrar shall execute the "Paying Agent/Registrar's Authentication Certificate" in the form set forth in the "Form of Bond." The Initial Bond delivered on the Delivery Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which Comptroller's Registration Certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller. Except as described above, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears on such Bond the "Paying Agent/Registrar's Authentication Certificate" substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the "Paying Agent/Registrar's Authentication Certificate" on all of the Bonds.

(h) On the Delivery Date, one Initial Bond representing the entire principal amount of the Bonds (the "*Initial Bond*"), payable in stated installments to the Underwriters or their designee, executed by manual or facsimile signature of the President and Secretary of the Board, 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 the Underwriters or their designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC (as defined below) on behalf of the Underwriters 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.

Section 4. Book-Entry-Only System. The Bonds initially shall be issued and delivered in such manner that no physical distribution of the Bonds will be made to the public, and The Depository Trust Company ("*DTC*"), New York, New York, initially will act as depository for the Bonds. DTC has represented that it is a limited purpose trust company incorporated under the law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, and the Issuer accepts, but in no way verifies, such representations. Immediately upon initial delivery of the Initial Bond that is payable to the Underwriters, the Paying Agent/Registrar shall cancel such Initial Bond, and substitute Bonds shall be delivered to and registered in the name of CEDE & CO., the nominee of DTC. It is expected that DTC will hold the Bonds on behalf of the initial purchasers and their respective participants. So long as each Bond is registered in the name of CEDE & CO., the Paying Agent/Registrar shall treat and deal with DTC the same in all respects as if it were the actual and beneficial owner thereof. It is expected that DTC will maintain a book-entry system that will identify ownership of the Bonds in Authorized Denominations, with transfers of ownership being effected on the records of DTC and its participants pursuant to rules and regulations established by them, and that the Bonds initially deposited with DTC shall be immobilized and not be further exchanged for substitute Bonds except as hereinafter provided. The Issuer is not responsible or liable for any function of DTC, will not be responsible for paying any fees or charges with respect to its services, will not be responsible or liable for maintaining, supervising, or reviewing the records of DTC or its participants, or protecting any interests or rights of the beneficial owners of the Bonds. It shall be the duty of the DTC Participants, as defined in the Official Statement herein approved, to make all arrangements with DTC to establish this book-entry system, the beneficial ownership of the Bonds, and the method of paying the fees and charges of DTC. The Issuer does not represent, nor does it in any respect covenant that the initial book-entry system establishment with DTC will be maintained in the future. Notwithstanding the initial establishment of the foregoing book-entry system with DTC, if for any reason any of the originally delivered Bonds is duly filed with the Paying Agent/Registrar with proper request for transfer and substitution, as provided for in this Order, substitute Bonds will be duly delivered as provided in this Order, and there will be no assurance or representation that any book-entry system will be maintained for such Bonds. To effect the establishment of the foregoing book-entry system, the President of the Board or the Superintendent or the Director of Finance of the Issuer are hereby authorized to execute a "DTC Letter of Representation" in the form provided by DTC to evidence the Issuer's intent to establish said book-entry system.

Section 5. Redemption Provisions.

(a) Optional Redemption. The Bonds are subject to optional redemption as set forth in

the Form of Bond attached hereto as **Exhibit A**.

(b) Notice of Redemption. At least thirty 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. All notices of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner.

(c) Firm Banking and Financial Arrangements. By the date fixed for any prior 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 redeemed. If 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 redeemed shall automatically 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 having the same maturity date, bearing interest at the same rate, in an Authorized Denomination, 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.

(d) Selection of Bonds for Redemption. If less than all Bonds of the same maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall randomly select by lot the Bonds within such maturity to be redeemed.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Section 6. Form of Bond. The form of the Bond, including 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 only to the Bonds initially issued and delivered pursuant to this Order, shall be, respectively, substantially in the form provided in **Exhibit A**, with such appropriate variations, omissions, or insertions as are permitted or required by this Order. The Form of Bond as it appears in **Exhibit A** shall be

completed, amended and modified by Bond Counsel to incorporate the bond pricing information.

Section 7. Tax Levy; Perfection of Security Interest.

(a) The special 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.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes granted by the Issuer under this section, 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 this section is to be subject to the filing requirements of Chapter 9, Texas Business and 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, Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur

Section 8. 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 8(d), 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.

(b) At such time as a Bond shall be deemed to be a Defeased Bond, 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 8(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 Registered 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.

(c) 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 8(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.

(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 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 9. 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, as the case may be. In every case of damage or mutilation of a Bond, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) 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, redemption premium, if any, 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 Tex. Gov't Code Ann. Chapter 1201, Subchapter D, this Section 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 3 of this Order for Bonds issued in conversion and exchange for other Bonds.

Section 10. Custody, Approval, and Registration of Bonds; Bond Counsel Opinion; Engagement of Bond Counsel; Attorney General Review Fee; CUSIP Numbers.

(a) The President of the Board 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.

(b) The obligation of the Underwriters to accept delivery of the Bonds is subject to the Underwriters 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 Delivery Date. 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.

(c) In accordance with the provisions of Section 1202.004, Texas Government Code in connection with the submission of the Bonds by the Attorney General of Texas for review and approval, a statutory fee (an amount equal to 0.1% principal amount of the Bonds, subject to a minimum of \$750 and a maximum of \$9,500) is required to be paid to the Attorney General upon the submission of the transcript of proceedings for the Bonds. The Issuer hereby authorizes and directs that a check in the amount of the Attorney General filing fee for the Bonds, made payable to the "Texas Attorney General," be promptly furnished to the Issuer's Bond Counsel, for payment to the Attorney General in connection with his review of the Bonds.

Section 11. Covenants Regarding Tax Exemption of Interest on the Bonds.

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

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used,

such amounts, whether or not received by the 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;

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

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued,

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

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

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

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

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

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), a "Rebate Fund" is hereby established by the 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.

(c) Proceeds. 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 and any replacement funds administered by the Texas State Board of Education as part of the Permanent School Fund. 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 which 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 which impose additional requirements which 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 President of the Board, the Superintendent or the Director of Finance to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds

Section 12. Disposition of Project. The Issuer covenants that the property constituting the project that was financed with 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 any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Bonds. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with 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 13. Sale of Bonds and Approval of Official Statement.

(a) The Bonds are hereby sold and shall be delivered to the Underwriters for the purchase price of \$9,593,158.62 (representing the aggregate principal amount of the Bonds, plus a reoffering premium of \$638,616.80, less the Underwriters' discount of \$45,458.18). The Bonds shall initially be registered in the name of Frost Bank, as the senior managing underwriter for the syndicate of the Underwriters, or its designee.

(b) The Bonds are sold pursuant to the terms and provisions of a Purchase Contract, in substantially the form presented at this meeting, which the President or Vice President of the Board or the Director of Finance of the Issuer is hereby authorized to execute and deliver. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable to the Issuer.

(c) 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 any Issuer official set forth in Section 17 hereof may deem advisable. The distribution and use of the Preliminary Official Statement prior to the date hereof is hereby ratified and confirmed.

Section 14. Approval of Deposit Agreement and Transfer of Funds. The President and the Vice President of the Board are each authorized to enter into and execute on behalf of

the Issuer a deposit agreement (the "*Deposit Agreement*") with respect to the Refunded Bonds, if appropriate or required by law, substantially in the form and substance as presented to the Board concurrently with the adoption of this Order with such changes thereto as shall be approved by the President and the Vice President of the Board, which Deposit Agreement will provide for the payment in full of the Refunded Bonds on the redemption date.

Section 15. Redemption of Refunded Bonds.

(a) The Issuer hereby directs that the Refunded Bonds be called for redemption on the dates and as set forth in **Exhibit B** hereto. Each of such Refunded Bonds shall be redeemed at the redemption price of par plus accrued interest. Each of the Issuer officials listed in Section 17 hereof is hereby authorized and directed to issue or cause to be issued the Notice of Redemption of the Refunded Bonds in the form set forth in **Exhibit B** attached hereto to the paying agent/registrars for the Refunded Bonds.

(b) In addition, the paying agent/registrars for the Refunded Bonds is hereby directed to provide the appropriate notice of redemption and defeasance as specified by the order authorizing the issuance of such Refunded Bonds and is hereby directed to make appropriate arrangements so that such Refunded Bonds may be redeemed on their redemption date. The Refunded Bonds shall be presented for redemption at the paying agent/registrars therefore, and shall not bear interest after the date fixed for redemption.

(c) The source of funds for payment of the principal of and interest on the Refunded Bonds on their redemption date shall be from the funds placed in escrow with the Deposit Agent, pursuant to the Deposit Agreement approved in Section 14 of this Order.

Section 16. Method of Amendment. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions:

(a) Amendment without Consent. The Issuer may from time to time, without the consent of any Registered Owner (except as required by subsection (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 Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (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 Registered Owners, (iv) 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 (v) 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 Registered Owners.

(b) Amendment Requiring Consent. The Registered Owners of Bonds aggregating in a majority of the principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right to approve any amendment to this Order that may be deemed necessary or desirable by the Issuer; provided, however, the consent of the Registered Owners of 100% of the aggregate principal amount of then outstanding Bonds shall be required in order to amend the terms and conditions of this Order or the Bonds so as

to:

- (i) make any change in the maturity of any of the outstanding Bonds;
- (ii) reduce the rate of interest borne by any of the outstanding Bonds;
- (iii) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;
- (iv) 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
- (v) 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 and state whether consent of the Registered Owners is or is not required for such proposed amendment.

(d) Whenever at any time within one year from the date of mailing of such notice the Issuer shall receive an instrument or instruments executed by the Registered Owners of a majority in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and which 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 Registered Owners of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of such consent and shall be conclusive and binding upon all future Registered Owners of the same bond during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner 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 Registered Owners of a majority in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) 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 17. Further Procedures. The President or Vice President and Secretary of the Board, and the Superintendent and the Director of Finance of the Issuer shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representations with DTC regarding the Book-Entry-Only System, a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, the Purchase Contract between the Issuer and the Underwriters, if any, all forms and documents necessary to ensure the interest on the Bonds is exempt from federal income taxation, and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Order and the Bonds. In addition, prior to the delivery of the Bonds, the President or Vice President and Secretary of the Board and the Superintendent and the Director of Finance of the Issuer are each hereby authorized and directed to approve any changes or corrections to this Order or to any of the documents authorized and approved by this Order (i) in order to cure any ambiguity, formal defect or omission in this Order or such other document, or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Bonds by the Attorney General. 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. The President and Secretary of the Board shall sign each Bond, including the Initial Bond, with their manual or facsimile signatures, and the official seal of the Issuer shall be duly impressed, or placed in facsimile, on each Bond. 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. Compliance with Rule 15c2-12 (17 C.F.R. § 240.15c2-12).

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

- (i) "*MSRB*" means the Municipal Securities Rulemaking Board or any successor to its functions under the Rule.
- (ii) "*Rule*" means SEC Rule 15c2 12, as amended from time to time.
- (iii) "*SEC*" means the United States Securities and Exchange Commission.

(b) **Annual Reports.** The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB certain updated financial information and operating data pertaining to the Issuer, consisting of the following: (1) the quantitative financial information and operating data of the type included in Tables 1 through 19 in Appendix A to the Official Statement and (2) the Issuer's comprehensive annual financial report. The Issuer will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2018 and, if not submitted as part of such annual financial information, the Issuer will provide its audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2018. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12-month period and audited financial

statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

(c) Any financial information so to be provided shall be (i) prepared in accordance with the accounting principles described in the financial statements of the Issuer appended to the Official Statement, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided.

(d) If the Issuer changes its fiscal year, it will notify the MSRB 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 documents available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(e) Event Notices.

(i) *Material Event Notices.* The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

(A) non-payment related defaults;

(B) modifications to rights of Registered Owners;

(C) Bond calls;

(D) release, substitution, or sale of property securing repayment of the Bonds;

(E) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(F) appointment of a successor or additional trustee or the change of name of a trustee.

(ii) *Event Notices Without Regard to Materiality.* The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

(A) principal and interest payment delinquencies;

(B) unscheduled draws on debt service reserves reflecting financial difficulties;

(C) unscheduled draws on credit enhancements reflecting financial difficulties;

(D) substitution of credit or liquidity providers, or their failure to perform;

(E) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(F) tender offers;

(G) defeasances;

(H) rating changes;

(I) bankruptcy, insolvency, receivership or similar event of an obligated person.

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

(f) 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 (e) 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.

Section 19. 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.

Section 20. 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 21. Inconsistent Provisions. All indentures, orders or resolutions, or parts thereof, that are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict and the provisions of this Order shall be and remain controlling as to the matters contained herein.

Section 22. 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 23. 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 24. Remedies for Events of Default.

(a) **Remedies for Default.** Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized legal representative thereof, including, but not limited to, a trustee for such Registered Owner, may proceed against the Issuer or the Board, 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 in this Order, 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. All such proceedings for remedy shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(b) **Remedies are not Exclusive.**

(i) No remedy conferred or reserved in this Order is intended to be exclusive of any other available 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 service payments evidenced by the Bonds shall not be available as a remedy under this Order.**

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

(iii) 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.

Section 25. Appropriation. In order to pay any debt service coming due on the Bonds prior to receipt of the taxes levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

Exhibit A

FORM OF BOND

(a) The form of the Bond, including 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 only 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.

NO. R-__	UNITED STATES OF AMERICA STATE OF TEXAS CALALLEN INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BOND SERIES 2018-A	PRINCIPAL AMOUNT \$_____	
<u>INTEREST RATE</u>	<u>DELIVERY DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
_____%	March 1, 2018	_____, 20__	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, CALALLEN INDEPENDENT SCHOOL DISTRICT (the "*Issuer*"), in the Texas county of Nueces, being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (the "*Registered Owner*") the Principal Amount set forth above, and to pay interest thereon from the Delivery Date set forth above, on August 15, 2018 and on each February 15 and August 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 the date fixed for its redemption prior to maturity, at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., 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, 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 this Bond (the "*Bond Order*") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at 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 the event of a non-payment of interest on a scheduled payment date, and for thirty 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 (the "*Special Payment Date*" which shall be fifteen 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 Registered Owner appearing on the Registration Books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the designated corporate trust office of the Paying Agent/Registrar (unless the redemption date is a regularly scheduled interest payment date, in which case accrued interest on such redeemed Bonds shall be payable in the regular manner described above). The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued 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.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar that is designated for payment of the Bonds is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; 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 January 1, 2018, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$9,000,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE ISSUER'S OUTSTANDING UNLIMITED TAX BONDS.

THE BONDS MATURING on and after February 15, 2037 are subject to redemption prior to maturity, at the option of the Issuer, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2027, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of the same maturity which, at least 45 days prior to a mandatory redemption

date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

WITH RESPECT TO ANY OPTIONAL REDEMPTION OF THE BONDS, unless certain prerequisites to such redemption required by the Bond Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such moneys 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 and sufficient moneys are not received, such notice shall be of no force and effect, the Issuer shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

AT LEAST THIRTY 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 an Authorized Denomination, 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 in an Authorized Denomination. As provided in the Bond Order, this Bond, or any unredeemed portion hereof, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred and exchanged for a like aggregate principal amount of fully-registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same Authorized

Denomination 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 transferring and exchanging any Bond or portion thereof shall be paid by the Issuer, but any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer 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) 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; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of an unredeemed balance of a Bond called for redemption in part.

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 voted, 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.

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

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

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
Calallen Independent School District

(signature)
President, Board of Trustees
Calallen Independent School

District (SEAL)

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)

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 exchange for a bond or bonds, or a portion of a bond or bonds of a series that 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 MELLON TRUST
COMPANY, N.A.,

Dallas, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

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 type name and address, including zip code of Transferee

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

Dated: _____.

Signature Guaranteed:

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

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

PSF CERTIFICATE

Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, the payment, when due, of the principal of and interest on the issuance by the Calallen Independent School District of its Unlimited Tax Refunding Bonds, Series 2018-A, dated January 1, 2018, in the principal amount of \$9,000,000 is guaranteed by the corpus of the Permanent School Fund of the State pursuant to the bond guarantee program administered by the Texas Education Agency. This guarantee shall be removed in its entirety upon defeasance of such bonds.

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

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



 Mike Morath
 Commissioner of Education

INSERTIONS FOR THE INITIAL BOND. The Initial Bond shall be in the form set forth in paragraph (a) of this Form of Bond, except that:

- i. 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.
- ii. the first paragraph shall be deleted and the following will be inserted:

"CALALLEN INDEPENDENT SCHOOL DISTRICT (the "*Issuer*"), being a political subdivision located in the Texas county of Nueces, hereby promises to pay to the Registered Owner specified above, or registered assigns (the "*Registered Owner*"), on the dates, in each of the years, in the Principal Amounts and bearing interest at the per annum Interest Rates set forth in the following schedule:

<u>Maturity Date</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
8/15/2018	\$ 40,000	2.00 %
2/15/2019	875,000	2.00
2/15/2020	1,180,000	4.00
2/15/2021	1,225,000	4.00
2/15/2022	1,280,000	5.00
2/15/2023	1,350,000	5.00
***	***	***
2/15/2037	2,420,000	4.00
2/15/2038	630,000	4.00

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 the Delivery Date shown above at the respective Interest Rate per annum specified above. Interest is payable on August 15, 2018, and on each February 15 and August 15 thereafter to the date of payment of the Principal Amounts 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."

iii. The Initial Bond shall be numbered "T-1."

Exhibit B

NOTICE OF DEFEASANCE AND REDEMPTION

**CALLEN INDEPENDENT SCHOOL DISTRICT
(NUECES COUNTY, 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 Unlimited Tax School Building Bonds, Series 2008, dated May 15, 2008 (the "Series 2008 Bonds"), maturing on February 15 in the years and in the amounts shown below. Such Series 2008 Bonds have been called for redemption on March 5, 2018 (the "Redemption Date") at the redemption price of par and accrued interest to the date fixed for redemption:

Maturity Date	Principal Amount Refunded	CUSIP Number
2019	\$ 935,000	128109NH4
2020	1,250,000	128109NJ0
2021	1,300,000	128109NK7
2022	1,355,000	128109NL5
2023	1,415,000	128109NM3
***	***	***
2038	3,255,000	128109RA5

aggregating \$9,480,000 in principal amount. On March 1, 2018, funds were deposited with the Deposit Agent for the Series 2008 Bonds, in an amount, together with investment earnings thereon, to redeem the Series 2008 Bonds on the Redemption Date, and such Series 2008 Bonds shall be paid from amounts held in a deposit account administered by Deposit Agent, until the Redemption Date, when the redemption price shall be paid upon presentation of the Series 2008 Bonds to the paying agent/registrars thereof, The Bank of New York Mellon Trust Company, N.A., as follows:

United States Mail	Express Delivery	Hand Delivery
The Bank of New York Mellon Trust Company, N.A. Global Corporate Trust P.O. Box 396 East Syracuse, New York 13057	The Bank of New York Mellon Trust Company, N.A. Global Corporate Trust 111 Sanders Creek Parkway East Syracuse, New York 13057	The Bank of New York Mellon Trust Company, N.A. Global Corporate Trust Corporate Trust Window 101 Barclay Street 1 ST Floor East New York, New York 10286

Upon presentation of the Series 2008 Bonds to the paying agent/registrars on the aforementioned redemption date, the holder thereof shall be entitled to receive the redemption price equal to par plus accrued interest to the redemption date, and thereafter the Series 2008 Bonds shall no longer bear interest.

CALLEN INDEPENDENT SCHOOL DISTRICT