

SUPPLEMENT DATED MAY 6, 2019

to

OFFICIAL STATEMENT

DATED APRIL 10, 2019

relating to

\$28,075,000

**TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
(a non-profit corporation acting on behalf of the Tioga Independent School District,
a political subdivision located in Grayson County, Texas)
SCHOOL FACILITY LEASE REVENUE BONDS, SERIES 2019**

* * * * *

This Supplement updates certain information included in the Official Statement dated April 10, 2019 (the "Official Statement") relating to the Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2019 (the "Bonds") and constitutes an integral part of the Official Statement. Capitalized terms used in this Supplement but not defined herein have the meanings given to such terms in the Official Statement. The Official Statement is hereby supplemented as follows:

Section 8.7 and Exhibit C of the Amended and Restated Lease with an Option to Purchase attached as part of Appendix E to the Official Statement (the "Lease Agreement") are hereby replaced in their entirety with the amended provision and exhibit attached hereto as **Exhibit A** and **Exhibit B**, respectively.

* * * * *

**TIOGA INDEPENDENT SCHOOL DISTRICT
PUBLIC FACILITY CORPORATION**

EXHIBIT A

Section 8.7 of the Lease Agreement

[Attached hereto.]

Section 8.7 Liability Insurance. During the Term, Lessee shall maintain, payable from lawfully available Appropriated funds, a separate policy of Comprehensive General (Public) Liability Insurance naming Lessor and Trustee as additional insureds which coverage shall include commercial general liability and property loss coverage with the Lessor and Trustee being additional insureds in such amounts as required in *Exhibit C* hereto. Lessee may fulfill this obligation from the date hereof until the completion of construction of the Project by requiring the Contractors to furnish Owner's Contractors Protective Coverage with limits no less than those required to be carried by Lessee as set forth herein naming the Lessee, the Lessor, and the Trustee as additional insureds and loss payees on a non-reporting basis.

EXHIBIT B

Exhibit C to the Lease Agreement

[Attached hereto.]

EXHIBIT C
LIABILITY INSURANCE COVERAGE REQUIREMENTS

Commercial General Liability Insurance:

\$1,000,000 Each Occurrence (\$2,000,000 General Aggregate)

Excess/Umbrella Liability:

\$4,000,000 Each Occurrence/Aggregate

Blanket Building and Property Loss:

\$41,161,655

OFFICIAL STATEMENT
Dated April 10, 2019

Ratings: This issue not submitted for rating.

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

\$28,075,000

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
(a non-profit corporation acting on behalf of the Tioga Independent School District,
a political subdivision located in Grayson County, Texas)
SCHOOL FACILITY LEASE REVENUE REFUNDING BONDS, SERIES 2019

Dated Date: April 15, 2019

Interest Accrual Date: Date of Delivery

Due: August 15, as shown on inside cover

The \$28,075,000 Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Refunding Bonds, Series 2019 (the "Bonds") will be issued by the Tioga Independent School District Public Facility Corporation (the "Issuer" or the "Corporation") as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC initially will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form through DTC participants. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** See "BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds will be payable semiannually on February 15 and August 15, with payments commencing on August 15, 2019, until maturity or earlier redemption, by Wilmington Trust, National Association (the "Trustee") to Cede & Co., as registered owner of the Bonds, as described herein. Principal of, premium, if any, and interest on the Bonds will be payable to Cede & Co., as registered owner of the Bonds, at the designated payment office of the Trustee. DTC will be responsible for distributing the payments of principal of, premium, if any, and interest on the Bonds to the participating members of DTC who will in turn be responsible for distributing such payments to the owners of beneficial interests in the Bonds.

The Bonds are being issued pursuant to (1) a resolution adopted by the Board of Directors of the Corporation (the "Bond Resolution") under the authority of and in full conformity with the laws of the State of Texas (the "State"), particularly the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended, and (2) a certain Trust Agreement Relating to the Tioga Independent School District School Facility Project, dated as of May 1, 2019, by and between the Corporation and the Trustee. The Bonds are being issued to (i) refund the Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2016 (the "Refunded Bonds") for debt service savings on the shorter maturities and to restructure debt service on the longer maturities and to (ii) pay costs of issuance of the Bonds. See "PLAN OF FINANCING."

The Refunded Bonds were issued to acquire, construct and furnish a new high school and the land on which the high school was located (the "Project"). The principal of, premium, if any, and interest on the Bonds are payable from lease payments (the "Lease Payments") to be made by the Tioga Independent School District ("District") to the Corporation pursuant to a certain Amended and Restated Lease with an Option to Purchase by and between the Corporation and District dated as of April 10, 2019 (the "Lease") for the District's use of the Project. The Lease Payments are due at such times and in such amounts as will be required to pay the principal of, premium, if any, and interest on the Bonds, as and when the same become due. As security for the Bonds, the Corporation will grant to the Trustee for the benefit of the registered owners of the Bonds a security interest in the Lease Payments and a first mortgage lien on and first deed of trust lien to the Project, pursuant to a Deed of Trust, Security Agreement and Assignment of Rents and Leases ("Deed of Trust"). The Corporation will also grant a first priority purchase money security interest in the personal property of the Project, pursuant to a Security Agreement.

The obligation of the District to make Lease Payments is a current expense, payable solely from funds to be annually appropriated by the District for such use from (i) any lawfully available funds appropriated by the Texas Legislature, which under current law is limited to Basic Allotment Tier One Funds and Chapter 46 Funds (as defined herein) and (ii) any unintended surplus maintenance and operations tax revenues. REMEDIES AVAILABLE UPON A FAILURE OF THE DISTRICT TO APPROPRIATE OR PAY LEASE PAYMENTS ARE LIMITED TO TERMINATION OF THE DISTRICT'S LEASEHOLD INTEREST, THE RIGHT TO TAKE POSSESSION AND CONTROL OF THE PROJECT, AND THE RIGHT TO SELL OR LEASE THE PROJECT UPON FORECLOSURE UNDER THE TRUST AGREEMENT AND THE DEED OF TRUST ALL AS FURTHER DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE DISTRICT, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS.

THE PURCHASE OF THE BONDS INVOLVES A DEGREE OF RISK. SEE "RISK FACTORS."

THE CORPORATION'S OBLIGATION WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS A SPECIAL, LIMITED, AND NON-RECOURSE OBLIGATION PAYABLE SOLELY FROM THE LEASE PAYMENTS PAYABLE BY THE DISTRICT PURSUANT TO THE LEASE AND FROM PROCEEDS FROM THE SALE OR OTHER LEASE OF THE PROJECT. THE CORPORATION HAS NO AUTHORITY TO LEVY TAXES. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER SPECIAL, GENERAL, OR MORAL, OF THE DISTRICT, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION THEREOF.

See Maturity Schedule on the inside cover

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to the approval of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by, counsel to the Kelly Hart & Hallman LLP, Fort Worth, Texas. The Bonds are expected to be available for delivery on or about May 9, 2019.



MATURITY SCHEDULE

CUSIP Base Number: 887781

\$28,075,000
TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
 (a non-profit corporation acting on behalf of the Tioga Independent School District,
 a political subdivision located in Grayson County, Texas)

School Facility Lease Revenue Refunding Bonds Series 2019

	<u>Maturity Date</u> 8/15	<u>Principal Amount</u> \$	<u>Interest Rate</u> %	<u>Initial Yield</u> %	<u>CUSIP Suffix</u> ⁽²⁾
	2020	415,000.00	4.000	2.400	AB8
	2021	435,000.00	4.000	2.700	AC6
	2022	450,000.00	4.000	2.850	AD4
	2023	470,000.00	4.000	3.000	AE2
	2024	485,000.00	4.000	3.100	AF9
	2025	805,000.00	3.000	3.200	AG7
	2026	1,130,000.00	3.250	3.400	AH5
	2027	1,170,000.00	3.250	3.500	AJ1
	2028	1,205,000.00			(1)
	2029	1,260,000.00			(1)
	2030	1,315,000.00			(1)
Term Bond 2032	2031	1,375,000.00			(1)
\$6,590,000	2032	1,435,000.00	4.500	3.700	(1) AK8
	2033	1,500,000.00			(1)
	2034	1,570,000.00			(1)
Term Bond 2036	2035	1,640,000.00			(1)
\$6,425,000	2036	1,715,000.00	4.500	3.900	(1) AL6
	2037	1,790,000.00			
	2038	1,865,000.00			
	2039	1,935,000.00			
Term Bond 2041	2040	2,015,000.00			
\$9,700,000	2041	2,095,000.00	4.000	4.200	AM4

(Interest to accrue from the Date of Delivery)

- (1) Yield shown is yield to first call date. The Bonds are callable at par on August 15, 2024 or any date thereafter at the option of the Corporation.
- (2) CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter, the Issuer nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITIES CORPORATION
P.O. BOX 159
TIOGA, TEXAS 76271**

BOARD OF DIRECTORS

<u>Name</u>	<u>Occupation</u>
Rick Staples, President	Investment Officer
Paul Rodamer, Vice President	Retired, GM Executive
Kelly Lintner, Secretary	Tax Appraiser – Collin County
Larry Hughes, Member	Tax Consultant (Property)
Matt Roberts, Member	Fireman
Shawn Nesmith	CPA
Rickey Kemp	Rural Water Supply

**TIOGA INDEPENDENT SCHOOL DISTRICT
P.O. BOX 159
TIOGA, TEXAS 76271**

ELECTED OFFICIALS

BOARD OF TRUSTEES

<u>Name</u>	<u>Place</u>	<u>Date Elected</u>	<u>Occupation</u>
Rick Staples, President	4	2010	Investment Officer
Paul Rodamer, Vice President	7	2011	Retired GM Executive
Kelly Lintner, Secretary	2	2009	Collin Co. Appraisal District
Larry Hughes, Member	5	2009	Tax Consultant (Property)
Matt Roberts, Member	3	2015	Firefighter
Shawn Nesmith	6	2010	CPA
Rickey Kemp	1	2010	Rural Water Supply

CERTAIN APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Years of Service</u>
Dr. Charles A. Holloway	Superintendent	8 years
Josh Ballinger	Assistant Superintendent	7 years

CONSULTANTS AND ADVISORS

Bond Counsel.....McCall, Parkhurst & Horton, L.L.P., Dallas, Texas
 Financial Advisor.....George K. Baum & Company, Dallas, Texas
 Property Appraised by.....Grayson County Appraisal District
 Chief Appraiser.....Shawn Coker
 Tax Collector.....Harrold Stidham

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

Leon Johnson
 Sr. Vice President
 George K. Baum & Company
 8115 Preston Rd., Suite 225
 Dallas, Texas 75225
 (214) 365-8205

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

No dealer, broker, salesperson or other person has been authorized by the Corporation, the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation, the District or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. NONE OF THE CORPORATION, THE DISTRICT, THE FINANCIAL ADVISOR NOR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

Certain information set forth herein has been obtained from the District and other sources which are considered to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor (hereafter defined). Any information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the District or other matters described herein since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Trustee has not participated in the preparation of this Official Statement and assumes no responsibility for its content.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The agreements of the Corporation and the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents and the Appendices attached hereto are part of this Official Statement.

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**OFFICIAL STATEMENT
RELATING TO**

\$28,075,000

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
(a non-profit corporation acting on behalf of the Tioga Independent School District,
a political subdivision located in Grayson County, Texas)

**School Facility Lease Revenue Refunding Bonds
Series 2019**

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and Appendices A and B, and D, has been prepared by the Tioga Independent School District Public Facility Corporation, in Grayson County, Texas (the "Issuer" or "Corporation"), in connection with the offering by the Issuer of its School Facility Lease Revenue Refunding Bonds, Series 2019 (the "Bonds") identified on the cover page hereof.

All financial and other information presented in this Official Statement has been provided by the Issuer and the Tioga Independent School District (the "District") from their records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation or the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

The Bonds are being issued pursuant to (1) a resolution adopted by the Board of Directors of the Corporation (the "Bond Resolution") under the authority of and in full conformity with the laws of the State of Texas (the "State"), particularly the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code, as amended, and (2) a Trust Agreement Relating to the Tioga Independent School District School Facility Project, dated May 1, 2019, by and between the Corporation and Wilmington Trust, National Association (the "Trustee"). The Bonds are being issued to refund the (i) Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2016 (the "Refunded Bonds") for debt service savings on the shorter maturities and to restructure debt service on the longer maturities and to (ii) pay costs of issuance of the Bonds. See SCHEDULE I hereto for a description of the Refunded Bonds. The Corporation was created by the District with the broadest possible powers to finance or to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities, and the issuance of bonds, for the District.

The Refunded Bonds were issued to acquire, construct and furnish a new high school and the land on which the high school was located (the "Project"). The Corporation currently leases, and will continue to lease, the Project to the District pursuant to an "Amended and Restated Lease with Option to Purchase" by and between the District and the Corporation dated as of April 10, 2019 (the "Lease"). As required by the Public Facility Corporation Act, the issuance of the Bonds has been approved by an order (the "District Order") adopted by the Board of Trustees of the District on April 10, 2019. Under the Lease, the District is required to make lease payments (the "Lease Payments") semiannually in consideration for the lease of the Project, which Lease Payments shall be equal to the principal and interest coming due on the Bonds. As security for the Bonds, the Corporation will grant to the Trustee for the benefit of the registered owners of the Bonds, a security interest in the Lease Payments and a first mortgage lien on and first deed of trust lien to the real property relating to the Project, pursuant to a Deed of Trust, Security Agreement and Assignment of Rents and Leases (the "Deed of Trust"). The Corporation will also grant a first priority purchase money security interest in the personal property portion of the Project, pursuant to a Security Agreement (the "Security Agreement").

The Trust Agreement, the Lease, the Deed of Trust and the Security Agreement are collectively referred to herein as the "Financing Documents."

The Issuer intends to use the proceeds from the offering of the Bonds to redeem the Refunded Bonds. Crews & Associates, Inc. currently owns 100% of the Refunded Bonds and has consented to waive the optional redemption call on the Refunded Bonds and allow for the Refunded Bonds to be refunded on the day of closing at a price of 104% plus accrued interest to the date of redemption. Crews & Associates, Inc. is also serving as Underwriter on the Bonds.

References to web site addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise specified, references to web sites and the information or links contained therein are not incorporated into, and are not a part of, this Official Statement.

The purchase of the Bonds involves a degree of risk. See "RISK FACTORS."

THE CORPORATION'S OBLIGATIONS WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS A SPECIAL, LIMITED, AND NON-RECOURSE OBLIGATION PAYABLE SOLELY FROM THE LEASE PAYMENTS PAYABLE BY THE DISTRICT PURSUANT TO THE LEASE AND FROM PROCEEDS FROM THE SALE OR OTHER LEASE OF THE PROJECT. THE CORPORATION HAS NO AUTHORITY TO LEVY TAXES. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER SPECIAL, GENERAL, OR MORAL, OF THE DISTRICT, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION THEREOF.

The obligation of the District to make Lease Payments is a current expense, payable solely from funds to be annually appropriated by the District for such use from (i) any lawfully available funds appropriated by the Texas Legislature, which under current law is limited to Basic Allotment Tier One Funds and Chapter 46 Funds and (ii) any unintended surplus maintenance tax revenues (together, "Available Funds"). Chapter 46 Funds are funds received by the State of Texas which must be deposited into a segregated account of the District's general fund pursuant to Chapter 46, as amended, Texas Education Code and which must be transferred upon appropriation by the District of the Lease Payments to the Trustee. Remedies available upon a failure of the District to appropriate or pay Lease Payments are limited to termination of the District's leasehold interest, the right to take possession and control of the Project, and the right to sell or lease the Project upon foreclosure under the Trust Agreement and the Deed of Trust. See RISK FACTORS – Remedies. The Lease and the obligations of the District thereunder do not constitute a pledge, a liability, or a charge upon the funds of the District and do not constitute a debt or general obligation of the State, the Corporation, the District, or any other political subdivision of the State. Neither the faith and credit nor the taxing power of the State, the District, or any other political subdivision of the State is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Corporation has no taxing authority.

There follows in this Official Statement descriptions of the plan of financing and the Bonds and certain information regarding the District and its finances. Such descriptions do not purport to be comprehensive or definitive. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document, copies of which may be obtained from the District upon payment of reasonable copying and delivery charges. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Agreement.

PLAN OF FINANCING

Purpose

The proceeds from the sale of the Bonds will be used to (i) refund the Refunded Bonds for debt service savings on the shorter maturities and to restructure debt service on the longer maturities and to (ii) pay costs of issuance of the Bonds. See SCHEDULE I hereto for a description of the Refunded Bonds.

The Project financed by the Refunded Bonds consisted of the acquisition, construction and furnishing of a new high school and the land, consisting of approximately 92 acres, on which the high school is located. The high school opened in August of 2018. The facility is approximately 90,000 square feet and contains approximately 23 classrooms, with a gym, special program spaces, and new football field. The high school is located at 855 McKnight Rd., Tioga, Texas 76271.

Crews & Associates, Inc. currently owns 100% of the Refunded Bonds and has consented to waive the optional redemption call on the Refunded Bonds and allow for the Refunded Bonds to be refunded on the day of closing at a price of 104% plus accrued interest to the date of redemption. Crews & Associates, Inc. is also serving as Underwriter on the Bonds.

Refunded Bonds

In the Bond Resolution, the Corporation provided irrevocable instructions to the Paying Agent for the Refunded Bonds to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity, on which date money will be made available to redeem the Refunded Bonds from money held by Wilmington Trust, National Association as trustee and paying agent for the Refunded Bonds (the "Paying Agent for the Refunded Bonds"). The Refunded Bonds and the interest due thereon are to be paid on the date of redemption from funds to be deposited with the Paying Agent for the Refunded Bonds. In accordance with the terms of the Trust Agreement, a portion of the proceeds of the sale of the Bonds to the Underwriter, together with other legally available funds of the Corporation, if any, will be deposited with the Paying Agent for the Refunded Bonds, in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds. By the deposit of the cash with the Paying Agent for the Refunded Bonds, the Corporation will have effected the defeasance of the Refunded Bonds pursuant to the terms of the trust agreement relating to the Refunded Bonds. In the opinion Bond Counsel, as a result of such deposit, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and not outstanding, except for the purpose of being paid from the funds deposited with the Paying Agent for the Refunded Bonds.

George K. Baum & Company (the Financial Advisor to the District) will execute a certificate (the "Sufficiency Certificate") certifying that the amount deposited with the Paying Agent for the Refunded Bonds will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds on the redemption date. By the deposit of the cash with the Paying Agent for the Refunded Bonds, the Corporation will have effected the defeasance of all of the Refunded Bonds in accordance with State law and in reliance upon the Sufficiency Certificate.

RISK FACTORS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS URGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY INCLUDING ITS APPENDICES. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE ON THE BONDS, AND WHICH COULD ALSO AFFECT THE MARKETABILITY OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Non-Appropriation

Except to the extent that excess Bond proceeds are legally available, the principal, premium, if any, and interest on the Bonds are payable solely from Lease Payments and other payments paid or payable by the District to the Corporation pursuant to the Lease, and other income, charges, and funds realized from the lease, sale, transfer, or other disposition of the Project, together with all funds and investments in all accounts established under the Trust Agreement, and all funds deposited with the Trustee pursuant to the Financing Documents. The obligation of the District to pay Lease Payments is limited to those funds appropriated by the District from (i) money appropriated biennially by the Legislature of the State that may lawfully be used with respect to any payment obligated or permitted under the Lease, which under current law is limited to the Basic Allotment portion of Tier One Funds and Chapter 46 Funds and (ii) any unintended surplus maintenance tax funds of the District at the end of each fiscal year after payment of all maintenance and operating expenses of the District for that fiscal year (together, "Available Funds.") See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

If Available Funds sufficient to pay the Lease Payments during the succeeding fiscal year are not appropriated by the District, the Lease will automatically terminate at the end of the fiscal year for which sufficient funds have been appropriated. In such event, the District must immediately, upon expiration of such fiscal year, surrender possession and control of the Project to the Trustee. No assurances may be given that the Trustee will be able to manage or sell the Project in a manner that will produce sufficient revenues therefrom to pay debt service on the Bonds.

There can be no assurance that the District will annually appropriate sufficient funds to pay the Lease Payments due in any given fiscal year. Accordingly, the likelihood that there will be sufficient funds to pay the principal of, premium, if any, and interest on the Bonds is dependent upon certain facts which are beyond the control of the registered owners, including (a) the continuing need of the District for the Project, (b) the likelihood of the Texas Legislature to biennially appropriate funds to fund the Foundation School Program (as defined herein) and the ability of the District to obtain funds from the Texas Legislature to pay obligations associated with the Lease, (c) the demographic and economic conditions within the service area of the District, (d) the value, if any, of the Project in a sale instituted by the Trustee pursuant to the Trust Agreement and the Deed of Trust, and (e) the rental value, if any, of the Project in the event the Trustee re-releases the Project to a third party or to the District pursuant to an operating lease.

THE DISTRICT HAS NO OBLIGATION TO ADOPT OR MAINTAIN A BUDGET TO AVOID A TERMINATION OF THE LEASE OR TO MAKE RENTAL PAYMENTS SUBSEQUENT TO THE TERMINATION OF THE LEASE UPON THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION. IF THE DISTRICT FAILS TO APPROPRIATE SUFFICIENT FUNDS TO MAKE RENTAL PAYMENTS, IT IS PROBABLE THAT THERE WILL NOT BE SUFFICIENT FUNDS TO PAY THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE BONDS WHEN DUE.

Continued State Appropriation of Tier One Funds

Since 1989, State funding of education has been challenged on constitutional grounds requiring the State Legislature to enact several funding programs, each of which differed in the manner in which State and local funds have been allocated to school districts. In its most recent decision, *Morath, et. Al v. The Texas Taxpayer and Student Fairness Coalition, et al.*, No. 14-0776 (Tex. May 13, 2016) ("*Morath*"), the Texas Supreme Court (the "Court") held that "despite the imperfections of the current school funding regime, it meets minimum constitutional requirements." While the current funding system survived the challenges raised in *Morath*, there can be no assurance that the Texas Legislature will not change the current system of funding for school districts in Texas and thereby adversely affect the District's anticipated Basic Allotment funds. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

District's Future Level of Tier One Funds

Under current law, the money which may lawfully be used by the District for the Lease Payments is primarily the Basic Allotment portion of its Tier One Funds received from the State.

Tier One Funds are provided to school districts based on a formula that includes, among other factors, the following primary factors relating to the District: (1) tax rate, (2) average daily attendance, (3) tax collection rate, and (4) assessed valuation of property. A significant decrease in items (1), (2), or (3) or a significant increase in item (4) could have a material adverse effect on the amount of Tier One Funds allocated to the District and, therefore, on its ability to make the Lease Payments. For more information on Tier One Funds, see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

The Basic Allotment portion of Tier One Funds is equal to the State-funded portion of Tier One for the District minus amounts attributable to the special allotments received by the District for special education, compensatory education, bilingual education, career and technology, transportation, and the gifted and talented program (the "Basic Allotment").

Possible Future Changes to or Reductions of the Texas Public School Finance System

Neither the Corporation nor the District can make any representation or prediction concerning how or if the Texas public school finance system may be changed by the State Legislature. Changes to or funding reductions for the school finance system could substantially adversely affect the financial condition of the District. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

Changes in Demographic and Economic Conditions

Changes in student population and economic, social, or other conditions will affect demographics of the District and may reduce the District's ability, need, or willingness to utilize the Project. In such event, the District may elect to terminate the Lease by failing to appropriate funds to make Lease Payments under the Lease. For a description of the remedies of the Trustee in such case, see "APPENDIX A – THE FINANCING DOCUMENTS –The Trust Agreement."

Damage or Destruction Risk

If all or a portion of the Project is damaged, destroyed or condemned and the Net Proceeds of any insurance or condemnation award are sufficient, in the District's judgment, to repair or replace the Project, the District is required to use such Net Proceeds for such purposes and the District is obligated to continue to pay the Lease Payments from Available Funds. If the Net Proceeds are insufficient, in the District's judgment, to pay in full the cost of any repair, restoration or replacement of the Project, the District may apply Available Funds in excess of the Lease Payments to fund the excess costs or, in lieu of making the repairs, restorations, or replacements, the District has the option to terminate the Lease and all of the Corporation's interest in the Project, by exercising its option to purchase on the next succeeding Bond Payment Date for which it is possible to give notice of intent to exercise its option to purchase in accordance with the Lease.

There can be no assurance that the Net Proceeds of an insurance or condemnation award will be sufficient to repair or restore the Project or that, if such Net Proceeds are insufficient for such purpose, the District will appropriate sufficient funds for the repair, replacement, or restoration of the Project, or for the payment of the principal of, premium, if any, and interest on the Bonds necessary in order to exercise its option to purchase under the Lease.

Power of Eminent Domain

Pursuant to State law, the District has the power to exercise its rights under the doctrine of eminent domain to condemn and take ownership of property for public use. There is no assurance that the District will not exercise its power of eminent domain in order to take possession of the Project and to terminate its obligations under the Lease. Under the eminent domain process, a State judge appoints a three-member panel of commissioners to arrive at a fair price for the District to purchase the property. The District and the Corporation have agreed in the Lease, to the extent permitted by law, that in the event the District determines to exercise its power of eminent domain to take the Corporation's or the Trustee's interest in the Project or any part thereof, that the damages payable to the Corporation or the Trustee will be an amount which will be sufficient to pay the principal of, premium, if any, and accrued interest on all outstanding Bonds to the earliest date for which notice of redemption can be given pursuant to the Trust Agreement. Any condemnation proceeds are to be deposited with the Trustee and distributed to the registered owners of the Bonds in accordance with the provisions of the Trust Agreement.

There is no precedential law in the State to indicate (i) whether or not the courts would prevent the District's condemnation of the Project as an abuse of its eminent domain power, or (ii) whether or not the courts would uphold the validity of the agreement of the District and the Corporation under the Lease to establish, in advance, the damages to be paid to the Corporation or the Trustee in the event that the District determines to exercise its power of eminent domain to acquire title to the Project. If the agreement of the District and the Corporation is not upheld, there is no assurance that the "fair price" arrived at by the panel of commissioners will be sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then outstanding.

Remedies

If an Event of Default occurs under the Financing Documents, the practical realization of any rights upon any default will depend on the exercise of various remedies specified in the Trust Agreement, the Deed of Trust, and the Lease. The enforcement of any remedies granted to the Trustee under the Financing Documents may be affected by various matters including: (i) federal bankruptcy laws; (ii) rights of third parties in cash, securities, and instruments not in possession of the Trustee, including accounts and general intangibles converted for cash; (iii) rights arising in favor of the United States of America or any agency thereof; (iv) present or future prohibitions against assignments in any federal statutes or regulations; (v) constructive trusts, equitable liens, or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction; (vi) the necessity for judicial action with respect to certain remedies, which is often subject to judicial discretion and delay; (vii) claims that might obtain priority if continuation statements are not filed in accordance with applicable laws; (viii) impairment of rights to proceeds of any collateral if appropriate action is not taken to continue the perfection of a security interest therein as required by the Texas Business and Commerce Code; (ix) statutory liens; and (x) any rights of parties secured by encumbrances permitted by the Lease.

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the remedies provided under the Bond documents as a result of limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance, or other similar laws affecting the rights of creditors generally and by general principles of equity and public policy considerations. If any of such limitations are imposed they may adversely affect the ability of the Trustee and the Bondholders to enforce their claims and rights against the Corporation, the District, and the Project. Consequently, in the event of a default, it is uncertain that the Trustee could successfully obtain an adequate remedy at law or in equity on behalf of the owners of the Bonds.

Inability to Liquidate or Delay in Liquidating the Project

An Event of Default or an Event of Nonappropriation gives the Trustee the right to sell or lease the Project. The Project is intended to continue to be used as a high school. There can be no assurance of the value of the Project for any other use. Accordingly, a potential purchaser of the Bonds should not anticipate that the sale or re-lease of the Project could be accomplished rapidly, on favorable terms or at all. Furthermore, any delay in the ability of the Trustee to obtain possession of the Project may result in delays in the payment of debt service on the Bonds.

There is no assurance that the Trustee will be able to sell or lease the Project after a termination of the Lease for an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon. If the Project is sold or leased by the Trustee for an amount less than the aggregate principal amount of and accrued interest on the Bonds, such partial payment would be the only remedy of the registered owners of the Bonds; upon such a partial payment, no registered owner will have any further claim for payment upon the Corporation, the Trustee, or the District.

Constitutionality of the Lease Obligation

In *City-County Solid Waste Control Board v. Capital City Leasing*, 813 S.W.2d 705 (Tex. Civ. App. 1991, writ den.), a Texas appellate court ruled that an equipment lease which required a governmental unit to pursue annual appropriations creates an unconstitutional debt, thus rendering the lease void and unenforceable. The Texas Supreme Court declined, without comment, to hear the case on appeal. Although the Lease and the Trust Agreement acknowledge that the Lease Payments and certain other financial obligations of the District and the Corporation are payable from funds that must be appropriated by the Texas Legislature and by the District, there is no explicit covenant in the Lease requiring the District to seek an appropriation. Accordingly, Bond Counsel believes the facts of such case are distinguishable from the language contained in the Lease. However, there can be no guarantee that another court would not apply reasoning similar to that of the appellate court in the *Capital City Leasing* case to the Lease.

Other Obligations of the District

The obligation of the District to make Lease Payments will be satisfied from the funds of the District which are appropriated for such use. To the extent the Basic Allotment and surplus maintenance tax revenues are used by the District to make the Lease Payments, the District may enter into other obligations which may constitute additional charges against such funds from which the Lease Payments may be appropriated and, therefore, such funds available for appropriation for Lease Payments may be decreased.

Transferability of Bonds Upon a Termination Event

Bond Counsel will not render an opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Bond subsequent to a termination of the Lease by reason of an Event of Default or an Event of Nonappropriation thereunder or due to an Event of Default under the Trust Agreement. If the Lease is terminated by reason of an Event of Default or an Event of Nonappropriation, there is no assurance that the Bonds may be transferred by a holder thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Loss of Tax-Exempt Status Upon a Termination Event

Bond Counsel will not render an opinion as to the treatment for federal income tax purposes of any money received by a registered owner of the Bonds subsequent to a termination of the Lease by reason of an Event of Default or an Event of Nonappropriation thereunder or due to an Event of Default under the Trust Agreement. There is no assurance that any money received by the registered owners of the Bonds subsequent to such event will continue to be excludable from gross income for federal income tax purposes.

Noncompliance with Arbitrage Provisions: Occurrence of Taxability

The Lease and the Trust Agreement obligate the District and the Corporation to comply with requirements of federal law regarding rebate of certain investment proceeds to the federal government. If the District or the Corporation fails to comply with those requirements, the Bonds would become "arbitrage bonds," and the interest portion of the Bond Payments could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Such a failure by the Corporation or the District to comply with the covenants, conditions, or agreements on their part to be observed or performed by them under the Lease or the Trust Agreement, if not cured within 20 days of written notice thereof, will constitute an Event of Default under the Lease or the Trust Agreement, as applicable. Thereafter, the Trustee will have the right to exercise one or more of the remedies set forth in the Trust Agreement or the Lease, which may or may not include the acceleration of the principal of and accrued but unpaid interest on the Bonds. In no event, however, would the registered owners of the Bonds be entitled to an increase in the interest rate on the Bonds and, accordingly, the after-tax yield to the registered owners would be materially decreased.

Non-Recourse Obligation

The payment of principal, premium, if any, and interest on the Bonds is without recourse to the Corporation and the ability of the Corporation to pay debt service on the Bonds is completely dependent upon the receipt of Lease Payments from the District. The only obligation of the Corporation is to provide the District with continued quiet enjoyment of the Project, provided the District is not in default under the Lease. The District's ability to perform its obligations under the Lease and its capability to appropriate money for the Lease may be adversely affected by the financial condition of the District.

Resale of Bonds

There may not be a secondary market for the Bonds, and the Underwriter has not committed to maintain such a market. In the secondary market for securities similar to the Bonds, the difference between the bid and asked price may be greater than the difference between the bid and asked price for more traditional types of municipal securities.

Growth and Increases in Assessed Valuation

The Tier One funds pledged to the payment of the Lease Payments securing the Bonds will, as a consequence of such pledge, not be available for the payment of other obligations or expenses of the District. In order to compensate for this reduction in available funds for the payment of other obligations or expenses of the District, the District is relying, in part, on future growth in student population and increases in the assessed valuation of property within the District (see also "RISK FACTORS – Nonappropriation").

There can be no assurances that the District will experience future growth in student population or increases in the taxable assessed valuation of the property within the District, and neither the Issuer, the District, nor the Underwriter make any representations or warranties with respect to the likelihood thereof.

THE BONDS

Description of the Bonds

The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of April 15, 2019 and will bear interest at the rates per annum shown on the inside cover page hereof from the date of delivery thereof, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on August 15, 2019, and semiannually thereafter on February 15 and August 15 of each year (each, a "Bond Payment Date"), and will mature on August 15 in the years and in the amounts shown on the inside cover page hereof, unless earlier redeemed as described below. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption Provisions

Optional Redemption: The Bonds shall be subject to redemption prior to stated maturity, at the option of the Corporation, on August 15, 2024 or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity selected at random and by lot by the Trustee) at the redemption price of par plus accrued interest to the date of redemption.

Mandatory Redemption: The Bonds maturing on August 15 in 2032, 2036, and 2041 (the "Term Bonds") are subject to mandatory sinking fund redemption, by lot on the August 15 dates and the principal amounts as follows:

<u>2032 Term Bonds</u>		<u>2036 Term Bonds</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2028	\$1,205,000	2033	\$1,500,000
2029	1,260,000	2034	1,570,000
2030	1,315,000	2035	1,640,000
2031	1,375,000	2036 ⁽¹⁾	1,715,000
2032 ⁽¹⁾	1,435,000		

(1) Stated Maturity

<u>2041 Term Bonds</u>	
<u>Date</u>	<u>Amount</u>
2037	\$1,790,000
2038	1,865,000
2039	1,935,000
2040	2,015,000
2041 ⁽¹⁾	2,095,000

(1) Stated Maturity

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District by the principal amount of the Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of the 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 District 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 therefore credited against a mandatory sinking fund redemption requirement.

If less than all of the Term Bonds within a stated maturity are to be redeemed, the District shall determine the principal and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Term Bonds or portions thereof, to be redeemed.

Extraordinary Optional Redemption - Casualty Loss or Condemnation: In the event of a casualty loss or condemnation of the Project, if the Net Proceeds of insurance or condemnation are not sufficient to repair or restore the Project, and if the District exercises its option to purchase the Project upon such a casualty loss or condemnation of the Project pursuant to the Lease, then the Bonds shall be subject to mandatory redemption prior to their respective stated maturities, in whole but not in part, upon payment by the District to the Trustee of the Purchase Option Price, at a redemption price of 100% of the principal amount of the Bonds being redeemed, plus accrued interest to the date of redemption. See APPENDIX A – “THE FINANCING DOCUMENTS –The Trust Agreement.”

Notice of Redemption

If any of the Bonds are called for redemption, the Trustee will give written notice by first class (postage prepaid) mail not less than 30 days prior to the date fixed for redemption, in the name of the Corporation, of the redemption of such Bonds to the registered owner of each Bond to be redeemed at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing. Any notice so mailed will be conclusively presumed to have been duly given, whether or not the owner of such Bonds actually receives the notice. Failure to give such notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceedings for the redemption of other Bonds.

The Trustee and the Corporation, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Trust Agreement or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice.

In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may **implement** a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by the Trust Agreement and will not be conducted by the Corporation or the Trustee. Neither the Corporation nor the Trustee will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of the Bonds for redemption. See –“BOOK- ENTRY ONLY SYSTEM.”

Partial Redemption: If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof of such series to be redeemed shall be in amounts equal to \$5,000 or an integral multiple thereof and shall be selected by the Trustee ratably among each maturity of the Bonds and at random within each maturity. In selecting Bonds for redemption, the Trustee shall select Bonds to be redeemed in such a manner that, after such redemption, all remaining Bondholders own only Bonds in denominations of \$5,000 or any integral multiple thereof. Upon surrender of any Bond for redemption in part, the Corporation shall execute and the Trustee shall authenticate and deliver to the owner thereof a new Bond or Bonds of the same series, interest rate, and maturity and of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Effect of Redemption: Notice of redemption having been given as provided above, the Bonds designated for redemption will become and be due and payable on the date fixed for redemption at the redemption price provided for in the Trust Agreement, provided funds for their redemption are on deposit at the place of payment at that time, and, unless the Corporation defaults in the payment of the principal thereof, such Bonds will cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date. Thereafter, the owners of such Bonds will no longer be entitled to any security or benefit under the Trust Agreement except to receive payment of the redemption price. If any Bond called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond will continue to bear interest at the rate set forth therein until paid or until due provision is made for the payment of the same.

The Trustee

The initial Trustee is Wilmington Trust, National Association, Dallas, Texas. In the Trust Agreement, the Corporation retains the right to replace the Trustee. The Corporation covenants to maintain and provide a Trustee at all times until the Bonds are duly paid and any successor Trustee shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Trustee for the Bonds. Upon any change in the Trustee for the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Trustee/Registrar.

Principal of or interest on the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation at the corporate trust office of the Trustee. Interest on the Bonds will be payable by check, dated as of the Bond Payment Date, and mailed by the Trustee to registered owners as shown on the Security Register of the Trustee on the Record Date, or by such other method, acceptable to the Trustee, requested by, and at the risk and expense of, the registered owner. If the date for any payment due on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city in which the designated corporate trust office of the Trustee is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date payment was due.

The Trustee is to carry out those duties assignable to it under the Trust Agreement and Financing Documents. Except for the contents of this subsection, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Trust Agreement or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Issuer of any of the Bonds authenticated or delivered pursuant to the Trust Agreement or for the use or application of the proceeds of such Bonds by the Issuer. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee may be found at its website at <http://www.wilmingtontrust.com>. Neither the information on Trustee's website, nor any links from that website, is a part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Bonds.

Record Date for Interest Payment

The record date ("Record Date") for determining the person entitled to receive the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month of such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment of such interest have been received from the Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will 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 holder of a Bond appearing on the registration books of the Trustee at the close of business on the last business day next preceding the date of mailing of such notice.

Defeasance of Bonds

The Trust Agreement provides that In the event the Bonds delivered pursuant hereto shall become due and payable in accordance with their terms (whether pursuant to early redemption or otherwise) and (1) the whole amount of the principal and interest so due and payable upon all of the Bonds shall be paid; or (2)(a) in the event there has been deposited with the Trustee, by way of book entry delivery or actual deposit, cash or noncallable securities of the types permitted by the Trust Agreement in an amount sufficient, without reinvestment (together with interest earnings thereon) to provide for payment of the whole amount of the principal, premium, if any, and interest when due and payable (whether pursuant to early redemption or otherwise) upon all of the Bonds; (b) there has been filed with the Trustee a certificate of an independent certified public accountant to the effect that such deposit will be sufficient to cause the said whole amount to be paid when due (whether pursuant to early redemption or otherwise) until all the Bonds have been paid; and (c) if all other conditions precedent herein relating to the satisfaction and discharge of the Trust Agreement have been complied with; and if, in either such event, all administrative expenses and amounts due or to become due under the Trust Agreement shall have been paid or provided for, then and in either such event, the right, title, and interest of the Trustee and the Corporation under the Trust Agreement shall thereupon cease, terminate, and become void, and the Trustee shall assign and transfer to the Corporation or the District, upon the order of the District, all property (in excess of the amounts required for the foregoing) then held by the Trustee (including the Lease and all payments thereunder and all balances in any fund or account created under the Trust Agreement) and shall execute such documents as may be reasonably required by the District or the Corporation in this regard.

Notwithstanding any other provision of the Trust Agreement 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 above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

Amendments

The Corporation and the Trustee, without the consent of the Bondholders, may amend the Trust Agreement, the Lease or other instruments evidencing the existence of a lien on the Trust Estate (1) to cure any ambiguity, inconsistency, formal defect, or omission in the Trust Agreement or the Lease, (2) to grant to or confer upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them under the Trust Agreement or the Lease, (3) to subject additional revenues to the lien and pledge of the Trust Agreement, (4) to add to the covenants and agreements contained in the Trust Agreement other covenants and agreements thereafter to be observed for the protection of the Bondholders or to surrender or limit any right, power, or authority reserved in the Trust Agreement to or conferred upon the Corporation, or (5) to evidence any succession by the District, the Trustee, or the Corporation and the assumption by such successor of the requirements, covenants, and agreements of the District, the Trustee, or the Corporation in the Financing Documents and the Bonds.

With the prior approval of Bondholders owning not less than a majority in aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to amend any of the terms or provisions contained in the Trust Agreement; provided, however, that nothing in the Trust Agreement will permit or be construed as permitting: (1) without the consent of each Bondholder so affected, an extension of maturity of the principal of or the interest on any Bond, a reduction in the principal amount of any Bond or a reduction in the rate of interest thereon; (2) without the consent of all of the Bondholders, a privilege or priority of any Bond over any other Bond or a reduction in the aggregate principal amount of the Bonds required for consent to an amendment; or (3) without the consent of all of the Bondholders, creation of any prior or parity liens, other than Additional Obligations, on the Trust Estate.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with a contribution by the District will be applied approximately as follows:

Sources:	
Par Amount	\$28,075,000.00
Net Premium	187,452.10
Transfer from funds on deposit	333,987.50
Total Sources of Funds	\$28,596,439.60
Uses:	
Deposit for Redemption of Refunded Bonds	\$27,399,987.50
Contingency	963.95
Costs of Issuance	633,988.15
Underwriter's Discount	561,500.00
Total Sources of Funds	\$28,596,439.60

Debt Service Requirements

The following table outlines the debt service on the Bonds. As previously stated, the Bonds are being issued to restructure the debt service. Included in the table below is annual savings or losses resulting from the restructuring of the Refunded Bonds. Additionally, the table provides the estimated coverage on the Bonds based on the 2019 Tier 1 Funds available for debt service.

Fiscal Year	The Bonds			Refunded Bond Debt Service*	Savings	Coverage**
	Principal	Interest	Total			
2019	-	310,073	310,073	991,700	681,627	1.98
2020	415,000	1,162,775	1,577,775	2,042,825	465,050	2.02
2021	435,000	1,146,175	1,581,175	2,042,350	461,175	2.01
2022	450,000	1,128,775	1,578,775	2,039,950	461,175	2.01
2023	470,000	1,110,775	1,580,775	2,045,625	464,850	2.01
2024	485,000	1,091,975	1,576,975	2,043,825	466,850	2.02
2025	805,000	1,072,575	1,877,575	2,069,825	192,250	1.69
2026	1,130,000	1,048,425	2,178,425	2,076,975	(101,450)	1.46
2027	1,170,000	1,011,700	2,181,700	2,076,100	(105,600)	1.46
2028	1,205,000	973,675	2,178,675	2,097,475	(81,200)	1.46
2029	1,260,000	919,450	2,179,450	2,089,725	(89,725)	1.46
2030	1,315,000	862,750	2,177,750	2,089,225	(88,525)	1.46
2031	1,375,000	803,575	2,178,575	2,085,425	(93,150)	1.46
2032	1,435,000	741,700	2,176,700	2,088,325	(88,375)	1.46
2033	1,500,000	677,125	2,177,125	2,087,375	(89,750)	1.46
2034	1,570,000	609,625	2,179,625	2,087,575	(92,050)	1.46
2035	1,640,000	538,975	2,178,975	2,088,650	(90,325)	1.46
2036	1,715,000	465,175	2,180,175	2,090,325	(89,850)	1.46
2037	1,790,000	388,000	2,178,000	2,087,325	(90,675)	1.46
2038	1,865,000	316,400	2,181,400	2,084,650	(96,750)	1.46
2039	1,935,000	241,800	2,176,800	2,087,025	(89,775)	1.46
2040	2,015,000	164,400	2,179,400	2,088,900	(90,500)	1.46
2041	2,095,000	83,800	2,178,800	-	(2,178,800)	1.46

* Fiscal Year 2019 Refunded Bond Debt Service is reduced by payment made on February 15, 2019 and transfers from funds on deposit at closing.

** Based on 2019 available Tier One funds of \$3,181,034.39.

SECURITY FOR THE BONDS

Payments of principal and interest with respect to the Bonds are payable only from the Lease Payments to be paid by the District under the Lease, from certain money held by the Trustee under the Trust Agreement, and from amounts received by the Trustee from the sale or other transfer of the Corporation's interest in the Project after termination of the Lease following an Event of Default or Event of Nonappropriation by the District.

Trust Estate

All payments to be made by the Trustee under the Trust Agreement to the registered owners may be made only from the income and proceeds from the Trust Estate and only to the extent that the Trustee has received income or proceeds from the Trust Estate. The "Trust Estate" consists of all right, title, and interest of the Corporation (i) in and to the Project, (ii) in and under the Lease and the other Financing Documents, (iii) in and to all Lease Payments and other payments paid or payable by the District from and after the date of the Trust Agreement, (iv) other income, charges, and funds realized from the lease, sale, transfer, or other disposition of the Project, (v) all funds and investments in in the Trust Fund, and (vi) all funds deposited with the Trustee pursuant to the Financing Documents, all subject to and in accordance with the Trust Agreement.

Lease Payments

The District is required to pay to the Trustee, for the account of the Corporation, the Lease Payments from Available Funds on August 15, 2019, and each August 15 and February 15 thereafter for so long as the Lease is in effect. The amount of each Lease Payment required under the lease is equal to an amount of money which, when added to the amount then on deposit in the Payment Account, will equal (i) the amount of interest to become due on the Bonds on the next Bond Payment Date and (ii) the amount of principal to become due on the Bonds on the next Bond Payment Date. **The obligations of the District under the Lease, including its obligation to pay the Lease Payments, constitute a current expense of the District in each fiscal year, and do not constitute an indebtedness of the District within the meaning of the laws of the State. Nothing in the Lease is to constitute a pledge by the District of any taxes or other money, other than Available Funds for the current fiscal year, to the payment of Lease Payments due thereunder.**

One of the District's primary sources of funds for making the Lease Payments under the Lease, which will in turn be used to make payments of principal of, premium, if any, and interest on the Bonds, is revenue to be received by the District from biennial legislative appropriations pursuant to Chapter 42, Texas Education Code. Texas law provides for a two-tiered education finance structure known as the Foundation School Program. Chapter 42, Texas Education Code guarantees sufficient financing for all school districts to provide a basic program of education that meets accreditation and other applicable legal standards. See "RISK FACTORS," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM." Another of the District's sources of funds for making the Lease Payments under the Lease, which will be used to make payments of principal of, premium, if any, and interest on the Bonds, is unintended surplus maintenance tax funds. Since these funds are "unintended," these funds cannot be budgeted by the District, and, as such, there can be no assurance that such funds, if any, will be available for making the Lease Payments. For more information on unintended surplus maintenance tax funds, see "RISK FACTORS," and "TAX RATE LIMITATIONS."

Deed of Trust

To secure its obligations under the Trust Agreement, the Corporation will grant (i) a first mortgage lien on and first deed of trust title to the Project, including the land on which the Project is located, and will assign and pledge the Corporation's interest in the leases, rents, issues, profits, revenues, income, receipts, money, right and benefits of and from the Project for the use and benefit of the Trustee, on behalf of the registered owners of the Bonds, pursuant to the Deed of Trust, and (ii) the Corporation will also grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other personal property acquired by the Corporation for the Project, and substitutions or replacements therefore, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments and general intangibles arising in any manner from the Corporation's ownership and operation of the Project, in each case, pursuant to the Security Agreement.

Bondholders' Remedies

No Bondholder shall have any right to institute any suit, action, or proceeding for the enforcement of the Trust Agreement, the execution of any trust hereof, or any other remedy unless: (1) either an Event of Default has occurred, the Lease is terminated pursuant to an Event of Nonappropriation, or the Trustee has failed to make a payment to a Bondholder when due from funds on deposit in the Payment Account; (2) Bondholders owning not less than 25% of the aggregate principal amount of Bonds shall have made written request to the Trustee and shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name; (3) if the Trustee so requests, such Bondholders have provided the Trustee indemnification satisfactory to it for any liability and expense it might incur in carrying out the aforementioned request; and (4) the Trustee shall (within 60 days after receipt by the Trustee of the written request) fail or refuse to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its, his, or their own name or names.

Such request and offer of indemnity are at the option of the Trustee to be conditions precedent to the execution of the powers of the Trustee and to the initiation of any action or cause of action for the enforcement of the Trust Agreement; however, the Trustee may not, as condition precedent to the execution of the powers and trusts hereunder request indemnification for liability arising out of the Trustee's negligent action or negligent failure to act, or willful misconduct.

Upon an Event of Default or an Event of Nonappropriation and if money held by the Trustee is insufficient to pay the principal of, premium, if any, and interest on the Bonds, all money received and held by the Trustee pursuant to the Trust Agreement as a part of the Trust Estate (except for money held in the Payment Fund, which shall solely secure the Bonds) and all money received by the Trustee shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the reasonable expenses, liabilities, and advances incurred or made by the Trustee, be applied as follows:

FIRST - To the payment of the Trustee's unpaid fees and expenses and the costs and compensation of any advances made by the Trustee, and any receiver and the reasonable attorneys' fees of the Trustee, or any receiver;

SECOND - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

THIRD - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which money are held pursuant to the provisions of the Trust Agreement), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

FOURTH - To the payment of operating expenses of the Project and for reasonable renewals, repairs, and replacements of the Project necessary to prevent impairment of the Trust Estate; and

FIFTH - To be held for the payment to the Bondholders entitled thereto as the same shall become due of the principal of, premium, if any, and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of principal, premium, if any, and interest due on such date to the Bondholders entitled thereto without any discrimination or privilege.

The Trustee is not be responsible for the sufficiency of the Lease, the assignment made to it of the right to receive Lease Payments, or the value of the Project; provided, however, that the foregoing does not reduce or eliminate any of the Trustee's specified responsibilities or obligations under the Financing Documents. The Trustee shall not be responsible or liable for any loss or penalties suffered in connection with any investment of funds made by it under the terms of and in accordance with this Trust Agreement. Further, the Trustee shall not be responsible or liable for the loss of investment income resulting from the failure of the District to provide written instructions to the Trustee directing the investment of money held in the Trust Fund.

Additional Obligations

The Corporation has covenanted and agreed that, other than bonds or other obligations issued to refund the Bonds, no other obligations will be issued which are secured by the Trust Estate.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (as defined below) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriter and the Corporation consider the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Corporation and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, 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 pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges

between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Financing Documents will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent and Registrar is the Trustee, Wilmington Trust, National Association, Dallas, Texas. See "THE BONDS – The Trustee." The Bonds are being issued in fully registered form in integral multiples of \$5,000 of principal within a maturity.

Successor Paying Agent/Registrar

Provision is made in the Financing Documents for replacing the Trustee. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter, may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated corporate office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the Owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

THE CORPORATION

The Corporation is a non-profit public corporation and instrumentality of the District, formed on behalf of the District pursuant to the Public Facility Corporation Act and a resolution of the Board of Trustees of the District. The Corporation was formed for the purpose of acquiring, constructing, and financing school facilities for the District.

Pursuant to the Bylaws of the Corporation, the Corporation is governed by a seven-member Board of Directors. The current Board Members are also members of the Board of Trustees of the District. Each director serves as a member of the Board of Directors of the Corporation for the term to which the director is qualified and/or until his or her successor is qualified as a member of the Board of Directors of the Corporation; provided, however, that any director may be removed from office at any time, for cause or at will, by the Board of Trustees of the District. The Directors serve without compensation.

THE CORPORATION'S OBLIGATION WITH RESPECT TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS IS A SPECIAL, LIMITED, AND NON-RECOURSE OBLIGATION PAYABLE SOLELY FROM THE LEASE PAYMENTS PAYABLE BY THE DISTRICT PURSUANT TO THE LEASE, AND FROM PROCEEDS FROM THE SALE OR OTHER LEASE OF THE PROJECT. THE CORPORATION HAS NO AUTHORITY TO LEVY TAXES. THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER SPECIAL, GENERAL, OR MORAL, OF THE DISTRICT, THE STATE, OR ANY OTHER POLITICAL SUBDIVISION THEREOF.

THE DISTRICT

The District, an independent school district and political subdivision of the State of Texas, comprises approximately 34.47 square miles within Grayson County, Texas.

The District is governed by a seven-member Board of Trustees (the "Board"), who serve staggered three-year terms, with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

The District operates under the statutory and administrative requirements of the Texas Education Code and the State of Texas, and is accredited by the Texas Education Agency ("TEA").

THE DISTRICT'S ONLY OBLIGATION WITH RESPECT TO THE PAYMENT OF THE BONDS IS TO PAY RENTAL PAYMENTS TO THE TRUSTEE PURSUANT TO THE LEASE FROM MONEY TO BE APPROPRIATED ANNUALLY FOR THE PAYMENT THEREOF. FOR A DESCRIPTION OF THE DISTRICT'S OBLIGATIONS WITH RESPECT TO THE BONDS, SEE AND "SECURITY FOR THE BONDS." THE SOURCE OF FUNDS TO BE APPROPRIATED BY THE DISTRICT FOR RENTAL PAYMENTS ARE FUNDS APPROPRIATED BY THE TEXAS LEGISLATURE AND ANY UNINTENDED SURPLUS MAINTENANCE TAX REVENUES. THE DISTRICT HAS NO AUTHORITY TO LEVY TAXES SPECIFICALLY FOR THE PAYMENT OF THE RENTAL PAYMENTS. THE LEASE IS A SPECIAL, LIMITED, NON- RECOURSE OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM THE FUNDS SPECIFIED ABOVE DURING EACH FISCAL YEAR AND IN NO WAY CONSTITUTES AN OBLIGATION, EITHER SPECIAL, GENERAL, OR MORAL OF THE DISTRICT, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF. SEE "SECURITY FOR THE BONDS."

AD VALOREM TAX PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The Grayson County Appraisal District (the "Appraisal District") is responsible for appraising property within the District, generally, as of January 1 of each year. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board (the "Appraisal Review Board"), which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the District in establishing its tax roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and certain tangible personal property with a tax situs in the District is subject to taxation by the District. Principal categories of exempt property (including certain exemptions which are subject to local option by the board of trustees) include property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law, certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which the District has agreed to abate ad valorem taxes, so-called "freeport property" including property detained in the district for up to 175 days for purpose of assembly or other processing, certain household goods, family supplies and personal effects; farm products owned by the producers; certain property of a nonprofit corporation used in scientific research and educational activities benefiting a college or university, and designated historic sites. Other principal categories of exempt property include tangible personal property not held or used for production of income; solar and wind-powered energy devices; most individually owned automobiles; \$25,000 exemption to residential homesteads of disabled persons or persons ages 65 or over; up to \$12,000 exemption for real or personal property of disabled veterans or the surviving spouses or children of a deceased veteran who died while on active duty in the armed forces; \$25,000 in market value for all residential homesteads; and certain classes of intangible property. In addition, except for increases attributable to certain improvements, the District is prohibited by state law from increasing the total ad valorem tax on the residence homestead of persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for an exemption based on age of the owner. The freeze on ad valorem taxes on the homesteads of person 65 years of age or older is also transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property is the homestead of the surviving spouse and the spouse is at least 55 years of age at the time of the death of the individual's spouse. Pursuant to a constitutional amendment approved by the voters on May 12, 2007, legislation was enacted to reduce the school property tax limitation imposed by the freeze on taxes paid on residence homesteads of persons 65 years of age or over or of disabled persons to correspond to reductions in local school district tax rates from the 2005 tax year to the 2006 tax year and from the 2006 tax year to the 2007 tax year (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General" herein). The school property tax limitation provided by the constitutional amendment and enabling legislation apply to the 2007 and subsequent tax years.

Owners of agricultural and open space land, under certain circumstances, may request valuation of such land on the basis of productive capacity rather than market value. See "Appendix A - Financial Information of the District - Assessed Valuation" for a schedule of the exemptions allowed by the District.

The District may elect to participate in a tax increment reinvestment zone if such a zone is created covering an area within the boundaries of the District. Depending on the level of the District's participation in such a zone, if any, the District's ability to retain ad valorem taxes collected on the increased valuation of real property in the tax increment reinvestment zone in excess of the tax

increment base value established for the zone would be limited by the provisions of its participation in the zone. The District may also enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The District in turn agrees not to levy a tax on all or a part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. Credit will not be given by the Commissioner of Education in determining a district's wealth per student for (1) the appraised value, in excess of the "frozen" value, or property that is located in a tax increment financing zone created after May 31, 1999 (except in certain limited circumstances where the municipality creating the tax increment financing zone gave notice prior to May 31, 1999 to all other taxing units that the levy of ad valorem taxes in the zone and the zone was and had its final project and financing plan approved by the municipality prior to August 31, 1999), or (2) for the loss of value of abated property under any abatement agreement entered into after May 31, 1993. Notwithstanding the foregoing, in 2001 the Legislature enacted legislation known as the Texas Economic Development Act, which provides incentives for certain school districts to grant tax abatements on certain eligible property to encourage development in their tax base and provides additional State funding for each year of such tax abatement in the amount of the tax credit provided to the taxpayer by the district (See "Current Public School Finance System – State Funding for Local School Districts") for a more detailed discussion of such tax abatements).

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are based on one hundred percent (100%) of market value, except as described below, and no assessment ratio can be applied.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes for previous years based on the new value, including three years for agricultural use and five years for agricultural open-space land and timberland prior to the loss of the designation.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. The District, at its expense, has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraisal values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses to formally include such values on its appraisal roll.

Residential Homestead Exemption

The Texas Constitution permits the exemption of certain percentages of the market value of residential homesteads from ad valorem taxation. The Constitution authorizes the governing body of each political subdivision in the state to exempt up to twenty percent (20%) of the market value of all residential homesteads from ad valorem taxation, and permits an additional optional homestead exemption for taxpayers 65 years of age or older.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the appraisal Review Board by filing a petition for review in district court within 45 days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party, or through binding arbitration, if requested by the taxpayer. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Public Hearing and Rollback Tax Rate

In setting its annual tax rate, the governing body of a school district generally cannot adopt a tax rate exceeding the district's "rollback tax rate" without approval by a majority of the voters voting at an election approving the higher rate. The tax rate consists of two components: (1) rate for funding of maintenance and operation expenditures and (2) a rate for debt service. For the 2007-08 fiscal year and thereafter,

the rollback tax rate for a school district is the lesser of (A) the sum of (1) the product of the district's "state compression percentage" for that year multiplied by \$1.50, (2) the rate of \$0.04, (3) any rate increase above the rollback tax rate in prior years that were approved by voters, and (4) the district's current debt rate, or (B) the sum of (1) the district's effective maintenance and operations tax rate, (2) the product of the district's state compression percentage for that year multiplied by \$0.06; and (3) the district's current debt rate (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - General" for a description of the "state compression percentage"). If for the preceding tax year a district adopted an M&O Tax rate that was less than its effective M&O Tax rate for that preceding tax year, the district's rollback tax for the current year is calculated as if the district had adopted an M&O Tax rate for the preceding tax year equal to its effective M&O Tax rate for that preceding tax year.

The "effective maintenance and operations tax rate" for a school district is the tax rate that, applied to the current tax values, would provide local maintenance and operating funds, when added to State funds to be distributed to the district pursuant to Chapter 42 of the Texas Education Code for the school year beginning in the current tax year, in the same amount as would have been available to the district in the preceding year if the funding elements of wealth equalization and State funding for the current year had been in effect for the preceding year.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the district if the district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c) and (d) and if such failure to comply was not in good faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the district delivers substantially all of its tax bills. Beginning September 1, 2009, a district may adopt its budget after adopting a tax rate for the tax year in which the fiscal year covered by the budget begins if the district elects to adopt its tax rate before receiving the certified appraisal roll. A district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

Levy and Collection of Taxes

Property within the District is assessed as of January 1 of each year; taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments are not permitted. Discounts are not permitted.

The District is responsible for the collections of its taxes, unless it elects to transfer such functions to another governmental entity. Before September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Trustees of the District based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty from six percent (6%) to twelve percent (12%) of the amount of the tax, depending on the time of payment, and accrued interest at the rate of one percent (1%) per month. If the tax is not paid by the following July 1, an additional penalty of up to twenty percent (20%) may under certain circumstances be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. The District has no lien for unpaid taxes on personal property but does have a lien for unpaid taxes upon real property, which lien is discharged upon payment. On January 1 of each year, such tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property taxes takes priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights, or by bankruptcy proceedings which restrict the collection of taxpayer debts.

Pending Legislation Affecting Ad Valorem Taxation

The 86th Regular Legislative Session convened on January 8, 2019 and will conclude on May 27, 2019. Thereafter, the Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. Pursuant to Article 3, Section 5, of the Texas Constitution, and subject to other exceptions, bills filed during a regular legislative session are prohibited from being passed by the legislature during the first 60 days of the regular legislative session unless an exception authorizing earlier passage applies. Article 3, Section 5, of the Texas Constitution authorizes the Governor to declare certain matters as emergency matters (an "Emergency Item") giving the legislature the opportunity to pass bills that pertain to such Emergency Item within the first 60 days of the Regular Legislative Session.

On January 31, 2019, House Bill 2 and Senate Bill 2 (collectively referred to herein as the "Property Tax Reform and Relief Act of 2019") were filed as companion bills in each chamber of the legislature. The Texas Senate Research Center has described the Property Tax

Reform and Relief Act of 2019, as filed, as having the following goals: (1) lowering the rollback rate from the existing 8 percent for the largest taxing units in the State; (2) requiring an automatic tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted.

On February 5, 2019, the Governor declared property tax reform as an emergency item for the session. As a result, the Property Tax Reform and Relief Act of 2019 and other bills pertaining to ad valorem property taxes filed during the 86th Regular Legislative Session will not be subject to a provision of the Texas Constitution that generally provides that no bill may become law within the first 60 days of a legislative session. Therefore, it is possible that the Property Tax Reform and Relief Act of 2019 and other bills pertaining to ad valorem property taxes could become law prior to the Date of Delivery.

Although the District has not made an exhaustive analysis of any effects the Property Tax Reform and Relief Act of 2019 may have, this legislation and other bills that pertain to the Governor’s emergency item declaration may affect the District’s local tax revenues.

THE PROPERTY TAX CODE AS APPLIED TO THE TIOGA INDEPENDENT SCHOOL DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Grayson County. The Appraisal District is governed by a board of five directors appointed by voters of the governing bodies of various Grayson County political subdivisions.

Split payments are not permitted.

Discounts are not permitted.

The District has not granted any tax abatements.

The District does not grant Freeport exemption.

Property within the District is assessed as of January 1 of each year; taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

<u>Date</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest (b)</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	27 ^(a)	6	33

(a) Includes additional penalty of 20% assessed after July 1 in order to defray attorney collection expenses.

(b) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

On seven occasions in the last thirty years, the Texas Supreme Court (the “Court”) has issued decisions assessing the constitutionality of the Texas public school finance system (the “Finance System”). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the “Legislature”) from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to “establish and make suitable provision for the support and maintenance of an efficient system of public free schools,” or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court’s previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer and Student Fairness Coalition*, 490 S.W.3d 826 (Tex. 2016) (“*Morath*”). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that “[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements.” The Court also noted that:

Lawmakers decide if laws pass, and judges decide if those laws pass muster. But our lenient standard of review in this policy-laden area counsels modesty. The judicial role is not to second-guess whether our system is optimal, but whether it is constitutional. Our Byzantine school funding “system” is undeniably imperfect, with immense room for improvement. But it satisfies minimum constitutional requirements.

Possible Effects of Litigation and Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the neither the Corporation nor the District can make any representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, would be adversely affected by any such legislation (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 41 through 46 of the Texas Education Code, as amended.

Funding for school districts in the State is provided primarily from State and local sources. State funding for all school districts is provided through a set of funding formulas comprising the "Foundation School Program," as well as two facilities funding programs. Generally, the Finance System is designed to promote wealth equalization among school districts by balancing State and local sources of funds available to school districts. In particular, because districts with relatively high levels of property wealth per student can raise more local funding, such districts receive less State aid, and in some cases, are required to disburse local funds to equalize their overall funding relative to other school districts. Conversely, because districts with relatively low levels of property wealth per student have limited access to local funding, the Finance System is designed to provide more State funding to such districts. Thus, as a school district's property wealth per student increases, State funding to the school district is reduced. As a school district's property wealth per student declines, the Finance System is designed to increase that district's State funding. The Finance System provides a similar equalization system for facilities funding wherein districts with the same tax rate for debt service raise the same amount of combined State and local funding. Facilities funding for debt incurred in prior years is expected to continue in future years; however, State funding for new school facilities has not been consistently appropriated by the Texas Legislature, as further described below.

Local funding is derived from collections of ad valorem taxes levied on property located within each district's boundaries. School districts are authorized to levy two types of property taxes: a limited maintenance and operations ("M&O") tax to pay current expenses and an unlimited interest and sinking fund ("I&S") tax to pay debt service on bonds. Generally, under current law, M&O tax rates are subject to a statutory maximum rate of \$1.17 per \$100 of taxable value for most school districts (although a few districts can exceed the \$1.17 limit as a result of authorization approved in the 1960s). Current law also requires school districts to demonstrate their ability to pay debt service on outstanding indebtedness through the levy of an ad valorem tax at a rate of not to exceed \$0.50 per \$100 of taxable property at the time bonds are issued. Once bonds are issued, however, districts may levy a tax to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS"). As noted above, because property values vary widely among school districts, the amount of local funding generated by the same tax rate is also subject to wide variation among school districts.

Local Funding for School Districts

The primary source of local funding for school districts is collections from ad valorem taxes levied against taxable property located in each school district. Prior to reform legislation that became effective during the 2006-2007 fiscal year (the "Reform Legislation"), the maximum M&O tax rate for most school districts was generally limited to \$1.50 per \$100 of taxable value. At the time the Reform Legislation was enacted, the majority of school districts were levying an M&O tax rate of \$1.50 per \$100 of taxable value. The Reform Legislation required each school district to "compress" its tax rate by an amount equal to the "State Compression Percentage." The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For the 2018-19 State fiscal biennium, the State Compression Percentage has been set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value. School districts are permitted, however, to generate additional local funds by raising their M&O tax rate by up to \$0.04 above the compressed tax rate without voter approval (for most districts, up to \$1.04 per \$100 of taxable value). In addition, if the voters approve a tax rate increase through a local referendum, districts may, in general, increase their M&O tax rate up to a maximum M&O tax rate of \$1.17 per \$100 of taxable value and receive State equalization funds for such taxing effort (see "AD VALOREM TAX PROCEDURES – Public Hearing and Rollback Tax Rate"). Elections authorizing the levy of M&O taxes held in certain school districts under older laws, however, may subject M&O tax rates in such districts to other limitations (see "TAX RATE LIMITATIONS").

State Funding for Local School Districts

State funding for school districts is provided through the Foundation School Program, which provides each school district with a minimum level of funding (a "Basic Allotment") for each student in average daily attendance ("ADA"). The Basic Allotment is calculated for each school district using various weights and adjustments based on the number of students in average daily attendance and also varies depending on each district's compressed tax rate. This Basic Allotment formula determines most of the allotments making up a district's basic level of funding, referred to as "Tier One" of the Foundation School Program. The basic level of funding is then "enriched" with additional funds known as "Tier Two" of the Foundation School Program. Tier Two provides a guaranteed level of funding for each cent of local tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates above \$1.00 per \$100 of taxable value). The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. In 2017, the 85th Texas Legislature, appropriated funds in the amount of \$1,378,500,000 for the 2018-19 State fiscal biennium for EDA, IFA and NIFA.

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Texas Legislature. Since future-year IFA awards were not funded by the Texas Legislature for the 2018-19 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service on new bonds issued by districts to construct, acquire and improve facilities must be funded solely from local I&S taxes.

Tier One allotments are intended to provide all districts a basic level of education necessary to meet applicable legal standards. Tier Two allotments are intended to guarantee each school district that is not subject to the wealth transfer provisions described below an opportunity to supplement that basic program at a level of its own choice; however, Tier Two allotments may not be used for the payment of debt service or capital outlay.

As described above, the cost of the basic program is based on an allotment per student known as the "Basic Allotment." For the 2018-19 State fiscal biennium, the Basic Allotment is \$5,140 for each student in average daily attendance. The Basic Allotment is then adjusted for all districts by several different weights to account for inherent differences between school districts. These weights consist of (i) a cost adjustment factor intended to address varying economic conditions that affect teacher hiring known as the "cost of education index," (ii) district-size adjustments for small and mid-size districts, and (iii) an adjustment for the sparsity of the district's student population. The cost of education index, district-size and population sparsity adjustments, as applied to the Basic Allotment, create what is referred to as the "Adjusted Allotment." The Adjusted Allotment is used to compute a "regular program allotment," as well as various other allotments associated with educating students with other specified educational needs.

Tier Two supplements the basic funding of Tier One and provides two levels of enrichment with different guaranteed yields (i.e., guaranteed levels of funding by the State) depending on the district's local tax effort. The first six cents of tax effort that exceeds the compressed tax rate (for most districts, M&O tax rates ranging from \$1.00 to \$1.06 per \$100 of taxable value) will, for most districts, generate a guaranteed yield of \$99.41 and \$106.28 per cent per weighted student in average daily attendance ("WADA") for the fiscal years 2017-18 and 2018-19, respectively. The second level of Tier Two is generated by tax effort that exceeds the district's compressed tax rate plus six cents (for most districts eligible for this level of funding, M&O tax rates ranging from \$1.06 to \$1.17 per \$100 of taxable value) and has a guaranteed yield per cent per WADA of \$31.95 for the 2018-19 State fiscal biennium. Property wealthy school districts that have an M&O tax rate that exceeds the district's compressed tax rate plus six cents are subject to recapture above this tax rate level at the equivalent wealth per student of \$319,500 (see "Wealth Transfer Provisions" below).

Previously, a district with a compressed tax rate below \$1.00 per \$100 of taxable value (known as a "fractionally funded district") received a Basic Allotment which was reduced proportionately to the degree that the district's compressed tax rate fell short of \$1.00. Beginning in the 2017-2018 fiscal year, the compressed tax rate of a fractionally funded district now includes the portion of such district's current M&O tax rate in excess of the first six cents above the district's compressed tax rate until the district's compressed tax rate is equal to the state maximum compressed tax rate of \$1.00. Thus, for fractionally funded districts, each eligible one cent of M&O tax levy above the district's compressed tax rate plus six cents will have a guaranteed yield based on Tier One funding instead of the Tier Two yield, thereby reducing the penalty against the Basic Allotment.

In addition to the operations funding components of the Foundation School Program discussed above, the Foundation School Program provides a facilities funding component consisting of the Instructional Facilities Allotment (IFA) program and the Existing Debt Allotment (EDA) program. These programs assist school districts in funding facilities by, generally, equalizing a district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Guaranteed Yield") in State and local funds for each cent of tax effort to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The guaranteed yield per cent of local tax effort per student in ADA has been \$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where the State Legislature allocates appropriated funds for new IFA awards, a school district must apply to the Commissioner in accordance with rules adopted by the Commissioner before issuing the bonds to be paid with IFA state assistance. The total amount of debt service assistance over a biennium for which a district may be awarded is limited to the lesser of (1) the actual debt service payments made by the district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. The 85th State Legislature did not appropriate any funds

for new IFA awards for the 2018-2019 State fiscal biennium; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded. State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") was the same as the IFA Guaranteed Yield (\$35 per cent of local tax effort per student in ADA). The 85th Texas Legislature changed the EDA Yield to the lesser of (i) \$40 or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of \$60 million more than the EDA to which districts would have been entitled to if the EDA Yield were \$35. The yield for the 2017-2018 fiscal year is approximately \$37. The portion of a district's local debt service rate that qualifies for EDA assistance is limited to the first 29 cents of debt service tax (or a greater amount for any year provided by appropriation by the Texas Legislature). In general, a district's bonds are eligible for EDA assistance if (i) the district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the district receives IFA funding.

A district may also qualify for a NIFA allotment, which provides assistance to districts for operational expenses associated with opening new instructional facilities. The 85th Texas Legislature appropriated funds in the amount of \$23,750,000 for each of the 2017-18 and 2018-19 State fiscal years for NIFA allotments.

2006 Legislation

Since the enactment of the Reform Legislation in 2006, most school districts in the State have operated with a "target" funding level per student ("Target Revenue") that is based upon the "hold harmless" principles embodied in the Reform Legislation. This system of Target Revenue was superimposed on the Foundation School Program and made existing funding formulas substantially less important for most school districts. The Reform Legislation was intended to lower M&O tax rates in order to give school districts "meaningful discretion" in setting their M&O tax rates, while holding school districts harmless by providing them with the same level of overall funding they received prior to the enactment of the Reform Legislation. To make up for this shortfall, the Reform Legislation authorized Additional State Aid for Tax Reduction ("ASATR") for each school district in an amount equal to the difference between the amount that each district would receive under the Foundation School Program and the amount of each district's Target Revenue funding level. However, in subsequent legislative sessions, the Texas Legislature has gradually reduced the reliance on ASATR by increasing the funding formulas and beginning with the 2017-18 school year, the statutes authorizing ASATR are repealed (eliminating revenue targets and ASATR funding).

2017 Legislation

The 85th Texas Legislature, including the regular session which concluded on May 29, 2017, and the special session which concluded on August 15, 2017, did not enact substantive changes to the Finance System. However, certain bills during the regular session and House Bill 21, which was passed during the special session and signed by the Governor on August 16, 2017, revised certain aspects of the formulas used to determine school district entitlements under the Finance System. In addition to amounts previously discussed, the 85th Texas Legislature additionally appropriated funds to (i) establish a Financial Hardship Transition Program, which provides grants ("Hardship Grants") to those districts which were heavily reliant on ASATR funding, and (ii) provide an Adjustment for Rapid Decline in Taxable Value of Property ("DPV Decline Adjustment") for districts which experienced a decline in their tax base of more than four percent for tax years 2015 and 2016. A district may receive either a Hardship Grant or a DPV Decline Adjustment, but cannot receive both. In a case where a district would have been eligible to receive funding under both programs, the district will receive the greater of the two amounts.

Wealth Transfer Provisions

Some districts have sufficient property wealth per student in WADA ("wealth per student") to generate their statutory level of funding through collections of local property taxes alone. Districts whose wealth per student generates local property tax collections in excess of their statutory level of funding are referred to as "Chapter 41" districts because they are subject to the wealth equalization provisions contained in Chapter 41 of the Texas Education Code. Chapter 41 districts may receive State funds for certain competitive grants and a few programs that remain outside the Foundation School Program. Otherwise, Chapter 41 districts are not eligible to receive State funding. Furthermore, Chapter 41 districts must exercise certain measures in order to reduce their wealth level to equalized wealth levels of funding, as determined by formulas set forth in the Reform Legislation. For most Chapter 41 districts, this equalization process entails paying the portion of the district's local taxes collected in excess of the equalized wealth levels of funding to the State (for redistribution to other school districts) or directly to other school districts with a wealth per student that does not generate local funds sufficient to meet the statutory level of funding, a process known as "recapture."

The equalized wealth levels that subject Chapter 41 districts to recapture for the 2018-2019 State fiscal biennium are set at (i) \$514,000 per student in WADA with respect to that portion of a district's M&O tax effort that does not exceed its compressed tax rate (for most districts, the first \$1.00 per \$100 of taxable value) and (ii) \$319,500 per WADA with respect to that portion of a district's M&O tax effort that is beyond its compressed rate plus \$0.06 (for most districts, M&O taxes levied above \$1.06 per \$100 in taxable value). So long as the State's equalization program under Chapter 42 of the Texas Education Code is funded to provide tax revenue equivalent to that raised by the Austin Independent School District on the first six pennies of tax effort that exceed the compressed tax rate, then M&O taxes levied above \$1.00 but at or below \$1.06 per \$100 of taxable value ("Golden Pennies") are not subject to the wealth equalization provisions of Chapter 41. Because funding at the Austin Independent School District level is currently being provided to school districts under Chapter 42 of the Texas Education Code, no recapture is currently associated with the Golden Pennies. Chapter 41 districts with a wealth per student above the lower equalized wealth level but below the higher equalized wealth level must equalize their wealth only with respect to the portion of their M&O tax rate, if any, in excess of \$1.06 per \$100 of taxable value. Under Chapter 41, a district has five options to reduce its wealth per student so that it does not exceed the equalized wealth levels: (1) a district may consolidate by agreement with one or more districts to form a consolidated district; all property and debt of the consolidating districts vest in the consolidated district; (2) a district may detach property from its territory for annexation by a property-poor district; (3) a district may purchase attendance credits from the State; (4) a district may contract to educate nonresident students from a property-poor district by sending money directly to one or more property-poor districts; or (5) a district may consolidate by agreement with one or more districts to form a consolidated taxing district solely

to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 41 district may also exercise any combination of these remedies. Options (3), (4) and (5) require prior approval by the Chapter 41 district's voters.

A district may not adopt a tax rate until its effective wealth per student is at or below the equalized wealth level. If a district fails to exercise a permitted option, the Commissioner must reduce the district's property wealth per student to the equalized wealth level by detaching certain types of property from the district and annexing the property to a property-poor district or, if necessary, consolidate the district with a property-poor district. Provisions governing detachment and annexation of taxable property by the Commissioner do not provide for assumption of any of the transferring district's existing debt. The Commissioner has not been required to detach property in the absence of a district failing to select another wealth-equalization option.

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

The District's estimated wealth per student for fiscal year 2018-19 is approximately \$331,202, which is more than the equalized wealth value. As a result, given the District's M&O tax rate is above \$1.06, the District is subject to certain of the wealth equalization provisions of the Finance System, and the District is required to exercise one of the permitted wealth equalization options for fiscal year 2018-19. Aside from additional state aid to hold the District harmless for tax revenue losses resulting from the increased homestead exemption as provided for in Senate Bill 1 passed during the 84th Texas Legislature, the District, as a so-called "Chapter 41 district," does not receive any State funding to pay debt service requirements on its outstanding indebtedness, including the Bonds. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts."

A district's wealth per student must be tested for each future school year and, if it exceeds the equalized wealth level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should continue to exceed the maximum permitted level in future school years, it will be required each year to exercise one or more of the wealth reduction options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

TAX RATE LIMITATIONS

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation as approved by the voters at an election held on January 6, 1979 under Chapter 20, Texas Education Code now codified as Section 45.003, Texas Education Code).

The maximum M&O tax rate per \$100 of assessed valuation that may be adopted by the District may not exceed the lesser of (A) \$1.50 and (B) the sum of (1) the rate of \$0.17, and (2) the product of the "State Compression Percentage" multiplied by \$1.50. The State Compression Percentage has been set, and will remain, at 66.67% for fiscal years 2007–08 through 2015–16. The State Compression Percentage is set by legislative appropriation for each State fiscal biennium or, in the absence of legislative appropriation, by the Commissioner. For a more detailed description of the State Compression Percentage, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts." Furthermore, a school district cannot annually increase its tax rate in excess of the district's "rollback tax rate" without submitting such tax rate to a referendum election and a majority of the voters voting at such election approving the adopted rate. See "AD VALOREM TAX PROCEDURES - Public Hearing and Rollback Tax Rate."

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of a proposition submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support school district bonded indebtedness.

Texas school district property tax rates are composed of two distinct rates: the maintenance and operations ("M&O") tax rate and the interest and sinking fund ("I&S") tax rate. The M&O tax rate funds the maintenance and operation costs of the District, and the I&S tax rate funds the repayment of bond debt issued to finance capital improvements. Increases in the M&O tax rate can generate additional state funding (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, which provides a general overview of the arrangement for state and local funding of Texas independent school districts). Prior to the District's 2018-2019 fiscal year, the District had a total tax rate of \$1.53 per \$100 of taxable assessed value, of which \$1.04 was collected for M&O and \$0.49 was collected for I&S. On August 11, 2018, voters of the District approved a tax ratification election (the "TRE Election") which authorized the District to increase its M&O tax rate by \$0.13 to \$1.17 per \$100 taxable assessed valuation, which is the maximum M&O tax rate allowed by Texas law. Following the TRE Election, the District increased the M&O tax rate to \$1.17 and reduced the I&S tax rate by \$0.13 to \$0.36 per \$100 of taxable assessed value. The result was a total tax rate for the 2018-2019 fiscal year of \$1.53, equal to that in the prior year.

Chapter 45 of the Texas Education Code, as amended, requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay debt service on a proposed issue of bonds, together with debt service on other outstanding "new debt" of the district, from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of \$0.50, a district may take into account State allotments to the district which effectively reduces the district's local share of debt service. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay debt service on bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds) are not subject to the foregoing threshold tax rate test. In addition, taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are

not subject to the \$0.50 tax rate test; however, taxes levied to pay debt service on such bonds are included in the calculation of the \$0.50 tax rate test as applied to subsequent issues of "new debt." The Bonds are not subject to the \$0.50 threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the \$0.50 threshold tax rate test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the \$0.50 threshold tax rate test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Attorney General must find that the district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the \$0.50 threshold tax rate test from a tax rate of \$0.45 per \$100 of valuation. The District has not used projected property values to satisfy this threshold test.

EMPLOYEES RETIREMENT PLAN

The District's employees participate in a retirement plan with the State of Texas; the Plan is administered by the Teacher Retirement System of Texas. The District has no pension fund expenditures or liabilities.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

RATINGS

The Bonds have not been submitted to any Rating Agency for assignment of a rating.

The Tioga Independent School District Public Facility Corporation does not have any bonds outstanding prior to the issue of the, other than the Refunded Bonds, Bonds and such Refunded Bonds are not rated by any agency.

The outstanding general obligation bonds of the Tioga Independent School District are currently rated "AAA" with the Permanent School Fund (PSF) Guarantee and "BBB-" underlying by Standard and Poor's Rating Services.

LEGAL MATTERS

The Corporation will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Corporation in the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or sub captions "THE BONDS" (except under the sub caption "Sources and Uses of Funds"), "SECURITY FOR THE BONDS," "REGISTRATION, TRANSFER AND EXCHANGE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" (except under the sub caption "The School Finance System as Applied to the District"), "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS", "TAX MATTERS", "REGISTRATION AND QUALIFICATIONS OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the sub caption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and sub captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Bond Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Kelly Hart & Hallman LLP, Fort Worth, Texas, whose fee is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

THE FOLLOWING DISCUSSION, WHICH WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SALE OF THE BONDS, IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, TO AVOID PENALTIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Corporation, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity Bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Corporation will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Legal Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the Corporation will rely upon (a) the Corporation's federal tax certificate (b) the certification of for the Corporation's financial advisor regarding the sufficiency of the cash deposited pay the principal of and interest on the Refunded Bonds on their redemption date, (c) covenants of the Corporation with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Corporation to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Corporation with respect to the Bonds or the Project. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Corporation that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Corporation as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other

disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Corporation assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and

authorized investments for insurance companies, fiduciaries and trustees, and for the sinking funds of municipalities and other political subdivisions and public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a produce standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), the Bonds must be rated at least "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases for interest and sinking funds of such entities. (See "RATINGS" herein). Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union 47 Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange

Act of 1934; and, (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Trustees.

The District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

FINANCIAL ADVISOR

George K. Baum & Company is employed as Financial Advisor (the "Financial Advisor") to the Issuer to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Issuer for the investment of bond proceeds or other funds of the Issuer upon the request of the Issuer.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

USE OF AUDITED FINANCIAL STATEMENTS

Coe Perry, CPA, in Dell City, Texas, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Coe Perry, CPA, in Dell City, Texas, also has not performed any procedures relating to this Official Statement.

LITIGATION

Neither the Corporation nor the District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District or the Corporation, would have a material adverse effect on the financial condition or operations of the District or the Corporation.

CONTINUING DISCLOSURE OF INFORMATION

Under the Trust Agreement, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. In accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the District, as the "obligated person" under the Rule, has made the following agreement in the Lease for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Rule. The District and the Corporation are collectively referred to as the "Obligated Party" in this section. Under the agreement, the Obligated Party will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Obligated Party will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and in Appendix D, which is the District's annual audited financial report. The Obligated Party will update and provide the annual financial information appearing in the numbered tables described in the preceding sentence within six months after the end of each fiscal year ending in and after 2019 and, if not submitted as part of the annual financial information, the Obligated Party will provide audited annual financial report when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District 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. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, the Obligated Party must provide updated information included in the above referenced tables by the last day of December in each year, end audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by February 28 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

Notices of Certain Events

The Obligated Party will also provide timely notices of certain events to the MSRB. The Obligated Party will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, 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; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Obligated Party, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the

Obligated Party or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the Obligated Party, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Party, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Party, any of which reflect financial difficulties. In addition, the Obligated Party will provide timely notice of any failure by the Obligated Party to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Financing Documents provide for debt service reserves, liquidity enhancement, or credit enhancement.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Obligated Party in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Party.

For the events listed in clause (15) and (16) above, the term "financial obligation" means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Availability of Information

The Obligated Party has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.msrb.org.

Limitations and Amendments

The Obligated Party has agreed to update information and to provide notices of certain events only as described above. The Obligated Party has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Obligated Party makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Obligated Party disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the Obligated Party to comply with its agreement.

The Obligated Party may amend its disclosure agreement 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 Obligated Party, but only if (1) the provisions, 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 of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Obligated Party (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. The Obligated Party may also amend or repeal the provisions of its 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. If the Obligated Party amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the Obligated Party has complied in all material respects with all continuing disclosure agreements entered into by it in accordance with the Rule.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriter's Discount of \$561,500.00. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Crews & Associates, Inc. currently owns 100% of the Refunded Bonds and has consented to waive the optional redemption call on the Refunded Bonds and allow for the Refunded Bonds to be refunded on the day of closing at a price of 104% plus accrued interest to the date of redemption. Crews & Associates, Inc. is also serving as Underwriter on the Bonds.

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Schedule I

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITIES CORPORATION

Schedule of Bonds to be Refunded

<u>Series To Be Refunded</u> 2016	<u>Principal Amount</u>	<u>Maturities Being Refunded</u>	<u>Principal Amount Being Refunded</u>	<u>Principal Amount Remaining After Refunding</u>
TERM 2040	\$ 26,025,000.00	2040	\$ 26,025,000.00	\$ -

CALL DATE: May 9, 2019

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APPENDIX A

**FINANCIAL INFORMATION REGARDING
TIOGA INDEPENDENT SCHOOL DISTRICT**

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FINANCIAL INFORMATION FOR TIOGA INDEPENDENT SCHOOL DISTRICT

TIER ONE ALLOTMENT HISTORY

The District's primary source of revenue from which the Lease Payments will be made is a portion of the Tier One funds received by the District from the State of Texas. The amount of Tier 1 allotments of the District in each year is based on average daily attendance, the District's tax rate, it's assessed valuation, and the collection rate. The portion that may be pledged is determined by a formula supplied by the office of the Attorney General of Texas (State Share / Total Tier 1) *Regular Block Grant = Tier 1 Funds Available) the main component of which is the Regular Block Grant "(also referred to as the Regular Program Allotment)." See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

Fiscal Year Ended	State Share	Total Tier I Allotment	Regular Block Grant/Regular Program Allotment	Tier 1 Funds Available for Debt Service
2015	\$2,150,000	\$2,856,921	\$2,162,667	\$1,627,533.30
2016	\$2,776,418	\$3,464,607	\$2,705,486	\$2,168,084.30
2017	\$3,051,552	\$3,834,885	\$2,991,881	\$2,380,744.26
2018	\$3,540,323	\$4,399,869	\$3,406,240	\$2,740,806.56
2019	\$4,157,634	\$5,161,803	\$3,949,331	\$3,181,034.39

Source: Tioga ISD; Tier One Allotment history may not be indicative fo future Tier One Allotments.

AVERAGE DAILY ATTENDANCE

The amount of a school district's Tier One Allotment is calculated, in part, based upon the "average daily attendance" of the District which includes the "Tier One Basic Allotment" and a "cost of education adjustment." The "cost of education adjustment" is an adjustment of each school district's basic allotment, to be determined by the foundation school budget committee, reflecting the geographic variations in known resource costs and costs of education due to factors beyond the control of the school district. A significant decrease in the District's average daily attendance may result in a decrease of the District's Tier One Basic Allotment in future years, thereby decreasing the amount of money from which the District may appropriate the Lease Payments

The amount of State assistance provided to the District under Tier One is based, in part, on the average daily attendance ("ADA") of the District. The following table reflects the District's ADA for the years stated.

SCHOOL YEAR	NUMBER OF STUDENTS	AVERAGE DAILY ATTENDANCE
2013-14	292	266
2014-15	384	342
2015-16	482	424
2016-17	521	475
2017-18	601	544

Source: Tioga ISD and Texas Education Agency School District State Aid Reports

UNRESTRICTED FUND BALANCE

The District is permitted under current law to pay the Lease Payments from unintended surplus maintenance tax funds, in addition to the Basic Allotment of Tier I funds. Below is a history of the undesignated general fund balance at the end of each of the preceding five fiscal years. Because undesignated fund balances result, in part, from surplus maintenance tax money which was "unintended" by the District, there can be no assurance that undesignated fund balances in future years will be consistent with those of the prior years.

Fiscal Year Ended	Unrestricted General Fund Balance
2014	1,410,451
2015	1,052,051
2016	109,277
2017	0
2018	550,558

Source: Tioga ISD Audited Financial Statements

ADDITIONAL FINANCIAL INFORMATION FOR TIOGA INDEPENDENT SCHOOL DISTRICT

ASSESSED VALUATION

2018 Actual Total Valuation.....	\$ 312,911,640
2018 Net Taxable Valuation*.....	\$ 111,148,066

* Net of the following deductions provided under Article VII of the State Constitution and Tax Abatement

Exemption/Deduction (Tax Year 2018)	Total
Residential Homestead (\$25,000)	\$ 9,775,744
Residential Homestead Over-Age 65/Disabled (\$10,000)	1,515,214
Disabled Vets/Survivors (up to \$3,000)	621,979
Agricultural Use/Productivity	177,578,861
Freeport Exemption	0
Pollution Control	0
Cap Value Loss	5,475,406
Freeze Value Loss	6,796,340
Personal Property In Transit	0
Prorations/Solar/Wind	0
Exempt	0
Total	\$ 201,763,544

DEBT INFORMATION OF THE DISTRICT

Unlimited Tax Bonds - Tioga ISD	
Current Interest Bonds Outstanding	\$ 4,040,000
Capital Appreciation Bonds	
Value At Maturity.....	\$ 3,745,000
Value Not Accreted.....	<u>1,164,608</u>
Accreted Value.....	\$ <u>2,580,392</u>
Total Unlimited Tax Bonds Outstanding	\$ <u>6,620,392</u>
Ratio Net G.O. Debt to Net Taxable Valuat 5.96%	

Lease Revenue Bonds - Tioga ISD Public Facilities Corporation	
Lease Revenue Refunding Bonds, Series 2019	\$ 28,075,000
Lease Revenue Bonds, Series 2016.....	\$ 26,025,000
Less: Bonds to be Refunded.....	\$ <u>26,025,000</u>
Total Lease Revenue Bonds Outstanding.....	\$ <u>28,075,000</u>

Other Obligations of the District	
June 1, 2018 Lease of Buses and Technology Outstanding as of January 30, 2019.....	\$ 700,000
Total other Obligations of the District.....	\$ <u>700,000</u>

ADDITIONAL INFORMATION

2018 Population Estimate	4,721	Per Capita Net Valuation	\$ 23,543
2018 Enrollment	684	Per Capita Actual Valuation	\$ 66,281
Area (square miles)	34.47	Per Capita Net G.O. Debt	\$ 1,402

PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Net		% Collections		F/Y Ended	Source
	Taxable Valuation	Tax Rate	Current	Total ⁽¹⁾		
2013	\$ 73,276,851	1.5300	97.98	99.72	08/31/14	(2)
2014	74,810,839	1.5300	97.75	99.73	08/31/15	(2)
2015	74,986,441	1.5300	97.87	99.19	08/31/16	(2)
2016	87,925,092	1.5300	98.27	98.27	08/31/17	(2)
2017	100,416,887	1.5300	<u>95.65</u>	<u>96.4</u>	08/31/18	(2)
	Five Year Average.....		<u>97.50</u>	<u>98.66</u>		
2018	\$ 111,148,066	\$1.5300	(in process of collection)		08/31/19	(2)

(1) Delinquent tax collections are allocated to the respective years in which the taxes are levied.

(2) District Tax Office / State Comptrollers Report / Texas Municipal Report Dated 09/5/18 - Totals include Freeze value loss

TAX RATE DISTRIBUTION

Tax Year	2018	2017	2016	2015	2014
Local Maintenance	\$1.1700	\$1.0400	\$1.0400	\$1.0400	\$1.0400
Interest & Sinking	<u>0.3600</u>	<u>0.4900</u>	<u>0.4900</u>	<u>0.4900</u>	<u>0.4900</u>
Total	\$1.5300	\$1.5300	\$1.5300	\$1.5300	\$1.5300

Source: Tioga ISD and Grayson County Tax Reports

2018

PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Union Pacific Railroad Co.	Railroad	\$2,716,256	2.44%
Recovery Road Properties LLC	Railroad	1,250,338	1.24%
Texas-New Mexico Power Co.	Power Company	1,162,310	1.15%
Rod Robert & Julie Leigh Beckman	Residential	972,496	0.97%
Kimbrell Rick Etux Melissa	Residential	963,834	0.96%
Robbin Thayn	Residential	895,127	0.89%
Timothy & Colleen McQuay	Farm Land	892,950	0.89%
Felderhoff Production Company	Oil & Gas	863,332	0.86%
LJB Springs, LP	Real Estate	863,247	0.86%
Raymond Lee Myers & Susan Bostick	Residential	765,418	0.76%
Total.....		<u>\$11,345,308</u>	<u>11.27%</u>

2017

PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Union Pacific Railroad Co.	Railroad	\$2,555,487	2.54%
Recovery Road Properties LLC	Railroad	1,597,660	1.59%
Texas-New Mexico Power Co.	Power Company	1,129,497	1.12%
Timothy & Colleen McQuay	Farm Land	1,058,246	1.05%
Larry Lehman	Personal	1,054,604	1.05%
Rod & Julie Beckmen	Personal	920,577	0.92%
Kimbrell Rick Etux Melissa	Personal	871,923	0.87%
Dual Estate Texas LLC	Real Estate	862,109	0.86%
Felderhoff Production Company	Oil & Gas	854,856	0.85%
LJB Springs, LP	Real Estate	834,942	0.83%
Total.....		<u>\$11,739,901</u>	<u>11.69%</u>

2016

PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Union Pacific Railroad Co.	Railroad	\$2,402,002	2.73%
Recovery Road Properties LLC	Railroad	1,409,991	1.60%
Timothy & Colleen McQuay	Farm Land	1,055,127	1.20%
Larry Lehman	Personal	1,032,668	1.17%
Texas-New Mexico Power Co.	Power Company	1,026,955	1.17%
Rod & Julie Beckmen	Personal	924,539	1.05%
LJB Springs, LP	Real Estate	830,065	0.94%
Kimbrell Rick Etux Melissa	Personal	793,162	0.90%
Dual Estate Texas LLC	Real Estate	789,969	0.90%
Cordell & Terri Hendricks	Personal	642,946	0.73%
Total.....		<u>\$10,907,424</u>	<u>12.41%</u>

Source: Comptroller's Report

**TIOGA INDEPENDENT SCHOOL DISTRICT
COMBINED GENERAL FUND BALANCE SHEET**

	Fiscal Years Ending August 31,				
	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>
ASSETS:					
Cash and Investments	\$122,170	\$247,014	\$923,316	\$2,604,536	\$2,604,269
Property Taxes - Delinquent	51,818	44,190	40,798	42,298	38,729
Allowance for Uncollectible Taxes (Credit)	(2,591)	(2,210)	(2,040)	(2,115)	(1,936)
Property Taxes Receivable, Net	0	0	0	0	0
Due from Other Governments	428,201	602,379	635,062	65,711	65,711
Accrued Interest Receivable	0	0	0	0	0
Due from Other Funds	469,624	12,785	12,785	1,990	3,840
Other Receivables	<u>0</u>	<u>2,409</u>	<u>0</u>	<u>2,660</u>	<u>2,660</u>
Total Assets	<u>\$1,069,222</u>	<u>\$906,567</u>	<u>\$1,609,921</u>	<u>\$2,715,080</u>	<u>\$2,713,273</u>
Deferred inflows of resources					
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$29,499	\$32,235	\$33,096	\$24,315	\$47,949
Short Term Note Payable - Current	0	0	1,300,000	0	0
Payroll Deductions and Withholdings Pay	0	3,972	3,484	2,012	137
Accrued wages payable	4,577	264,755	122,975	102,548	53,246
Due to other funds	0	526,680	0	0	58,019
Accrued Expenditures	92	5,594	2,331	1,945	1,024
Deferred Revenue	0	0	0	0	0
Unearned Revenue	<u>439,799</u>	<u>0</u>	<u>0</u>	<u>1,492,026</u>	<u>1,105,654</u>
Total Liabilities	<u>\$473,967</u>	<u>\$833,236</u>	<u>\$1,461,886</u>	<u>\$1,622,846</u>	<u>\$1,266,029</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	<u>\$44,697</u>	<u>\$41,980</u>	<u>\$38,758</u>	<u>\$40,183</u>	<u>\$36,793</u>
FUND BALANCES:					
Reserved Fund Balance					
Debt Service	\$0	\$0	\$0	\$0	\$0
Other Reserves of Fund Balance	0	0	0	0	0
Other Assigned Fund Balance	0	31,351	0	268,761	0
Designated Fund Balances:	0	0	0	0	0
Construction	0	0	0	600,000	600,000
Unassigned	550,558	0	109,277	183,290	810,451
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$550,558</u>	<u>\$31,351</u>	<u>\$109,277</u>	<u>\$1,052,051</u>	<u>\$1,410,451</u>
Total Liabilities & Fund Balances	<u>\$1,069,222</u>	<u>\$906,567</u>	<u>\$1,609,921</u>	<u>\$2,715,080</u>	<u>\$2,713,273</u>

Source: Tioga ISD - Audits

*Fund Balance was impacted by an unanticipated early payment on the Refunded Bonds. Funds to make this payment came from the general fund reserves. This was a one time expenditure in the fiscal year ending 2016. The District is working to rebuild this fund balance as shown in the subsequent years. The District expects to end the fiscal year ending 08/31/2019 with a fund balance of approximately \$1,500,000.

TIOGA INDEPENDENT SCHOOL DISTRICT
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending August 31,				
	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>
Beginning Fund Balance	<u>\$31,351</u>	<u>\$109,277</u>	<u>\$1,052,051</u>	<u>\$1,410,451</u>	<u>\$1,593,422</u>
<u>REVENUES</u>					
Total Local and Intermediate Sources	\$1,515,339	\$1,365,479	\$1,332,145	\$1,222,283	\$1,119,057
State Sources	4,845,938	3,878,490	3,598,999	2,666,319	2,090,288
Federal Sources	8,692	8,952	12,392	0	3,419
Total Revenues	<u>\$6,369,969</u>	<u>\$5,252,921</u>	<u>\$4,943,536</u>	<u>\$3,888,602</u>	<u>\$3,212,764</u>
<u>EXPENDITURES</u>					
Instruction	\$3,084,484	\$3,119,684	\$2,692,571	\$2,315,415	\$1,771,227
Instructional Resources & Media	74,022	77,431	64,606	62,929	59,546
Curriculum & Instructional Staff Dev.	2,458	2,506	3,784	4,997	563
Instructional Leadership	0	0	0	5,261	0
School Leadership	358,462	352,847	261,971	236,323	170,010
Guidance, Counseling & Evaluation Services	84,366	93,810	61,021	62,824	39,474
Health Services	39,678	47,308	6,938	30,539	6,848
Student Transportation	82,453	64,077	58,029	159,827	84,598
Food Services	0	0	0	0	0
Co-Curricular/ Extracurricular Activities	494,634	500,276	407,179	446,031	279,332
General Administration	461,964	416,644	387,653	265,957	238,778
Facilities Maintenance & Operations	417,359	1,769,801	407,955	426,055	302,086
Security and Monitoring Services	4,615	3,732	7,464	2,499	2,112
Data Processing Services	41,642	30,825	57,382	106,451	78,768
Debt Service:	0				
Principal on Long Term Debt	269,557	38,245	71,350	31,478	62,649
Interest on Long Term Debt	51,871	19,607	5,732	1,836	3,750
Bond Issuance Cost and Fees	0	0	0	0	0
Capital Outlay:	0	0	0	0	0
Facilities Acquisition and Construction	250,099	3,717	1,300,000	0	0
Intergovernmental Charges:	0	0	0	0	0
Contracted Instructional Services between Schools	72,426	55,563	51,470	22,248	66,672
Payments to Fiscal Agent/Member Districts of SSA	51,454	65,155	50,279	44,694	44,844
Total Expenditures	<u>\$5,841,544</u>	<u>\$6,661,228</u>	<u>\$5,895,384</u>	<u>\$4,225,364</u>	<u>\$3,211,257</u>
Excess (Deficiency) of Revenues Over (Under)	<u>\$528,425</u>	<u>(\$1,408,307)</u>	<u>(\$951,848)</u>	<u>(\$336,762)</u>	<u>\$1,607</u>
Expenditures					
OTHER FINANCING SOURCES (USES):					
Proceeds from Capital Leases	\$0	\$0	\$0	\$0	\$0
Non-Current loans	0	0	0	200,000	0
Sale Real and Personal Property	0	1,317,583	72,113	0	0
Transfers In	0	67,124	0	0	0
Transfers Out (Use)	(9,218)	(54,326)	(63,039)	(221,638)	(90,617)
Total Other Financing Sources (Uses)	<u>(\$9,218)</u>	<u>\$1,330,381</u>	<u>\$9,074</u>	<u>(\$21,638)</u>	<u>(\$90,617)</u>
Net change in fund balances	\$519,207	(\$77,926)	(\$942,774)	(\$358,400)	(\$89,010)
Prior Period Adjustment	0	0	0	0	(93,961)
Ending Fund Balance - August 31	<u>\$550,558</u>	<u>\$31,351</u>	<u>\$109,277</u>	<u>\$1,052,051</u>	<u>\$1,410,451</u>

Source: Tioga ISD - Audits

*Fund Balance was impacted by an unanticipated early payment on the Refunded Bonds. Funds to make this payment came from the general fund reserves. This was a one time expenditure in the fiscal year ending 2016. The District is working to rebuild this fund balance as shown in the subsequent years. The District expects to end the fiscal year ending 08/31/2019 with a fund balance of approximately \$1,500,000.

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APPENDIX B

**ADDITIONAL INFORMATION REGARDING
TIOGA INDEPENDENT SCHOOL DISTRICT**

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**ADDITIONAL INFORMATION REGARDING
TIOGA INDEPENDENT SCHOOL DISTRICT**

Tioga ISD is located in Grayson County, is an agricultural area that includes the City of Tioga, located on TX HWY 377, 5 miles north of Pilot Point and 5 miles south of Collinsville. Tioga ISD is a PreK-12 school district with a Recognized TEA accountability rating. The school district offers Pre-AP math and has a Distance Learning lab for students who can take courses online. The district offers career and technical education programs in Agricultural Science. Admission to these programs is based on student interest. The school district has been recognized by TEA for their academic accomplishments.

Tioga also offers an Early College High School program that allows students the opportunity graduate with a high school diploma and an Associate degree or industry certification. The program is made possible through a partnership between the District and Grayson College. The program provides opportunities for all students to advance toward successfully attaining college credentials and skilled job opportunities in the workforce. In addition, the opportunity to earn college credits is free of charge, students experience the college culture and mindset while being exposed to new learning opportunities.

The District ceased serving high school students in 1961. In the 2012-2013 school year, the District reestablished its high school, serving 9th grade. 10th, 11th and 12th grades were offered beginning in the 2013-2014, 2014-2015 and 2015-2016 school years, respectively.

The Texas Department of Transportation ("TxDot") is currently planning the extension of the Dallas North Tollway from County Road 60 near the Collin County/Grayson County line south of the City of Gunter, Texas, to U.S. Highway 75, intersecting near Denison, Texas. It is expected that the extension will drive further growth in the District. As of the date of this Official Statement, purchasing of right-of-way for the project by TxDOT has commenced. No guarantee is provided that the extension will be completed as planned.

<u>Water provided by:</u>	City of Tioga
<u>Electricity provided by:</u>	TNMP
<u>Natural Gas provided by:</u>	Atmos
<u>Telephone service provided by:</u>	Frontier
<u>Motor Freight carriers provided by:</u>	BNSF
<u>Colleges and Universities:</u>	University of North Texas, Texas Women's University Grayson County Community College and Austin College

Enrollment Statistics	
Year Ending, 8-31	Enrollment
2009	167
2010	165
2011	141
2012	159
2013	265
2014	292
2015	384
2016	482
2017	521
2018	601
2019	684*

***As of February 1, 2019**

FACILITIES

<u>School</u>	<u>Campus Size (acres)</u>	<u>Grades</u>	<u>Capacity</u>
Tioga Elementary/Middle School	15	PK-8	510
Tioga High School	92	9-12	350

The District anticipates that an additional elementary school facility may be needed in as few as three years based on current growth and growth projections.

PORTABLE CLASSROOMS OWNED BY THE DISTRICT

<u>Campus Location</u>	<u>Number of Classrooms</u>	<u>Will Construction Allow Removal</u>
Tioga Elementary	3	No

EMPLOYMENT OF THE DISTRICT - 2019

Teachers.....	55
Administrators.....	5
Teacher Aides & Secretaries.....	24
Auxiliary Employees	11
Total Number of Employees	95

ADDITIONAL INFORMATION REGARDING

GRAYSON COUNTY, TEXAS

Grayson County was created in 1846 from Fannin County. The County was the state's largest producer of wheat and the 9th largest producers of oats for 2006. Grayson County is located just 60 miles north of Dallas in the North Texas Region.

The City of Tioga is in the heart of "horse country" and provides the citizens with the "best of both worlds" because they are close enough to enjoy all the amenities of the Dallas/Ft. Worth metroplex while still enjoying the rural charm and values of a small town.

PENSION FUND LIABILITY

The District has no direct liability for pensions. A mandatory contribution of a percentage of gross salary is made by all employees to the Texas Retirement System of Texas. The District is required to deduct and forward the contributions to the State Administered System.

TAX RATE LIMITATIONS

For Debt Service: Unlimited Tax Bonds - No Limitation (Chapter 45, Tx. Education Code)
 For Local Maintenance: \$1.50 per \$100 of Assessed Valuation (Chapter 45 voted January 6, 1979)

ESTIMATED OVERLAPPING DEBT STATEMENT

<u>Taxing Body</u>	<u>Amount</u>	<u>As Of</u>	<u>% Overlap</u>	<u>\$ Overlap</u>
Grayson County	\$ 45,920,000.00 *	12/31/18	1.38%	\$ 633,696
Grayson County JCD	27,390,000.00 *	12/31/18	1.38%	377,982
Gunter, City of	2,688,000.00 *	12/31/18	0.20%	5,376
Tioga, City of	1,691,000.00 *	12/31/18	100.00%	<u>1,691,000</u>
Total Net Overlapping Debt				\$ 2,708,054
Tioga ISD	\$ 6,620,391.76	04/09/19	100.00%	<u>6,620,392</u>
Total Direct and Overlapping Debt.....				\$ 9,328,446
* Gross Debt				
Direct and Overlapping Debt to Net Taxable Valuation				8.39%
Direct and Overlapping Debt to Actual Total Valuation				2.98%
Per Capita Direct and Overlapping Debt				\$1,976

2018 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Grayson County	\$ 0.441810
Grayson County JCD	\$ 0.177334
Gunter, City of	\$ 0.610000
Tioga, City of	\$ 0.537071

Source: Texas Municipal Report

OUTSTANDING LEASES

ORIGINAL DATE OF THE LEASE/LOAN 6/1/2018
PURPOSE BUSES, TECHNOLOGY
INTEREST RATE 5.00%
REPAYMENT SCHEDULE 4 years
DATE OF FINAL PAYMENTS 8/30/2022
SOURCE M&O
AMOUNT CURRENTLY OUTSTANDING AS OF 01/30/19 APPROX: \$700,000.00

Source: Tioga ISD

PUBLIC FACILITY CORPORATION

Tioga ISD has formed a Public Facilities Corporation (PFC) for the purpose of issuing bonds to construct and equip a new high school facility on a new campus. This new school was put into operation in August 2018.

The bonds issued by the PFC are paid by a dedication of a portion of the District's Tier 1 funds and are subject to annual appropriation. The Refunded Bonds (Series 2016) are being refunded by the Bonds (Series 2019).

Par amount of Refunded Bonds.....\$26,780,000
Interest rate.....5.50%
Final maturity.....August 15, 2040

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	Total Tax Roll for Tax Years - Per Comptroller's Report				
	2018	2017	2016	2015	2014
Single-Family Residential	\$ 73,675,040	\$ 67,130,811	\$ 56,529,188	\$ 47,517,809	\$ 38,762,228
Multi-Family Residential	1,901,098	1,910,842	1,627,463	1,097,276	1,147,019
Vacant Lots/Tracts	2,717,224	2,816,650	2,024,129	2,109,008	1,846,747
Acreage (Land Only)	184,489,330	115,718,318	89,181,044	78,534,923	73,971,044
Farm and Ranch Improvements	33,642,984	29,332,239	27,757,767	26,471,637	22,167,114
Commercial and Industrial	7,118,017	5,526,688	5,040,746	5,075,072	4,928,827
Minerals, Oil and Gas	1,404,133	1,378,031	493,035	1,033,105	2,438,796
Residential Inventory	101,727	726,446	195,219	231,312	176,931
Business, Tangible	2,752,859	2,215,928	2,029,295	2,314,348	1,826,418
Other, Totally Exempt	-	-	-	22,769,396	-
Mobile Homes	144,521	144,477	146,603	138,412	172,726
Special/Real Inventory	34,129	18,970	10,184	1,616	4,271
Utilities	4,930,578	4,723,057	4,459,343	4,226,449	3,804,541
Total Assessed Valuation	\$ 312,911,640	\$ 231,642,457	\$ 189,494,016	\$ 191,520,363	\$ 151,246,662
Less Exemptions:					
Residential Homestead	\$ 9,775,774	\$ 9,608,551	\$ 9,130,850	\$ 8,814,396	\$ 5,204,893
Disabled/Deceased Veterans	621,979	654,017	725,908	285,824	371,459
Over-65 and/or disabled	1,515,214	1,436,499	1,361,055	1,293,275	1,195,000
Freeport Loss	-	-	-	-	-
Cap Value Loss	5,475,406	5,374,370	4,343,264	3,290,051	331,910
Freeze Value Loss	6,796,340	5,722,182	4,185,098	9,554,020	2,330,719
Exempt	-	-	-	22,759,396	-
Personal Property Vehicle	-	-	-	-	-
Pollution Control	-	-	-	10,000	-
Agriculture Use/Productivity	177,578,861	108,429,951	81,822,749	70,526,960	67,001,842
Total Exemptions	\$ 201,763,574	\$ 131,225,570	\$ 101,568,924	\$ 116,533,922	\$ 76,435,823
Transfer Adjustment					
Taxable Assessed Valuation ⁽¹⁾	\$ 111,148,066	\$ 100,416,887	\$ 87,925,092	\$ 74,986,441	\$ 74,810,839

⁽¹⁾ Includes Frozen values

Preliminary 2018 Values stated above are as of 01/31/2019. Subject to change, due to ongoing protests.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

Property Use Category	Percent of Total Tax Roll for Tax Years				
	2018	2017	2016	2015	2014
Single-Family Residential	23.54%	28.98%	29.83%	24.81%	25.63%
Multi-Family Residential	0.61%	0.82%	0.86%	0.57%	0.76%
Vacant Lots/Tracts	0.87%	1.22%	1.07%	1.10%	1.22%
Acreage (Land Only)	58.96%	49.96%	47.06%	41.01%	48.91%
Farm and Ranch Improvements	10.75%	12.66%	14.65%	13.82%	14.66%
Commercial and Industrial	2.27%	2.39%	2.66%	2.65%	3.26%
Minerals, Oil and Gas	0.45%	0.59%	0.26%	0.54%	1.61%
Residential Inventory	0.03%	0.31%	0.10%	0.12%	0.12%
Business, Tangible	0.88%	0.96%	1.07%	1.21%	1.21%
Other, Totally Exempt	0.00%	0.00%	0.00%	11.89%	0.00%
Mobile Homes	0.05%	0.06%	0.08%	0.07%	0.11%
Special/Real Inventory	0.01%	0.01%	0.01%	0.00%	0.00%
Utilities	1.58%	2.04%	2.49%	2.47%	2.52%
	100.00%	100.00%	100.14%	100.26%	100.00%

Note: Totals may not equal 100% due to rounding

Source: Comptroller's Report

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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(Date of Delivery of Bonds)

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

**TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
SCHOOL FACILITY LEASE REVENUE REFUNDING BONDS, SERIES 2019**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$28,075,000

AS BOND COUNSEL for the Tioga Independent School District Public Facility Corporation (the "*Issuer*"), the issuer of the Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer including the Bond Resolution, the Lease, the Trust Agreement, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including the executed Bond Numbered T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to principles of sovereign immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and are payable from and secured by the revenues and receipts provided therefor to be made or paid to Wilmington Trust, National Association (the "*Trustee*") pursuant to the "Amended and Restated Lease with an Option to Purchase" (the "*Lease*") between the Issuer and the Tioga Independent School District (the "*Lessee*") and the "Trust Agreement Relating to the Tioga Independent School District School Facility Project" dated as of May 1, 2019 (the "*Trust Agreement*"), between the Issuer and the Trustee.

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IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

IT IS OUR OPINION that the Lease has been duly and lawfully authorized, executed, and delivered by the Issuer and the Lessee pursuant to Section 271.004, et seq. Texas Local Government Code, as amended, and is legal, valid, and binding agreement of the Issuer and the Lessee enforceable against them, in accordance with its terms and conditions. It is further our opinion that the Trust Agreement has been duly and lawfully authorized, executed, and delivered by the Issuer, and assuming due authorization, execution, and delivery thereof by the Trustee, that it is a legal, valid, and binding agreement of the Issuer enforceable against it, in accordance with its terms and conditions.

We express no opinion as to the title to any of the property, real, personal or mixed that is intended to serve as collateral. We further express no opinion regarding the priority of any liens or security interests granted, and we express no opinion regarding the perfection of such liens and security interests.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the certificate of the Issuer's financial advisor as to the sufficiency of the amounts initially deposited to pay the redemption price of the refunded bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.



OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX D

The information contained in this Appendix has been reproduced from the Tioga Independent School District Annual Financial Report (the "Report") for the Fiscal Year Ended August 31, 2018.

THE INFORMATION PRESENTED REPRESENTS ONLY A PART OF THE REPORT AND DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE DISTRICT'S FINANCIAL CONDITION. REFERENCE IS MADE TO THE COMPLETE REPORT FOR ADDITIONAL INFORMATION

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TIOGA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018



coemperry@yahoo.com

817.907.4423

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TIOGA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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CERTIFICATE OF BOARD

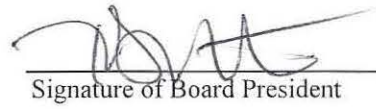
Tioga Independent School District
Name of School District

Grayson
County

091-907
Co.-Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 28 day of January, 2019.


Signature of Board Secretary


Signature of Board President

FINANCIAL SECTION



210 N. Main St
PO Box 246
Dell City, Texas 79837
817.907.4423

Members:
American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Tioga Independent School District
Tioga, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tioga Independent School District (District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Tioga Independent School District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board including GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, the *pension information* and the *budgetary comparison information* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

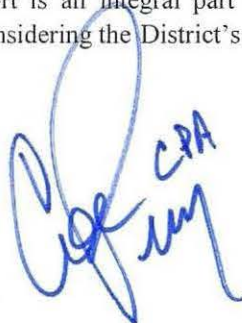
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 's basic financial statements. The required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required TEA schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully,

Coe Perry, CPA
Certified Public Accountants
Dell City, Texas
January 18, 2019

A handwritten signature in blue ink, appearing to read 'Coe Perry', with 'CPA' written in blue ink above the signature.

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2018

In this section of the Annual Financial Statements, the management of Tioga Independent School District discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditor's report and the District's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the District's liabilities and deferred inflows exceeded its assets and deferred outflows by \$ -1,769,201. Of this amount, \$ -5,437,219 was unrestricted net position.
- The District's net position decreased by \$ 1,311,831, or 267.56% as a result of this year's operations.
- During the year, the District had total expenses of \$ 8,076,420, which were \$ 1,535,526 less than the \$ 1,535,526 generated in tax revenues, before any special items. This compares to last year when revenues were exceeded by total expenditures by \$ 2,259,659.
- The General Fund ended the year with a fund balance of \$ 550,558. The fund balance of the General Fund is unassigned and is 9.42% of total General Fund expenditures.
- The resources available for appropriation were \$ 932,531 lower than budgeted for the General Fund. This is primarily due to a sharp reduction in State Aid Formula allotment during the fiscal year.
- The total cost of the District's programs decreased from last year as the District implemented GASB 75 in the current year. The implementation caused a significant reduction for OPEB plan changes which are reflected as decreases to both revenue and expenses.
- During the year ended August 31, 2018, the District continued and completed construction on the new High School Facility, which opened to students for the 2018-19 school year.

Using This Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The section labeled Required Texas Education Agency Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
YEAR ENDED AUGUST 31, 2018

Reporting The District As A Whole – The Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the government-wide statements. The primary purpose of the government-wide statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities, deferred inflows and outflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the District's net position and its respective change during the year. The District's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District contains one kind of activity:

Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting The District's Most Significant Funds – The Fund Financial Statement

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the District to establish certain funds. The District's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. Each category uses a different accounting approach.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the District's general operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions.

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
YEAR ENDED AUGUST 31, 2018

Following each of the governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

- Proprietary funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds – The District currently has no fiduciary funds. These would apply in cases where the District is the trustee, or fiduciary, for money received in numerous offices. All of the District's fiduciary activities would be reported in a separate Statement of Fiduciary Net Position. We report the resources these activities produce that are due to District operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Position. All other resources within the fiduciary activities are excluded from the District's other financial reports because the District cannot use those assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$ 490,293 to negative \$ 1,911,413. Included in this increase was a prior period adjustment of \$ 1,089,875 due to implementation of GASB 75. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$ 5,437,219 at August 31, 2018. This decrease in governmental net position was primarily the result of the implementation during the current year of GASB 75, accounting for Other Post Retirement Benefits.

TABLE I TIOGA INDEPENDENT SCHOOL DISTRICT NET POSITION		
	<u>Governmental Activities</u>	
Assets:	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 1,391,750	\$ 18,471,025
Capital Assets, Net	31,099,706	16,280,529
Total Assets	<u>32,491,456</u>	<u>34,751,554</u>
Total Deferred Outflows of Resources	757,244	826,255
Liabilities:		
Current Liabilities	582,830	1,903,772
Noncurrent Liabilities	33,677,827	33,025,456
Total Liabilities	<u>34,260,657</u>	<u>34,929,228</u>
Total Deferred Inflows of Resources	899,456	158,288
Net Position:		
Net Investment in Capital Assets	2,227,873	521,449
Restricted	1,297,933	669,619
Unrestricted	(5,437,219)	(700,775)
Total Net Position	<u>\$ (1,911,413)</u>	<u>\$ 490,293</u>

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
YEAR ENDED AUGUST 31, 2018

TABLE II TIOGA INDEPENDENT SCHOOL DISTRICT CHANGES IN NET POSITION		
	<u>Governmental Activities</u>	
Revenues:	<u>2018</u>	<u>2017</u>
Program Revenues:		
Charges for Services	\$ 410,466	\$ 414,073
Operating Grants and Contributions	(54,123)	689,617
General Revenues:		
Maintenance and Operations Taxes	\$ 1,043,054	\$ 926,396
Debt Service Taxes	492,472	437,454
State aid - formula	4,661,522	3,634,455
Investment Earnings	35,319	35,853
Miscellaneous Revenue	175,879	161,578
Total Revenue	6,764,589	6,299,426
Expenses:		
Instruction	3,672,601	3,491,614
Instructional Resources and Media Services	81,898	87,239
Curriculum and Staff Development	2,458	2,506
School Leadership	386,144	369,705
Guidance, Counseling and Evaluation Services	90,646	97,509
Health Services	42,924	49,621
Student (Pupil) Transportation	126,147	106,748
Food Services	332,989	321,763
Extracurricular Activities	591,035	564,480
General Administration	497,287	429,401
Facilities Maintenance and Operations	453,548	443,171
Security and Monitoring Services	4,615	3,732
Data Processing Services	43,211	37,598
Debt Service - Interest on Long-term Debt	1,627,037	1,562,158
Debt Service - Bond Issuance Costs and Fees	-	862,388
Capital Outlay	-	8,734
Contracted Instr. Services Between Schools	72,426	55,563
Pmts to Fiscal Agent/Member Districts of SSA	51,454	65,155
Total Expenses	8,076,420	8,559,085
Increase (Decrease) in Net Position	(1,311,831)	(2,259,659)
Net Position - Beginning	490,293	2,749,952
Prior Period Adjustment (GASB 75)	(1,089,875)	-
Net Position - Beginning (as restated)	(599,582)	2,749,952
Net Position - Ending	\$ (1,911,413)	\$ 490,293

The cost of all governmental activities this year was \$ 8,076,420. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was \$ 1,535,526, leaving \$ -1,311,831 to fund future District operations.

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
YEAR ENDED AUGUST 31, 2018

The District'S Funds

As the District completed the year, its governmental funds reported a combined fund balance of \$ 815,971, which increased over last year's total of \$ 16,589,247. Included in this year's total change in fund balance is an increase of \$ 519,207 in the District's General Fund. This overall increase is primarily due to a high percentage of tax collections relative to taxes levied, and conservative administration of expenditures in all functions.

For fiscal year 2018, actual expenditures on a budgetary basis for the General Fund were \$ 5,841,544, compared to the final amended budgeted expenditures of \$ 8,661,973. Actual revenue on a budgetary basis was \$ 6,369,969 compared to the final amended budget of \$ 7,302,500. Reasons for the actual numbers varying from the budget follow:

Taxes collected during the current year very closely reflected the amounts budgeted. Variations are due to timing of expenditures and collections of taxes.

Capital Asset And Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$ 31,099,706 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

TABLE III TIOGA INDEPENDENT SCHOOL DISTRICT CAPITAL ASSETS		
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 1,618,575	\$ 1,618,575
Buildings & Improvements	31,857,294	9,730,978
Equipment	280,109	280,109
Vehicles	432,573	432,573
Construction in Progress	-	6,992,485
Totals at Historical Cost	34,188,551	19,054,720
Less: Accumulated Depreciation	(3,088,845)	(2,774,191)
Net Capital Assets	\$ 31,099,706	\$ 16,280,529

Debt

At year end, the District had \$ 31,296,944 in outstanding debt, as shown in the table below. More detailed information about the District's debt is presented in the notes to the financial statements.

TABLE IV TIOGA INDEPENDENT SCHOOL DISTRICT DEBT		
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 32,085,193	\$ 32,905,193
Loans Payable	81,874	122,788
Accreted Interest	445,125	455,878
Bond Premium (Discount)	(1,315,248)	(1,414,113)
Total Debt Payable	\$ 31,296,944	\$ 32,069,746

TIOGA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)
YEAR ENDED AUGUST 31, 2018

Economic Factors and Next Year's Budgets and Rates

- The District's 2018 Maintenance and Operations tax rate remained \$1.04 per \$100 property valuation. The Debt Service tax rate remained \$0.49 per \$100 property valuation.
- The Maintenance and Operations expenditure budget has increased approximately 42.42 percent from fiscal year 2018 actual expenditures due primarily to the need for increased Curriculum and Staff Development, Security and Monitoring Services and improvements to Student Transportation.
- The District's 2018-2019 budget for the General Fund has budgeted revenues in excess of budgeted expenditures of \$384,000.

Requests For Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the District's administrative office, at Tioga Independent School District, P.O. Box 159, Tioga, Texas 76271, (940) 437-2366.

FINANCIAL STATEMENTS

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Exhibit A-1

Data Control Codes		<u>Primary Government</u> Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 414,099
1120	Current Investments	432,251
1220	Property Taxes Receivable, Net	69,944
1240	Due from Other Governments	475,456
	Capital Assets:	
1510	Land	1,618,575
1520	Buildings, Net	29,221,157
1530	Furniture and Equipment, Net	104,964
1540	Vehicles, Net	155,010
1000	TOTAL ASSETS	<u>32,491,456</u>
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflows - Pensions	248,606
1706	Deferred Outflows - OPEB	508,638
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>757,244</u>
LIABILITIES		
2110	Accounts Payable	38,332
2140	Accrued Interest Payable	90,926
2160	Accrued Wages Payable	4,577
2200	Accrued Expenses	92
2300	Unearned Revenue	448,903
	Noncurrent Liabilities	
2501	Due within One Year	792,452
2502	Due in more than One Year	30,504,492
2540	Net Pension Liability (District's Share)	864,346
2545	Net OPEB Liability (District's Share)	1,516,537
2000	TOTAL LIABILITIES	<u>34,260,657</u>
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pensions	265,086
2606	Deferred Inflows - OPEB	634,370
2600	TOTAL DEFERRED INFLOWS OF RESOURCES	<u>899,456</u>
NET POSITION		
3200	Net Investment in Capital Assets	2,227,873
3850	Restricted for Debt Service	1,297,933
3900	Unrestricted	(5,437,219)
3000	TOTAL NET POSITION	<u><u>\$ (1,911,413)</u></u>

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2018

Exhibit B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government				
GOVERNMENTAL ACTIVITIES				
11 Instruction	\$ 3,672,601	\$ 294,425	\$ (256,603)	\$ (3,634,779)
12 Instructional Resources and Media Services	81,898	-	(7,765)	(89,663)
13 Curriculum and Staff Development	2,458	-	-	(2,458)
23 School Leadership	386,144	-	(36,613)	(422,757)
31 Guidance, Counseling and Evaluation Services	90,646	-	(8,595)	(99,241)
33 Health Services	42,924	-	(4,070)	(46,994)
34 Student (Pupil) Transportation	126,147	-	(11,961)	(138,108)
35 Food Services	332,989	103,461	151,463	(78,065)
36 Extracurricular Activities	591,035	12,580	(56,041)	(634,496)
41 General Administration	497,287	-	(47,152)	(544,439)
51 Facilities Maintenance and Operations	453,548	-	(43,005)	(496,553)
52 Security and Monitoring Services	4,615	-	-	(4,615)
53 Data Processing Services	43,211	-	-	(43,211)
72 Debt Service - Interest on Long-term Debt	1,627,037	-	266,219	(1,360,818)
81 Capital Outlay	-	-	-	-
91 Contracted Instr. Services Between Schools	72,426	-	-	(72,426)
93 Pmts to Fiscal Agent/Member Districts of SSA	51,454	-	-	(51,454)
TOTAL PRIMARY GOVERNMENT	\$ 8,076,420	\$ 410,466	\$ (54,123)	(7,720,077)
Data Control Codes	General Revenues			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,043,054
DT	Property Taxes, Levied for Debt Service			492,472
SF	State Aid - Formula Grants			4,661,522
IE	Investment Earnings			35,319
MI	Miscellaneous Local and Intermediate Revenue			175,879
TR	Total General Revenues			6,408,246
CN	Change in Net Position			(1,311,831)
NB	Net Position - Beginning			490,293
PA	Prior Period Adjustment - GASB 75			(1,089,875)
NB	Net Position - Beginning, as Restated			(599,582)
NE	Net Position - Ending			\$ (1,911,413)

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Exhibit C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds	
ASSETS						
1110	Cash and Cash Equivalents	\$ 122,170	\$ 91,524	\$ 32,474	\$ 140,769	\$ 386,937
1120	Investments - Current	-	-	432,251	-	432,251
1220	Property Taxes - Delinquent	51,818	21,807	-	-	73,625
1230	Allowance for Uncollectible Taxes	(2,591)	(1,090)	-	-	(3,681)
1240	Due from Other Governments	428,201	-	-	47,255	475,456
1260	Due from Other Funds	469,624	1,311,638	-	-	1,781,262
1290	Other Receivables	-	-	-	-	-
1000	Total Assets	1,069,222	1,423,879	464,725	188,024	3,145,850
LIABILITIES						
2110	Accounts Payable	29,499	-	-	2,266	31,765
2160	Accrued Wages Payable	4,577	-	-	-	4,577
2170	Due to Other Funds	-	107,363	1,673,899	-	1,781,262
2200	Accrued Expenditures	92	-	-	-	92
2300	Unearned Revenues	439,799	-	-	9,104	448,903
2000	Total Liabilities	473,967	107,363	1,673,899	11,370	2,266,599
DEFERRED INFLOWS OF RESOURCES						
2601	Unavailable Revenue-Property Taxes	44,697	18,583	-	-	63,280
2600	Total Deferred Inflows of Resources	44,697	18,583	-	-	63,280
FUND BALANCES						
Restricted Fund Balance:						
3470	Capital Acquisition	-	-	-	155,905	155,905
3480	Retirement of Long-term Debt	-	1,297,933	-	-	1,297,933
Committed Fund Balance:						
3545	Other Committed Fund Balance	-	-	-	20,749	20,749
Assigned Fund Balance:						
3590	Other assigned Fund Balance	-	-	-	-	-
Unassigned Fund Balance:						
3600	Unassigned Fund Balance	550,558	-	(1,209,174)	-	(658,616)
3000	Total Fund Balances	550,558	1,297,933	(1,209,174)	176,654	815,971
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,069,222	\$ 1,423,879	\$ 464,725	\$ 188,024	\$ 3,145,850

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED AUGUST 31, 2018

Exhibit C-2

Total Fund Balances - Governmental Funds \$ 815,971

Fund balance for Governmental Funds differs from Net Position of Governmental Activities because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$ 34,188,551 and the accumulated depreciation was \$ -3,088,845. The net effect of including the ending balances for capital assets (net of depreciation) in the governmental activities is to increase net position. 31,099,706

When converting from the modified accrual basis of accounting to the full accrual basis, deferred inflows of resources under the modified accrual method is recognized as revenue under the full accrual method. At the end of the year, the District had \$ 63,280 of property taxes recorded as deferred inflows of resources which is recognized as income on the full accrual basis. The net effect of this reclassification is to increase net position. 63,280

Payable for bonds, loans and other long term debt items which are not due in the current period are not reported in the funds. (31,296,944)

The Assets and Liabilities of internal service funds are included in the governmental activities in the Statement of Net Position 20,595

Interest accrued on loans which is not due in the current period is not reported in the funds. (90,926)

Recognition of the District's proportionate share of the net pension liability is not reported in the funds. (864,346)

Deferred Resource Inflows related to the pension plan are not reported in the funds. (265,086)

Deferred Resource Outflows related to the pension plan are not reported in the funds. 248,606

Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. (1,516,537)

Deferred Resource Inflows related to the OPEB plan are not reported in the funds. (634,370)

Deferred Resource Outflows related to the OPEB plan are not reported in the funds. 508,638

Net Position of Governmental Activities \$ (1,911,413)

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2018

Exhibit C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds
REVENUES					
5700 Total Local and Intermediate Sources	\$ 1,515,339	\$ 494,919	\$ 11,832	\$ 121,813	\$ 2,143,903
5800 State Program Revenues	4,845,938	266,219	-	71,480	5,183,637
5900 Federal Program Revenues	8,692	-	-	274,665	283,357
5020 Total Revenues	6,369,969	761,138	11,832	467,958	7,610,897
EXPENDITURES					
Current:					
0011 Instruction	3,084,484	-	-	174,986	3,259,470
0012 Instructional Resources and Media Services	74,022	-	-	-	74,022
0013 Curriculum and Staff Development	2,458	-	-	-	2,458
0023 School Leadership	358,462	-	-	-	358,462
0031 Guidance, Counseling and Eval Services	84,366	-	-	-	84,366
0033 Health Services	39,678	-	-	-	39,678
0034 Student (Pupil) Transportation	82,453	-	-	-	82,453
0035 Food Services	-	-	-	304,030	304,030
0036 Extracurricular Activities	494,634	-	-	3,449	498,083
0041 General Administration	461,964	-	-	-	461,964
0051 Facilities Maintenance and Operations	417,359	-	-	-	417,359
0052 Security and Monitoring Services	4,615	-	-	-	4,615
0053 Data Processing Services	41,642	-	-	-	41,642
Debt Service:					
0071 Principal on Long Term Debt	269,557	26,893	580,000	-	876,450
0072 Interest on Long Term Debt	51,871	111,891	1,463,275	-	1,627,037
0073 Bond Issuance Cost and Fees	-	-	-	-	-
Capital Outlay:					
0081 Facilities Acquisition and Construction	250,099	-	13,918,683	959,422	15,128,204
Intergovernmental					
0091 Contracted Instr. Serv. Between Schools	72,426	-	-	-	72,426
0093 Pmts to Fiscal Agent/Member Dist's of SSA	51,454	-	-	-	51,454
6030 Total Expenditures	5,841,544	138,784	15,961,958	1,441,887	23,384,173
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	528,425	622,354	(15,950,126)	(973,929)	(15,773,276)
OTHER FINANCING SOURCES (USES)					
7915 Transfers In	-	-	-	1,077,131	1,077,131
8911 Transfers Out (Use)	(9,218)	-	(1,067,913)	-	(1,077,131)
7080 Total Other Financing Sources (Uses)	(9,218)	-	(1,067,913)	1,077,131	-
1200 Net Change in Fund Balances	519,207	622,354	(17,018,039)	103,202	(15,773,276)
0100 Fund Balance - September 1 (Beginning)	31,351	675,579	15,808,865	73,452	16,589,247
3000 Fund Balance - August 31 (Ending)	\$ 550,558	\$ 1,297,933	\$ (1,209,174)	\$ 176,654	\$ 815,971

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED AUGUST 31, 2018

Exhibit C-4

Total Net Change in Fund Balances - Governmental Funds \$ (15,773,276)

The Net Change in Fund Balances - Governmental Funds differs from the Change in Net Position of Governmental Activities because:

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the 2018 capital outlay is to increase net position. 15,133,831

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (314,654)

Under the full accrual basis, property taxes are recognized as revenue when levied by the District. Some property taxes reported as current tax revenue for this year under the modified accrual method, \$ 44,697 were recognized as income in the prior year's government-wide financial statements. Property taxes designated for the next fiscal year being reported as deferred revenue in the current year's governmental funds, \$ 18,583, are to be recognized as income for this year in the government-wide financial statements. The net effect of this change in tax recognition is to reduce net position. (63,280)

(Increase) Decrease in accrued interest on long-term debt is an expense that does not require the use of current financial resources and is not reported as an expenditure in the funds. (5,249)

Repayment of principal for bonds, loans and other long term debt items is an expenditure in the funds but is not reported in the funds. 772,802

The net revenue (expense) of internal service funds is reported with governmental activities on the statement of activities. 15,595

Contribution revenue and expense associated with pension liabilities and OPEB liabilities. The net effect of these entries was a reduction in net position. (1,077,600)

Change in Net Position of Governmental Activities \$ (1,311,831)

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2018

Exhibit D-1

Data Control Codes		Internal Service Fund
ASSETS		
1110	Cash and Cash Equivalents	\$ 27,162
1000	TOTAL ASSETS	<u>27,162</u>
LIABILITIES		
2110	Accounts Payable	6,567
2000	TOTAL LIABILITIES	<u>6,567</u>
NET POSITION		
3900	Unrestricted	20,595
3000	TOTAL NET POSITION	<u><u>\$ 20,595</u></u>

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Exhibit D-2

Data Control Codes		Internal Service Fund
OPERATING REVENUES		
5700	Local and Intermediate Sources	\$ 19,783
5020	TOTAL OPERATING REVENUES	<u>19,783</u>
OPERATING EXPENSES		
6400	Insurance and Bonding Costs	\$ 4,188
6030	TOTAL OPERATING EXPENSES	<u>4,188</u>
1200	Change in Net Position	15,595
0100	TOTAL NET POSITION - Beginning (September 1)	<u>5,000</u>
3000	TOTAL NET POSITION - Ending (August 31)	<u><u>\$ 20,595</u></u>

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Exhibit D-3

	Internal Service Fund
Cash Flows from Operating Activities	
Cash Receipts from Operating Interest	\$ 1
Cash Receipts from Quasi-External Operating Transfers	19,783
Cash Payments for Claims	-
Cash Payments for Administration/Reinsurance	\$ (5,386)
Net Cash Provided (Used for) Operating Activities	14,398
 Cash Flows from Capital and Other Related Financing Activities	 None
Cash Flows from Noncapital Financing Activities	None
Cash Flows from Investing Activities	None
Net Increase (Decrease) in Cash and Investments	\$ 14,398
Cash and Cash Equivalents - Beginning (September 1)	12,764
Cash and Cash Equivalents - Ending (August 31)	\$ 27,162
 Reconciliation of Operating income to Net Cash Provided by Operating activities	
Operating Income (Loss)	15,595
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Payable	(1,197)
 Net Cash Provided by (Used for) Operating Activities	14,398

The accompanying notes are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Tioga Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Blended Component Unit

Using the above criteria, the District's management has determined that the Tioga Independent School District Public Facility Corporation ("TISDPFC") should be blended with the activities of the District because its sole purpose is to assist the District in financing or otherwise assisting in the acquisition of public facilities and because the District's management has operational responsibility for TISDPFC.

TISDPFC was incorporated on December 3, 2015, as a non-profit corporation under the Texas Public Facility Corporation Act. TISDPFC was formed for the purpose of assisting the District in financing, constructing or otherwise assisting in the acquisition of public facilities. TISDPFC is governed by a seven-member Board of Directors that is the same seven-member Board of Trustees of the District. TISDPFC does not have the authority to levy taxes. Although TISDPFC is legally separate from the District, TISDPFC is reported as if it were part of the District because its sole purpose is to assist the District in the acquisition of public facilities. That is, TISDPFC is reported as a blended component unit in the basic financial statements of the District. Financial information for TISDPFC may be obtained from the District's business office.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

2. Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Debt Service Fund - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

The Tioga Independent School District Public Facility Corporation (TISDPFC) accounts for a nonprofit public facility corporation to act on behalf of the District and assist the District in financing, constructing and providing public facilities for the District.

Additionally, the District reports the following fund types:

Special Revenue Funds -These funds are established to account for federally or state financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

2. Basis of Presentation

Capital Projects Fund - This fund is established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Internal Service Fund -The District utilizes an internal service fund to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. This fund facilitates distribution of support costs to the users of support services. The District has an internal service fund for its self-insured workers compensation plan.

The internal service fund is a proprietary fund type. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund includes the cost of personal and contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses,

3. Measurement Focus – Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and deferred outflows of resources; and liabilities and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

3. Measurement Focus – Basis of Accounting

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

4. Budgetary Data

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

4. Budgetary Data (Cont.)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Food Service Fund, and the Debt Service Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

5. Cash and Cash Equivalents

For presentation in the financial statements, investments with a maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with a maturity of more than three months are reported as investments. Investments are recorded at fair value, which is based on quoted market prices.

6. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at August 31, 2018.

7. Inventories

The District records purchases of supplies as expenditures.

8. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Transfers to/from other funds" and are offset by a fund balance reserve account.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

9. Fund Balance

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund)

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Administrator

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

10. Capital assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

10. Capital assets

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

11. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

12. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

13. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

14. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the District purchased commercial insurance to cover general liabilities, There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

15. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

B. DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust, with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (checking accounts and interest-bearing demand accounts) was \$414,099 and the bank balance was \$533,416. The District's cash deposits at August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

B. DEPOSITS, SECURITIES AND INVESTMENTS (Cont.)

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District had no exposure to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. DEPOSITS, SECURITIES AND INVESTMENTS - TISD Public Facilities Corporation

1. Cash Deposits:

At August 31, 2018, the carrying amount of the TISDPFC's deposits (checking accounts and interest-bearing demand accounts) was \$98,287 and the bank balance was \$32,474. The TISDPFC's cash deposits at August 31, 2018 were entirely covered by FDIC insurance.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the TISDPFC to adopt, implement, and publicize an investment policy(cont)

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

C. DEPOSITS, SECURITIES AND INVESTMENTS - TISD Public Facilities Corporation (Cont)

2. Investments:(cont)

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the TISDPFC to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the TISDPFC to have independent auditors perform test procedures related to investment practices as provided by the Act. The TISDPFC is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the TISDPFC has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the TISDPFC's deposits may not be returned to it. As of August 31, 2018, the TISDPFC's cash deposits totaled \$32,474. This entire amount was covered by FDIC insurance. Thus, the TISDPFC's deposits were not exposed to custodial credit risk as of August 31, 2018. The TISDPFC's deposits were fully collateralized with securities held by the TISDPFC's agent or covered by FDIC Insurance throughout the fiscal year.

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the TISDPFC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2018, the TISDPFC held investments in certificates of deposit with various banks. The certificates of deposit are fully insured by FDIC insurance.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The certificates of deposit investments are not rated, but are covered by the FDIC insurance.

Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2017, the TISDPFC was not exposed to foreign currency risk.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The certificates of deposit investments are not rated, but are covered by the FDIC insurance.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the TISDPFC's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At August 31, 2018, the TISDPFC did not have more than 5 percent invested with a single issuer.

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

C. DEPOSITS, SECURITIES AND INVESTMENTS - TISD Public Facilities Corporation (Cont)

Fair Value Measurements

The TISDPFC categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The TISDPFC's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Carrying Amount	Market Value	Fair Value Measurement Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:					
Certificates of Deposit	432,251	432,251	-	432,251	-
Total	432,251	432,251	-	432,251	-

The fair value of the certificates of deposit at August 31, 2018 was determined based on level 2 inputs. The TISDPFC estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

D. PROPERTY TAXES

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04 to fund general operations, and \$ 0.49 for debt service. The rates were levied on property assessed totaling \$ 101,002,387.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

E. CAPITAL ASSETS

Capital asset activities during the year ended were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
<i>Non-Depreciable Capital Assets</i>				
Land	\$ 1,618,575	\$ -	\$ -	\$ 1,618,575
Construction in Progress	6,992,485	15,133,831	22,126,316	-
Total Non-Depreciable Assets	<u>8,611,060</u>	<u>15,133,831</u>	<u>22,126,316</u>	<u>1,618,575</u>
<i>Capital Assets being Depreciated</i>				
Buildings & Improvements	9,730,978	22,126,316	-	31,857,294
Equipment	280,109	-	-	280,109
Vehicles	432,573	-	-	432,573
Total Depreciable Assets	<u>10,443,660</u>	<u>22,126,316</u>	<u>-</u>	<u>32,569,976</u>
<i>Less Accumulated Depreciation:</i>				
Buildings & Improvements	2,378,220	257,917	-	2,636,137
Equipment	139,003	20,595	-	159,598
Vehicles	256,968	36,142	-	293,110
Total Accumulated Depreciation	<u>2,774,191</u>	<u>314,654</u>	<u>-</u>	<u>3,088,845</u>
Total Depreciable, Net	<u>7,669,469</u>	<u>21,811,662</u>	<u>-</u>	<u>29,481,131</u>
Governmental Activities, Net	<u>\$ 16,280,529</u>	<u>\$ 36,945,493</u>	<u>\$ 22,126,316</u>	<u>\$ 31,099,706</u>

Depreciation was charged to governmental activities as follows:

Instruction	\$ 186,127
Instructional Resources & Media Services	7,544
School Leadership	3,814
Guidance, Counseling & Evaluation Services	677
Health Services	593
Student Transportation	35,897
Food Services	8,377
Cocurricular/Extracurricular Activities	56,420
General Administration	4,585
Plant Maintenance and Operations	8,155
Data Processing Services	2,465
Total Depreciation Expense - Gov't Activities	<u>\$ 314,654</u>

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. LONG-TERM DEBT

Long-term obligation activities during the year were as follows:

	Beginning Balance	Additions	Disposals	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable	\$ 32,905,193	\$ -	\$ 820,000	\$ 32,085,193	\$ 860,000
Loans Payable	122,788	-	40,914	81,874	42,317
Accreted Interest	455,878	-	10,753	445,125	(11,000)
Bond Premium (Discount)	(1,414,113)	-	(98,865)	(1,315,248)	(98,865)
Total Governmental Activities	\$ 32,069,746	\$ -	\$ 772,802	\$ 31,296,944	\$ 792,452

Bonds Payable

The 2011 and 2013 bond series include Capital Appreciation Bonds. No interest is paid on these bonds prior to maturity. The bonds mature variously in 2018 through 2038. Interest accrues on these bonds each year even though the interest is not paid until maturity.

In October 2016, the Tioga Independent School District Public Facility Corporation issued \$26,780,000 (par value) in Lease Revenue Bonds to provide funds for authorized construction and other projects. The net proceeds of the issue were \$24,301,677 (\$26,780,000 par amount of the bonds less \$1,673,750 of discount on the bonds less \$804,573 of underwriting fees and other issuance costs). The net proceeds were deposited to the Tioga Independent School District Public Facility Corporation's construction account.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2018.

Maturity requirements on Bonds outstanding at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2019	\$ 860,000	\$ 1,604,268	\$ 2,464,268
2020	910,000	1,570,019	2,480,019
2021	955,000	1,535,994	2,490,994
2022	990,000	1,504,793	2,494,793
2023	1,055,000	1,460,069	2,515,069
2024 - 2028	6,262,377	6,505,717	12,768,094
2029 - 2033	7,532,880	5,318,670	12,851,550
2034 - 2038	9,664,936	3,196,589	12,861,525
2039 - 2043	3,855,000	320,925	4,175,925
Total	\$ 32,085,193	\$ 23,017,044	\$ 55,102,237

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

F. LONG-TERM DEBT (Cont)

Loans Payable

The District has executed a loan agreement under the Public Property Finance Act to provide funds for the District to purchase various vehicles and other equipment. The loan agreement, dated December 15, 2014, provides for borrowing of \$200,000. The balance due on the loan as of August 31, 2018 was \$81,874.

The loan calls for annual payments of \$43,769 including interest beginning in September 2015.

Maturity requirements on loans outstanding at year end are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2019	\$ 42,317	\$ 1,452	\$ 43,769
2020	39,557	1,297	40,854
Total	\$ 81,874	\$ 2,749	\$ 84,623

G. RISK MANAGEMENT

Health Care:

During the year ended August 31, 2017, employees of Tioga Independent School District were covered by a health insurance plan (the Plan). The District contributed from \$325 to \$376 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contributions. All contributions were paid to a fully insured plan (TRS ActiveCare).

Workers Compensation:

Prior to September 1, 2017 the District participated in the Texas Educational Insurance Association Workers Compensation Self-Insurance Joint Fund. The District was partially self-funded to a loss fund maximum of \$18,642 for the 17-18 fiscal year. Additionally, the District incurred fixed costs of \$6,819 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Claims Administrative Services, Inc. provides claims administration. Reinsurance is provided for aggregate claim losses exceeding \$500,000 for the entire pool. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers compensation self-insurance of \$6,567 includes incurred but not reported claims. The liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal years 2018 and 2017 are shown below

Fiscal Year	Sept 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	Aug 31 Claims Liability
2018	7,764	(457)	740	6,567
2017	9,274	1,028	2,538	7,764

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

H. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employees' contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions	\$	317,653
2018 Member Contributions	\$	298,259
2017 NECE On-Behalf Contributions	\$	185,411

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

H. DEFINED BENEFIT PENSION PLAN (Cont)

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the District reported a liability of \$ 265,086 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	864,346
State's proportionate share that is associated with the District		1,812,676
Total	\$	2,677,022

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0027032268% which was an increase of 0.0025291028% from its proportion measured as of August 31, 2016.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. DEFINED BENEFIT PENSION PLAN (Cont)

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, the District recognized pension expense of \$ 2,183,568 and revenue of \$ 138,264 for support provided by the State.

At August 31, 2018 the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	12,646	46,613
Differences between expected and actual actuarial experience	39,372	22,540
Differences between projected and actual investment earnings	-	195,918
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	468,028	15
Total as of August 31, 2017 measurement date	520,046	265,086
Contributions paid to TRS subsequent to the measurement date	298,259	
Total at fiscal year end	<u>818,305</u>	<u>265,086</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending August 31	Amount
2019	\$ 76,997
2020	132,170
2021	72,759
2022	54,840
2023	45,203
Thereafter	5,918

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. DEFINED BENEFIT PENSION PLAN (Cont)

Actuarial Assumptions (cont)

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ended August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Expected Contribution to Long-Term Portfolio Returns *	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-US Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

H. DEFINED BENEFIT PENSION PLAN (Cont)

Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (7%) or 1 – percentage point higher (9%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 1,812,676	\$ 864,346	\$ 365,618

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR> by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016

Net Pension Liability	August 31, 2017	August 31, 2016
Total Pension Liability	\$ 179,336,534,819	\$171,797,150,487
Less: Plan Fiduciary Net Position	(147,361,922,120)	(134,008,637,473)
Net Pension Liability	\$ 31,974,612,699	\$ 37,788,513,014
Net Position as percentage of Total Pension Liability	82.17%	78.00%

I. SCHOOL DISTRICT RETIREE HEALTH PLAN (OPEB)

Plan Description

(TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail Information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#CAFR> by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

I. SCHOOL DISTRICT RETIREE HEALTH PLAN (OPEB) (cont)

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	1% Decrease in		1% Increase in
	Discount Rate	Discount Rate	Discount Rate
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SCHOOL DISTRICT RETIREE HEALTH PLAN (OPEB) (cont)

		<u>Contribution Rates</u>	
		2017	2018
Active Employee		0.65%	0.65%
Non-Employer Contributing Entity (State)		1.00%	1.25%
Employers		0.55%	0.75%
Federal/Private Funding remitted by Employers		1.00%	1.25%
2018	Employer Contributions	\$	-
2018	Member Contributions	\$	-
2017	NECE On-Behalf Contributions	\$	-

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retirees.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2017 and \$ 182.6 million in fiscal year 2018.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions:	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on pan specific experience
	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Expenses	
Payroll Growth Rate	2.5%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Election Rates	
Ad Hoc post-employment benefit changes	None

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

I. SCHOOL DISTRICT RETIREE HEALTH PLAN (OPEB) (cont)

Actuarial Assumptions - (cont)

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 1,871,407	\$ 1,516,537	\$ 1,474,074

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 1,461,942	\$ 1,516,537	\$ 1,842,592

OPEB Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2018 the District reported a liability of \$ 1,516,537 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SCHOOL DISTRICT RETIREE HEALTH PLAN (OPEB) (cont)

District's proportionate share of the collective net OPEB liability	\$	1,516,537
State's proportionate share that is associated with the District		1,979,081
Total	\$	3,495,618

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0034873939%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurements of the Total OPEB liability since the prior measurement period: There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$ (226,696) and revenue of \$ (850,904) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	-	31,659
Differences between expected and actual actuarial experience	-	602,711
Differences between projected and actual investment earnings	230	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	7	-
Total as of August 31, 2017 measurement date	237	634,370
Contributions paid to TRS subsequent to the measurement date	23,217	
Total at fiscal year end	23,454	634,370

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending August 31		Amount
2019	\$	83,674
2020		83,674
2021		83,674
2022		83,674
2023		83,732
Thereafter		215,703

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

J. CHANGE IN ACCOUNTING PRINCIPLE

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*.

The Statement addresses accounting and reporting for postemployment benefits other than pensions (OPEB). Various standards for recognizing measuring and reporting liabilities, deferred outflows and deferred inflows are implemented to achieve the financial accounting and reporting objectives. Note disclosures and other required supplemental information were expanded to provide additional insight into the financial implications of the OPEB.

Statement 85, *Omnibus 2017*

The Statement addresses a variety of technical corrections to previously issued statements that were identified during the implementation of the standards. Included are amendments to GASB Statement 75 that enhance the financial reporting required.

K. PRIOR PERIOD ADJUSTMENTS

Government-wide Financial Statements

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods or changes related to implementations of new accounting standards:

Implementation of GASB Statement 75, <i>Accounting and Financial Reporting for Post Employment Benefits and Other Pension</i> , relating to retiree healthcare benefits (OPEB) decreased beginning net assets	\$ (1,089,875)
	\$ (1,089,875)

L. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

L. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES (Cont)

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions:	Negative On-Behalf Accruals	Operating Grants and Contributions: (excluding on- behalf accruals)
11 Instruction	\$ (256,603)	\$ (497,996)	\$ 241,393
12 Instructional Resources and Media Services	(7,765)	(11,105)	3,340
13 Curriculum and Staff Development	-	-	-
23 School Leadership	(36,613)	(52,360)	15,747
31 Guidance, Counseling and Evaluation Services	(8,595)	(12,291)	3,696
33 Health Services	(4,070)	(5,820)	1,750
34 Student (Pupil) Transportation	(11,961)	(17,105)	5,144
35 Food Services	151,463	(45,153)	196,616
36 Extracurricular Activities	(56,041)	(80,143)	24,102
41 General Administration	(47,152)	(67,431)	20,279
51 Facilities Maintenance and Operations	(43,005)	(61,500)	18,495
72 Debt Service - Interest on Long-term Debt	266,219	-	266,219
	<u>\$ (54,123)</u>	<u>\$ (850,904)</u>	<u>\$ 796,781</u>

M. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at August 31, 2018 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from August 31, 2018.

	General Fund	Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds
Due from Other Funds	\$ 469,624	\$ 1,311,638	\$ -	\$ -	\$ 1,781,262
Due to Other Funds	-	107,363	1,673,899	-	1,781,262
Transfers from Other Funds	-	-	-	1,077,131	1,077,131
Transfers to Other Funds	9,218	-	1,067,913	-	1,077,131
Total Revenues	<u>478,842</u>	<u>1,419,001</u>	<u>2,741,812</u>	<u>1,077,131</u>	<u>5,716,786</u>

During the fiscal year ended August 31, 2018, \$9,218 was transferred from the General Fund to the Child Nutrition Fund. This transfer was made to cover the operating deficit of the Child Nutrition Program.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

N. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

	General Fund	Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds
State Grants	\$ 428,201	\$ -	\$ -	\$ 37,199	\$ 465,400
Federal Grants	-	-	-	10,056	10,056
Local Governments	-	-	-	-	-
Total Revenues	428,201	-	-	47,255	475,456

O. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds
Property Taxes	\$ 1,019,066	\$ 483,892	\$ -	\$ -	\$ 1,502,958
Food Sales	-	-	-	103,461	103,461
Investment Income	4,179	4,327	11,832	14,981	35,319
Penalties, Interest and other	-	-	-	-	-
Tax Related Income	21,273	6,700	-	-	27,973
Co-Curricular student activities	12,580	-	-	-	12,580
Tuition	285,448	-	-	-	285,448
Lease Income	500	-	-	-	500
Other	172,293	-	-	3,371	175,664
Total	1,515,339	494,919	11,832	121,813	2,143,903

P. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	TISD Public Fac. Corporation	Other Funds	Total Governmental Funds
State Aid Allotment	\$ 439,800	\$ -	\$ -	\$ -	\$ 439,800
Child Nutrition Receipts	-	-	-	8,267	8,267
IMA Allotments	-	-	-	837	837
Total Revenues	439,800	-	-	9,104	448,904

TIOGA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2018

Q. JOINT VENTURES

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Grayson County Special Education SSA	Gunter Independent School District	Special Education
Title I, Part A Improving Basic Programs	Region X ESC	Title I, Part A
Title II, Part A Teacher & Principal Training	Region X ESC	Title II, Part A
Title III, Part A English Language Acquisition	Region X ESC	Title III, Part A

R. LITIGATION

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

S. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 18, 2018, the date which the financial statements were available for use. Subsequent to year end, and potentially continuing into the future, private sales of large blocks of properties on the tax roll of the District to El Paso Water Utility for the future export of water are reducing the taxable base, potentially affecting future revenues of the District. As of the date of this audit report, there is not a contingency plan in place to replace those lost revenues.

REQUIRED SUPPLEMENTARY INFORMATION

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED AUGUST 31, 2018

Exhibit G-1

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Total Local and Intermediate Sources	\$ 1,420,500	\$ 1,420,500	\$ 1,515,339	\$ 94,839
5800	State Program Revenues	5,872,000	5,872,000	4,845,938	(1,026,062)
5900	Federal Program Revenues	10,000	10,000	8,692	(1,308)
5020	Total Revenues	<u>7,302,500</u>	<u>7,302,500</u>	<u>6,369,969</u>	<u>(932,531)</u>
EXPENDITURES					
Current:					
0011	Instruction	3,243,645	3,243,645	3,084,484	159,161
0012	Instructional Resources and Media Services	86,837	86,837	74,022	12,815
0013	Curriculum and Staff Development	3,000	3,000	2,458	542
0023	School Leadership	387,428	387,428	358,462	28,966
0031	Guidance, Counseling and Evaluation Services	94,576	94,576	84,366	10,210
0033	Health Services	44,667	44,667	39,678	4,989
0034	Student (Pupil) Transportation	78,652	82,652	82,453	199
0036	Extracurricular Activities	534,861	534,861	494,634	40,227
0041	General Administration	469,178	469,178	461,964	7,214
0051	Facilities Maintenance and Operations	463,302	463,302	417,359	45,943
0052	Security and Monitoring Services	4,000	6,000	4,615	1,385
0053	Data Processing Services	47,500	47,500	41,642	5,858
Debt Service:					
0071	Principal on Long Term Debt	45,000	1,593,000	269,557	1,323,443
0072	Interest on Long Term Debt	-	52,000	51,871	129
0073	Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	1,900,000	1,400,000	250,099	1,149,901
Intergovernmental:					
0091	Contracted Instr. Serv. Between Schools	100,000	100,000	72,426	27,574
0093	Pmts to Fiscal Agent/Member Dist's of SSA	53,327	53,327	51,454	1,873
6030	Total Expenditures	<u>7,555,973</u>	<u>8,661,973</u>	<u>5,841,544</u>	<u>2,820,429</u>
Excess (Deficiency) of Revenues Ove (Under) Expenditures					
		<u>(253,473)</u>	<u>(1,359,473)</u>	<u>528,425</u>	<u>1,887,898</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	(9,218)	9,218
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(9,218)</u>	<u>9,218</u>
1200	Net Change in Fund Balances	<u>(253,473)</u>	<u>(1,359,473)</u>	<u>519,207</u>	<u>1,897,116</u>
Fund Balance - October 1 (Beginning)					
		<u>31,351</u>	<u>31,351</u>	<u>31,351</u>	<u>-</u>
Fund Balance - September 30 (Ending)					
		<u>\$ (222,122)</u>	<u>\$ (1,328,122)</u>	<u>\$ 550,558</u>	<u>\$ 1,897,116</u>

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2018

Exhibit G-2

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015
District's Proportion of the Net Pension Liability (Asset)	0.002703%	0.002529%	0.001752%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 864,346	\$ 955,710	\$ 619,415
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,812,676	1,916,262	1,685,546
Total	<u>\$ 2,677,022</u>	<u>\$ 2,871,972</u>	<u>\$ 2,304,961</u>
District's Covered-Employee Payroll	\$ 3,571,963	\$ 2,636,080	\$ 2,346,091
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	24.20%	36.25%	26.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for Year 2018, August 31, 2016 for Year 2017 and August 31, 2015 for 2016.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

OTHER SUPPLEMENTARY INFORMATION

**TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2018**

Exhibit J-2

Tax Roll Year	Year Ended September 30	Tax Rates		Taxable Value	Uncollected Balance Beginning	Tax Levy	Collection		Adjust +(-)	Uncollected Balance Ending
		M & O	I & S				M & O	I & S		
XXX	2009 & PRIOR		Various	Various	13,087		574	114	(3,449)	8,950
2009	2010	1.040000	0.358080	71,904,104	1,681		101	35	(1)	1,544
2010	2011	1.040000	0.350000	73,620,653	2,185		149	50	-	1,986
2011	2012	1.040000	0.400000	73,103,264	2,902		184	71	-	2,647
2012	2013	1.040000	0.474800	73,776,803	2,338		177	81	1	2,081
2013	2014	1.040000	0.500000	75,685,921	3,163		526	253	1	2,385
2014	2015	1.040000	0.490000	77,092,417	3,057		215	101	(465)	2,276
2015	2016	1.040000	0.490000	85,058,370	10,027		2,235	1,053	(1,081)	5,658
2016	2017	1.040000	0.490000	92,274,084	23,332		3,879	1,828	(5,692)	11,933
2017	2018	1.040000	0.490000	101,002,387	-	1,545,337	1,016,083	478,542	(16,547)	34,165
TOTALS					61,772	1,545,337	1,024,123	482,128	(27,233)	73,625

TIOGA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
 YEAR ENDED AUGUST 31, 2018

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Total Local and Intermediate Sources	\$ 80,000	\$ 80,000	\$ 103,461	\$ 23,461
5800	State Program Revenues	1,500	1,500	8,314	6,814
5900	Federal Program Revenues	122,000	122,000	183,037	61,037
5020	Total Revenues	<u>203,500</u>	<u>203,500</u>	<u>294,812</u>	<u>91,312</u>
EXPENDITURES					
Current:					
0035	Food Services	<u>164,546</u>	<u>304,246</u>	<u>304,030</u>	<u>216</u>
6030	Total Expenditures	<u>164,546</u>	<u>304,246</u>	<u>304,030</u>	<u>216</u>
	Excess (Deficiency) of Revenues Ove (Under) Expenditures	<u>38,954</u>	<u>(100,746)</u>	<u>(9,218)</u>	<u>91,528</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	9,218	(9,218)
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>9,218</u>	<u>(9,218)</u>
1200	Net Change in Fund Balances	<u>38,954</u>	<u>(100,746)</u>	<u>-</u>	<u>82,310</u>
	Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balance - September 30 (Ending)	<u>\$ 38,954</u>	<u>\$ (100,746)</u>	<u>\$ -</u>	<u>\$ 82,310</u>

TIOGA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED AUGUST 31, 2018

Exhibit J-4

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Total Local and Intermediate Sources	\$ 446,500	\$ 446,500	\$ 494,919	\$ 48,419
5800	State Program Revenues	185,000	185,000	266,219	81,219
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>631,500</u>	<u>631,500</u>	<u>761,138</u>	<u>129,638</u>
EXPENDITURES					
Current:					
Debt Service:					
0071	Principal on Long Term Debt	425,200	271,200	26,893	244,307
0072	Interest on Long Term Debt	-	154,000	111,891	42,109
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	<u>425,200</u>	<u>425,200</u>	<u>138,784</u>	<u>286,416</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
		<u>206,300</u>	<u>206,300</u>	<u>622,354</u>	<u>416,054</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	206,300	206,300	622,354	416,054
Fund Balance - October 1 (Beginning)		<u>675,579</u>	<u>675,579</u>	<u>675,579</u>	<u>-</u>
Fund Balance - September 30 (Ending)		<u>\$ 881,879</u>	<u>\$ 881,879</u>	<u>\$ 1,297,933</u>	<u>\$ 416,054</u>

TIOGA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2018

Exhibit J-5

Data Control Codes		Response
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 445,125
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 864,346
SF13	OPEB Liabilities (2545) at fiscal year-end.	\$ 1,516,537

COMPLIANCE & INTERNAL CONTROL SECTION



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Members:
American Institute of
Certified Public Accountants
Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tioga Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Tioga Independent School District's basic financial statements, and have issued our report dated January 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

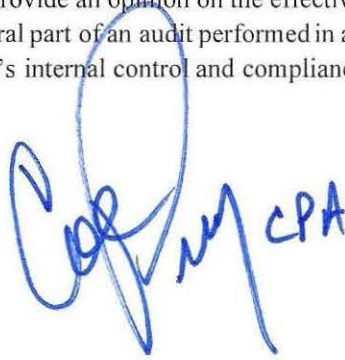
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Coe Perry, CPA
Certified Public Accountants
Dell City, Texas

January 18, 2019

TIOGA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

FINDINGS

NONE

TIOGA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

PRIOR YEAR FINDINGS

NONE

FEDERAL AWARDS SECTION

TIOGA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2018

Exhibit K-1

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Grantor's Number	(03) Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Texas Education Agency:			
School Breakfast Program	10.553	091-907	\$ 44,682
National School Lunch Program	10.555	091-907	121,507
Total Passed through Texas Education Agency			166,189
Total U.S. Department of Agriculture			166,189
Total Child Nutrition Cluster			
FOOD DISTRIBUTION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through the Texas Department of Agriculture			
Commodity Supplemental Food Program (Non-Cash)	10.565	091-907	16,848
Total U.S. Department of Agriculture			16,848
Total Food Distribution Cluster			16,848
OTHER PROGRAMS			
<u>U.S. Department of Education</u>			
Passed through the Texas Education Agency			
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101091907	22,460
ESEA Title 11 Part A - Teacher & Principal Training & Recruiting	84.367A	18694501091907	1,448
ESEA Title III Part A - LEP	84.365	18671001091907	1,224
ESEA Title IV Part B - REAP	84.358	18696001019907	66,496
Total Passed through the Texas Education Agency			91,628
Total U.S. Department of Agriculture			91,628
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 274,665

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

TIOGA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

Exhibit K-2

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Sundown Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

APPENDIX E

FINANCING DOCUMENTS AND INFORMATION ON CORPORATION

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TRUST AGREEMENT RELATING TO TIOGA INDEPENDENT SCHOOL DISTRICT
SCHOOL FACILITY PROJECT

by and between

WILMINGTON TRUST, NATIONAL ASSOCIATION
("TRUSTEE")

and

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
("ISSUER")

Dated as of May 1, 2019

SECURING

\$28,075,000 TIOGA INDEPENDENT SCHOOL DISTRICT
PUBLIC FACILITY CORPORATION SCHOOL FACILITY LEASE REVENUE
REFUNDING BONDS, SERIES 2019

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TRUST AGREEMENT RELATING TO THE TIOGA INDEPENDENT SCHOOL DISTRICT
SCHOOL FACILITY PROJECT

THIS TRUST AGREEMENT RELATING TO THE TIOGA INDEPENDENT SCHOOL DISTRICT SCHOOL FACILITY PROJECT (the *Trust Agreement*) is made as of May 1, 2019 by and between Wilmington Trust, National Association, Dallas, Texas a national banking association duly organized under the laws of the United States of America and duly authorized and empowered to accept and execute trusts of the character set out under and by virtue of the laws of the State of Texas, as trustee (the *Trustee*) and the Tioga Independent School District Public Facility Corporation, a nonprofit corporation duly organized and existing under the laws of the State of Texas (the *Issuer* or the *Corporation*).

WITNESETH:

WHEREAS, the Board of Trustees (the *Board of Trustees*) of the Tioga Independent School District (the *District*) has found that the refinancing of the cost of land and a new high school project (the *Project*) would be beneficial to the inhabitants of the District, and such property and improvements are needed to perform essential governmental functions, and the Board of Trustees has determined that the District, which previously entered into the "Lease With an Option to Purchase Between Tioga Independent School District Public Facility Corporation, Lessor and Tioga Independent School District, Lessee" dated September 1, 2016 (the *Original Lease*) pursuant to the provisions of the Public Property Finance Act, Section 271.001 *et seq.*, Texas Local Government Code, as amended (the *Act*), in connection with the acquisition and use of the Project, should now be amended to reflect the terms of the refinancing of the Project;

WHEREAS, the Corporation has been created and organized pursuant to and in accordance with the provisions of Chapter 303, as amended, Texas Local Government Code (*Chapter 303*), for the purpose of acting on behalf of the District for the purpose of financing and refinancing the acquisition of public facilities for the District;

WHEREAS, Chapter 303 authorizes the Corporation to: (a) acquire title to a public facility in order to lease, convey, or dispose of the public facility to the Corporation's sponsor; (b) sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of all or any part of the Corporation's property and assets; and (c) make a contract, incur a liability, and borrow money at interest;

WHEREAS, to accomplish the financing as contemplated herein, the Corporation and the District will enter into an Amended and Restated Lease With an Option to Purchase Between Tioga Independent School District Public Facility Corporation, Lessor and Tioga Independent School District, Lessee" dated April 10, 2019 (the *Lease*) for the Project pursuant to the provisions of the Act pursuant to the terms of which the District will pay to the Issuer such lease payments (the *Lease Payments*) at such times and in such amounts as will be required to pay the principal of, premium, if any, and interest on the lease revenue refunding bonds to be issued hereunder (the *Bonds*);

WHEREAS, the construction of the Project was originally financed through the issuance of "Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2016" (*Refunded Bonds*) pursuant to the "Trust Agreement Relating to the Tioga Independent School District School Facility Project" dated September 1, 2016 (the *Series 2016 Trust Agreement*) in the original principal amount of \$26,780,000 and the Project was, and remains, leased to the District pursuant to the Original Lease; and

WHEREAS, to secure its obligations under the Trust Agreement, the Issuer will grant a first mortgage lien on and first deed of trust title to the Land (hereinafter defined), will assign and pledge the Issuer's interest in the leases, rents, issues, profits, revenues, income, receipts, money, rights, and benefits of and from the Project to and for the use and benefit of the Trustee on behalf of the owners of the Bonds pursuant to a Deed of Trust, Security Agreement, and Assignment of Rents and Leases (the *Mortgage*) and the Issuer will grant to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Issuer at any time installed or located on the Land (hereafter defined), and substitutions or replacements therefor, in any inventory of the Issuer now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Issuer's ownership and operation of the Project, pursuant to a Security Agreement (the *Security Agreement*);

WHEREAS, the Corporation hereby finds and determines that the refinancing of the Project through the issuance of the Bonds will further the purposes and policies of Chapter 303;

WHEREAS, the execution and delivery of this Trust Agreement, the Lease, the Security Agreement, and the Mortgage, were authorized by a resolution (the *Resolution*), which was duly adopted and approved by the Board of Directors of the Issuer; and

NOW, THEREFORE, in consideration of the mutual undertakings, provisions, and agreements herein contained, in order to secure the payment of Bond Payments according to their true intent and meaning and to the extent herein provided, to secure the performance and observance of all covenants and conditions herein contained for and in consideration of these premises and of the acceptance by the Trustee of the trust hereby created and for other good and valuable consideration, the receipt of which is hereby acknowledged, this Trust Agreement has been executed and delivered by the Corporation and the Trustee, and, pursuant to the Financing Documents, the Trustee has received from the Corporation for the benefit of the owners of the Bonds, the Trust Estate. The Trustee hereby declares that it will hold the Trust Estate in trust for the benefit of the owners of Bonds in accordance with the terms of this Trust Agreement.

TO HAVE AND TO HOLD all and singular the Trust Estate whether now owned or hereafter acquired unto the Trustee and its successors in trust and to its assigns forever;

BUT IN TRUST NEVERTHELESS, for the equal and proportionate benefit, security, and protection of all present and future owners of the Bonds are governed by this Trust Agreement, and to secure the performance of and compliance with the covenants, terms, and conditions of this Trust Agreement, without preference, priority, or distinction, as to lien or otherwise, (except as hereinafter expressly provided) of any Bondholder over any other, so that each and every

Bondholder shall have the same right, lien, and privilege under this Trust Agreement and shall be equally and ratably secured on a pro rata basis.

PROVIDED, HOWEVER, if the Corporation or its assigns shall well and truly pay, or cause to be paid, the principal or redemption price of and the interest on the Bonds at the times and in the manner stated in the Bonds, according to the true intent and meaning thereof, then this Trust Agreement and the rights hereby granted shall cease, terminate and be void; otherwise this Trust Agreement is to be and remain in full force and effect;

IN ADDITION, the Bonds are special obligations of the Corporation payable solely from the Trust Estate, as and to the extent provided in this Trust Agreement. The Bonds do not give rise to a charge against the general credit or taxing powers of the Corporation and are not payable except as provided in this Trust Agreement. Notwithstanding anything to the contrary herein, the Owners of the Bonds shall never have the right to demand payment thereof out of any funds of the Corporation other than the Trust Estate. The Corporation shall have no legal or moral obligation to pay for the Bonds out of any funds of the Corporation other than the Trust Estate.

THIS TRUST AGREEMENT FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated, and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Bonds as follows.

ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. Terms defined in this Trust Agreement shall have the meanings given them in this Trust Agreement unless the context requires otherwise. Terms defined in the Lease and capitalized herein without being defined herein shall, for the purposes of this Trust Agreement, have the meanings given them in the Lease unless the context otherwise requires.

Appropriate or Appropriated or Appropriation - The adoption by the Board of Trustees of a budget or amendment to the budget for a Fiscal Year which includes the Lease Payments and other payments required or any other payments elected, if any, to be made by the District under the Lease during the respective Fiscal Year.

Available Funds - Money Appropriated by the District from (i) money appropriated biennially by the Legislature of the State that may lawfully be used with respect to any payment obligated or permitted under the Lease, which under current law is limited to Basic Allotment portion of Tier One Funds and Chapter 46 Funds, and (ii) any unintended surplus maintenance tax funds of the District at the end of each Fiscal Year after payment of all maintenance and operating expenses of the District for that Fiscal Year.

Basic Allotment portion of Tier One Funds - Funds which are allotted to the District pursuant to Section 42.101 *et seq.*, Texas Education Code.

Bond or Bonds - Any bond issued pursuant to this Trust Agreement, the form of which is attached as Exhibit "A" (including the definitive bonds and Initial Bond herein defined) and incorporated by reference herein.

Bond Counsel - An attorney at law or a firm of attorneys, acceptable to the Corporation, the District, and the Trustee, of nationally recognized standing in matters pertaining to the issuance of tax-exempt bonds by states and their political subdivisions.

Bondholder - The person in whose name any Bond is registered in the Bond Register. As used herein, an "Owner" or a "Holder" of Bonds means a Bondholder.

Bond Maturity Date — The annual principal payments of the Bonds payable on August 15 of each year, commencing August 15, 2019 while the Bonds are Outstanding as set forth in Section 3.12 of this Trust Agreement.

Bond Payment - The payments of principal of or interest on the Bonds to be made to each Bondholder in accordance with this Trust Agreement.

Bond Payment Date — February 15 and August 15 of each year, commencing August 15, 2019 and continuing for so long as any Bonds are Outstanding.

Bond Register - The register of Owners of the Bonds, maintained by the Trustee.

Business Day - Any day other than a Saturday, Sunday, or a day on which banking institutions in the city in which the principal corporate trust office of the Trustee is located, or on which banking institutions located in the City of New York, New York, are required or authorized by law to be closed, or a day other than a day on which the New York Stock Exchange is closed.

Chapter 46 Funds - Funds which must be deposited into a segregated account of the District's general fund pursuant to Chapter 46, as amended, Texas Education Code that must be transferred upon Appropriation by the District of the Lease Payments to the Trustee for immediate deposit into the Payment Account.

Closing Date - The date of initial delivery of and payment for the Bonds.

Code - The United States Internal Revenue Code of 1986, as amended.

Corporation or Issuer - The Tioga Independent School District Public Facility Corporation, a Texas nonprofit corporation created by the District pursuant to the provisions of Chapter 303, as amended, Texas Local Government Code, and its successors and assigns.

Corporation Representative – The President of the Board of Directors of the Corporation who has been authorized by the Bylaws of the Corporation to execute agreements similar to this Trust Agreement and related documents, or any other officer, agent, or employee of the Corporation who is designated by the governing body of the Corporation as a Corporation Representative for the purposes of this Trust Agreement, such designation to remain effective until the Corporation files with the Trustee a resolution designating a different or alternative representative.

District - The Tioga Independent School District, a political subdivision of the State created pursuant to Article VII, Section 3 of the Texas Constitution, and its successors and assigns.

District Representative – The Superintendent of Schools of the District who has been authorized by the District to execute agreements similar to this Trust Agreement and related documents, or any other officer, agent, or employee of the District who is designated by the governing body of the District as a District Representative for the purposes of this Trust Agreement, such designation to remain effective until the District files with the Trustee a resolution designating a different or alternative representative.

DTC - The Depository Trust Company of New York, New York, or any successor securities depository.

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

Event of Default - Those events of default provided for in Section 5.01 of this Trust Agreement.

Event of Nonappropriation - The failure of the District to appropriate for any Fiscal Year, sufficient funds to pay the Lease Payments, or the reduction of any Appropriation to an amount insufficient to permit the District to pay the Lease Payments from (i) money appropriated biennially by the Legislature of the State that may lawfully be used with respect to any payment obligated or permitted under the Lease, which under current law is limited to Basic Allotment portion of Tier One Funds and Chapter 46 Funds, and (ii) any unintended surplus maintenance tax funds of the District at the end of each Fiscal Year after payment of all maintenance and operating expenses of the District for that Fiscal Year.

Financing Documents - Collectively, this Trust Agreement, the Lease, the Security Agreement, and the Mortgage.

Fiscal Year — The twelve month financial accounting period used by the Corporation ending August 31 in each year, or such other twelve consecutive month period established by the Corporation.

Improvements — All improvements previously developed, constructed and/or installed (consisting of construction of a high school facility) on the Land for the Project.

Insurance and Condemnation Account - That account so designated and established in accordance with Section 4.04 of this Trust Agreement.

Issuance Costs - The costs of issuance incurred in connection with the sale of Bonds and the execution and delivery of the Lease, including, but not limited to initial and first year's Trustee's fees (including the initial fees of Trustee's counsel), the District's financial advisor's fees and expenses, fees and expenses of counsel to the District, Corporation, Bond Counsel, and counsel to the underwriter or purchase of Bonds, printing and other costs, the underwriter or purchaser's fees and expenses, Rating Agency fees, and the examination fees of the Attorney General of Texas, filing fees, and other miscellaneous costs and expenses.

Land - The real property located in Grayson County, Texas described in Exhibit "A" to the Lease upon which the Improvements are located.

Lease - That certain Amended and Restated Lease With an Option to Purchase Between Tioga Independent School District Public Facility Corporation, Lessor and Tioga Independent School District, Lessee" dated April 10, 2019 dated as of by and between the Corporation and the District, together with all amendments thereto.

Mortgage - That certain Deed of Trust, Security Agreement, and Assignment of Rents and Leases dated as of May 9, 2019, from the Corporation to the mortgage trustee for the use and benefit of the Trustee.

Outstanding - As of the date of determination, all Bonds theretofore issued and delivered under this Trust Agreement, except:

- (1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited in an account, other than the Payment Account identified in Article IV of this Trust Agreement with the Trustee in trust irrevocably for the holders of such Bonds;
- (3) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to this Trust Agreement; and
- (4) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in this Trust Agreement.

Payment Account - That certain account so designated and established in accordance with Section 4.03 of this Trust Agreement.

Permitted Investments - Any investment permitted by Chapter 2256, as amended, Texas Government Code and the District's Investment Policy.

Principal Corporate Trust Office when used with respect to the Trustee means the designated office of the Trustee situated in Dallas, Texas at which the Trustee conducts its corporate business.

Project - The Land and the Improvements to be refinanced pursuant to the Lease.

Project Account - That certain account so designated and established in accordance with Section 4.02 of this Trust Agreement.

Project Costs - All costs of, payment of, or reimbursement for the refinancing of the Project; architectural, engineering, installation and management costs; project coordination and supervisory costs; capital expenditures relating to design, construction, and installation; financing payments; sales tax, if any, on the Project; costs of feasibility, environmental, appraisal, and other reports; inspection costs; permit fees; filing and recording costs; title insurance premiums; survey costs; Issuance Costs; and all other costs related to the Project or the refinancing thereof, authorized by Chapter 303.

Purchaser – Crews and Associates, Inc., as the underwriter of the Bonds.

Rebate Fund - That certain fund so designated and established in accordance with Section 4.07 of this Trust Agreement.

Record Date - The first day of the month (whether or not a Business Day) next preceding each Bond Payment Date.

Redemption Account - That certain account so designated and established in accordance with Section 4.06 of this Trust Agreement.

Refunded Bonds - That certain "Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2016" previously issued by the Corporation to finance the acquisition of land and construction of the Project.

Regulations - Any proposed, temporary, or final income tax regulations, including but not limited to those issued pursuant to sections 103 and 141 through 150 of the Code, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary, or final income tax regulation designed to supplement, amend, or replace the specific Regulation referenced.

Reserve Account - That certain account so designated and established in accordance with Section 4.05 of this Trust Agreement.

Reserve Requirement – The amount described in Section 4.5(b).

Security Agreement - That certain Security Agreement dated as of May 9, 2019 by and between the Corporation and the Trustee.

State - The State of Texas.

Trustee - Wilmington Trust, National Association, or its successors and permitted assigns.

Trustee Representative - Any Executive Vice President, any Senior Vice President, any Vice President, authorized officer, or any other employee of the Trustee, who by virtue of his position with the Trustee has been authorized by the Bylaws of the Trustee to execute trust agreements similar to this Trust Agreement and related documents.

Trust Estate - All right, title, and interest of the Corporation in the Project and in and under the Financing Documents, excluding amounts held in the Rebate Fund, but including without limitation, all right, title, and interest of the Corporation in and to all Lease Payments and other payments paid or payable by the District from and after the date of this Trust Agreement and other income, charges, and funds realized from the lease, sale, transfer, or other disposition of the Project.

Trust Fund - The Trust Fund established pursuant to Section 4.01 of this Trust Agreement, consisting of the Project Account, the Payment Account, the Insurance and Condemnation Account, the Reserve Account, and the Redemption Account.

Section 1.02. Rules of Construction.

(a) Words of the masculine and feminine genders shall be deemed and construed to include the neuter gender. Unless the context otherwise indicates, the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

(b) Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction, or effect.

Section 1.03. Preamble. The statements and findings in the preamble of this Trust Agreement are hereby adopted and made a part of this Trust Agreement.

**ARTICLE II
RECITALS AND REPRESENTATIONS**

Section 2.01. Lease. The Corporation and the District have entered into the Lease whereby the Corporation has agreed to continue to lease the Project to the District and the District has agreed to lease the Project from the Corporation.

Section 2.02. The Project. The District has previously accepted the Project pursuant to the terms of the Original Lease.

Section 2.03. Payments. Under the Lease, the District is obligated to pay to the Corporation, or its assigns, but solely from Available Funds, Lease Payments for the lease of the Project.

Section 2.04. Deposit of Funds. Under the Lease, the Corporation is required to deposit or cause to be deposited with the Trustee all Lease Payments and other money received pursuant to the Lease, to be held, credited, and applied in accordance with the terms hereof.

Section 2.05. Assignment to Trustee. For good and valuable consideration set forth in the Financing Documents, the Corporation is assigning hereby to the Trustee for the benefit of the Bondholders all of its present and future right, title, and interest in and to, but none of its obligations and responsibilities under, the Lease, including, but not limited to, the right to receive the Lease Payments and other payments for the Project made by the District as set forth in the Lease, and to secure its obligations under this Trust Agreement, the Corporation has granted to the Trustee for the benefit of the Bondholders (i) a first mortgage lien on and deed of trust title to the Land and the Project and has assigned and pledged to the Trustee the Corporation's interest in the leases, rents, issues, profits, revenues, income, receipts, money, rights, and benefits of and from the Project including, but not limited to, the Lease Payments, and pursuant to the Mortgage, and (ii) a first priority security interest in the machinery, equipment, furnishings, or other property owned by the Issuer at any time installed or located on the Land acquired with the proceeds of the Bonds or the Refunded Bonds, and substitutions or replacements therefor, in any inventory of the Issuer now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Issuer's ownership and operation of the Project, pursuant to the Security Agreement.

Section 2.06. Trustee. The Issuer hereby appoints the Trustee to act, for and on behalf of the Bondholders, and the Trustee hereby accepts such appointment to: (i) receive the proceeds from the sale of the Bonds; (ii) receive all Lease Payments and all other amounts received pursuant to the Lease; (iii) apply and disburse the proceeds from the sale of the Bonds and the payments received hereunder as hereinafter provided; and (iv) perform all the other duties and obligations of the Trustee expressly provided for herein.

Section 2.07. Authority to Contract. Each of the parties has authority to enter into this Trust Agreement and has taken all actions necessary to authorize its execution and delivery by its duly authorized officers signing at the signature page hereof and the performance of its respective obligations hereunder.

Section 2.08. Conditions Precedent Satisfied. Each party represents that all acts, conditions, and things required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Trust Agreement by such party have happened, and have been performed in regular and due time, form, and manner required by law, and each of the parties hereto are now fully empowered to execute and enter into this Trust Agreement.

ARTICLE III BONDS

Section 3.01. Payments from Trust Estate Only.

(a) All Bond Payments to be made by the Trustee under this Trust Agreement to the Bondholders shall be made only from the revenues, income and proceeds from the Trust Estate and only to the extent that the Trustee shall have received such revenue, income or proceeds from the Trust Estate. The owners of the Bonds agree that they shall look solely to the income and proceeds from the Trust Estate to the extent available for payment of the Bonds.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the payment of the Bonds under Section 3.1(a) of this Trust Agreement, and such payment is therefore valid, effective, and perfected. If Texas law is amended at any time while any Bonds are outstanding and unpaid such that payment of principal and interest on the Bonds by the Corporation under Section 3.1(a) of this Trust Agreement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said payment, the Corporation 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 & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 3.02. Method of Payment. The Trustee is hereby appointed as paying agent for the Bonds. All Bond Payments made by the Trustee under this Trust Agreement shall be paid to each Bondholder in accordance with Section 3.11 of this Trust Agreement.

Section 3.03. Unclaimed Bond Payments. If money sufficient to make a payment to a Bondholder shall have been made available to the Trustee for the benefit of such Bondholder, and the payment cannot be made, for any reason, it shall thereafter be the duty of the Trustee to hold such money, without liability for interest thereon, for the benefit of such Bondholder. Such Bondholder shall thereafter be restricted exclusively to such money for any claim of whatever nature which he may have under this Trust Agreement or on, or with respect to, such Bond. Subject to applicable unclaimed property laws of the State, the Trustee's obligation to hold such money shall continue for two years and six months following the date on which the principal of the Bonds became due (whether at maturity, or the date fixed for redemption thereof, or otherwise, as the case may be) and money remaining unclaimed after such period shall be paid to the Issuer. After the payment of such unclaimed money to the Issuer, the holder of such Bond shall thereafter look only to the Issuer for the payment thereof, and all liability of the Trustee with respect to such money shall thereupon cease. In the event any Bonds are not presented for payment when due

either at maturity or at the date fixed for redemption thereof or otherwise, if money sufficient to pay such Bonds shall have been made available to the Trustee for the benefit of the holders thereof, all liability of the Issuer to the holders thereof for the payment of such Bonds shall terminate and be completely discharged.

Section 3.04. Other Distributions. Any payments of any other amounts received by the Trustee as to which provision for the application thereof is made in the Lease shall be applied to the purpose for which such payments were made in accordance with the terms of the Lease, as the case may be.

Section 3.05. Execution; Temporary Bonds.

(a) The Bonds may be executed on behalf of the Issuer by its President or Vice President with his manual or facsimile signature and may be attested by the manual or facsimile signature of its Secretary or Assistant Secretary, and the official seal of the Issuer, if the Issuer has adopted an official seal, shall be impressed or reproduced thereon. All such facsimile signatures shall have the same force and effect as if said officers had manually signed each of the Bonds. The reproduction of the official seal of the Issuer, if the Issuer has adopted an official seal, on the Bonds shall have the same force and effect as if the official seal of the Issuer had been impressed on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, and the Bonds may be issued and delivered as if such officer had remained in office until delivery.

(b) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Trust Agreement unless and until there appears thereon the Certificate of Authentication of the Trustee substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Trustee. It shall not be required that the same officer or authorized signatory of the Trustee sign the Certificate of Authentication on all of the Bonds. In lieu of the executed Certificate of Authentication described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General, is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Purchaser, or its designee, executed with the manual or facsimile signatures of the President and Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Trustee shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.06. Approval and Authentication. The President of the Board of Directors is hereby authorized to have control of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their investigation, examination, and approval by the Attorney General of the State of Texas; their registration by the Comptroller of Public Accounts of the State of Texas (the *Comptroller*); and their delivery to the Purchaser. The Initial Bond, numbered T-1, shall be substantially in the form of Exhibit "A", with such variations, insertions, or omissions as are appropriate, shall be submitted to the Attorney General of Texas (the *Initial Bond*) for such purpose. Upon registration of the Initial Bond, the Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate. The Initial Bond thus registered shall remain in the custody of the President (or his designee) until delivered to the Purchaser. Except for the Initial Bond, only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit "A" and duly authenticated by the Trustee shall be entitled to any right, security, or benefit under this Trust Agreement. All Bonds need not be authenticated by the same authorized officer of the Trustee. Except for the Initial Bonds, no Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Trust Agreement and that the owner thereof is entitled to the benefits of the trust hereby created. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed by it if (a) signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds or on all of the Bonds of any series issued hereunder and (b) the date of registration and authentication of the Bond is inserted in the place provided therefor on the certificate of authentication.

Section 3.07. Form; Denomination; Medium of Payment. The Bonds shall be issuable only as fully registered obligations without coupons. The definitive Bonds shall be in denominations of \$5,000 or any integral multiple thereof. The definitive Bonds shall be substantially in the form set forth in Exhibit "A" with such variations, insertions, or omissions as are appropriate and not inconsistent therewith and shall conform generally to the rules and regulations of any governmental authority or usage or requirement of law with respect thereto. Principal of and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 3.08. Mutilated, Lost, Stolen, or Destroyed Bonds.

(a) In the event any Bond is mutilated, lost, stolen, or destroyed, the Issuer shall execute and the Trustee shall authenticate and deliver a new Bond of like date, number, series, interest rate, maturity, and denomination as that mutilated, lost, stolen, or destroyed; provided, that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen, or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft, or destruction satisfactory to the Trustee, together with indemnity satisfactory to the Trustee and the Issuer. In the event any such Bond shall have matured, or shall be about to mature or have been called for redemption, instead of issuing a duplicate Bond the Issuer may pay the same without surrender thereof, provided that the conditions of this Section 3.08 shall have

been satisfied. The Issuer and the Trustee may charge the owner of such Bond with their reasonable fees and expenses in connection with actions taken under this section and may require the owner of such Bond to pay any tax, fee, or other governmental charge that may be imposed in relation thereto as conditions precedent to the issuance of any replacement Bond(s). The Issuer shall cooperate with the Trustee in connection with the issue of replacement Bonds, but nothing in this section shall be construed in derogation of any rights which the Issuer or the Trustee may have to receive indemnification against liability, or payment or reimbursement of expenses, in connection with the issue of a replacement Bond. If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bonds was issued presents for payment or registration such original Bond, the Trustee shall be entitled to recover such replacement Bonds from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Corporation or Trustee in connection therewith.

(b) Every substitute Bond issued pursuant to this Section shall constitute an original additional contractual obligation of the Issuer, whether or not the Bond alleged to have been mutilated, destroyed, lost, or stolen shall be at any time enforceable by anyone, and shall be entitled to all the rights and benefits of this Trust Agreement equally and proportionately with any and all other Bonds Outstanding of the same series duly issued hereunder.

(c) All Bonds shall be held and owned upon the express condition that the foregoing provisions are, to the extent permitted by law, exclusive with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Bonds, and shall preclude any and all other rights or remedies.

Section 3.09. Cancellation and Destruction of Surrendered Bonds. When any Bond shall be delivered to the Trustee for cancellation pursuant to this Trust Agreement, upon payment of the principal amount or interest represented thereby, or for replacement pursuant to Section 3.08 or transfer or exchange pursuant to Section 3.10, such Bond shall be, in accordance with any applicable record retention regulations, promptly cancelled and cremated or otherwise destroyed by the Trustee, and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer from time to time upon request.

Section 3.10. Negotiability; Registration, Transfer, and Exchange.

(a) The Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State, and the Bondholders, in accepting any of the Bonds, shall be conclusively deemed to have agreed that the Bonds shall be and have all of said qualities and incidents of negotiable instruments.

(b) The Issuer shall cause books (the *Bond Register*) for the registration of the Bonds and for the registration of transfer of the Bonds as provided in this Trust Agreement to be kept by the Trustee which is hereby appointed the Issuer's bond registrar and agent for the transfer and exchange of the Bonds and as such shall maintain the books of the Issuer for the registration of ownership of each Bond as provided in this Trust Agreement. The Trustee, for and on behalf of

the Issuer, shall keep the Bond Register, in which shall be recorded any and all transfers of ownership of Bonds. No Bonds shall be registered to bearer. Subject to the restrictions on transfers contained herein, any Bond may be transferred upon the Bond Register upon surrender thereof by the registered Bondholder in person or by his attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee, containing written instructions as to the details of the transfer, duly executed by the registered Bondholder or his attorney-in-fact or legal representative duly authorized in writing and upon payment by such registered Bondholder of a sum sufficient to cover any governmental tax, fee, or charge required to be paid as provided in this Trust Agreement. Upon any such registration of transfer, the Issuer shall cause to be executed and the Trustee shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds of authorized denominations and of the same series, maturity or maturities, and interest rate(s) and in the same aggregate principal amount(s), and the Trustee shall enter the transfer of ownership in the Bond Register. No transfer of any Bond shall be effective until entered on the Bond Register.

(c) Any Bonds, upon surrender thereof at the Principal Corporate Trust Office of the Trustee with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee, duly executed by the registered owner or his attorney-in-fact or legal representative duly authorized in writing, may be exchanged, at the option of the registered owner thereof, and upon payment by such registered owner of a sum sufficient to cover any governmental tax, fee, or charge required to be paid as provided in this Trust Agreement, when not prohibited by law, for an equal aggregate principal amount of Bonds of the same series, interest rate, and maturity or maturities and of any authorized denomination and registered in the name of the same registered owner. The Issuer shall cause to be executed and the Trustee to which Bonds are presented for exchange shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not then outstanding, and the Trustee, as bond registrar, shall enter the exchange in the registration books.

(d) Except as provided herein with respect to exchanges for certain temporary Bonds, the cost of printing, lithographing, and engraving of all Bonds shall be deemed to be an ordinary expense of the Trustee, and there shall be no charge to any Bondholder for the registration, exchange, or transfer of Bonds from one Bondholder to another (the charges therefor to be paid by the District as part of the Trustee's fees and expenses), although in each case the Trustee may require the payment by the Bondholder requesting exchange or transfer of any tax, fee, or other governmental charge required to be paid with respect thereto and may require that such amount be paid before any such new Bond shall be delivered.

(e) The Issuer and the Trustee may deem and treat the registered Bondholder of any Bond as the absolute owner of such Bond for the purpose of receiving any payment on such Bond and for all other purposes of this Trust Agreement, whether such Bond shall be overdue or not, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. Payment of, or on account of, the principal of and interest and redemption premium, if any, on any Bond shall be made to or upon the written order of such registered Bondholder or his attorney-in-fact or legal representative duly authorized in writing. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(f) The execution and attestation by the President or Vice President and Secretary or Assistant Secretary of the Issuer of any Bond of any authorized denomination shall constitute full and due authorization of such denomination, and the Trustee shall thereby be authorized to authenticate and deliver such Bond. New Bonds delivered upon any transfer or exchange shall be valid limited obligations of the Issuer, evidencing the same obligation as the Bonds surrendered, shall be secured by this Trust Agreement, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered. The Trustee shall not be required to transfer or exchange any Bond (i) after the notice calling such Bond for redemption has been given as herein provided or (ii) during a period beginning at the opening of business on the first day of the month (whether or not a Business Day) next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending at the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given.

Section 3.11. Number and Payment Provisions.

(a) The Bonds shall be numbered consecutively from R-1 upward (except the Initial Bond which shall be numbered T-1) or in such other manner as the Issuer, with the concurrence of the Trustee, shall determine. Each Bond shall bear interest from the Closing Date. The Trustee shall insert the date of registration and authentication of each Bond in the place provided for such purpose in the form of certificate of authentication of the Trustee to be printed on each Bond. If interest on the Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bonds surrendered.

(b) Principal of the Bonds shall be payable by check or draft to the owner of each Bond upon presentation and surrender of such Bond when due, at the corporate trust office of the Trustee in Dallas, Texas, or its successor in trust. Payment of interest on the Bonds shall be made to the persons in whose names the Bonds registered at the close of business on the Record Date described in the Form of Bond for such payment and shall be paid by check or draft mailed to such persons at their addresses as they appear in the Bond Register or at such other addresses as are furnished to the Trustee in writing by such registered owners at least 5 days prior to the Record Date or, upon written request and at the expense of any registered Bondholder of at least \$500,000 in principal amount of Outstanding Bonds by wire transfer in immediately available funds to such persons at such bank account numbers or addresses as are furnished to the Trustee along with the wire payment authorization in writing by such registered owners prior to the Record Date, at the option, risk and expense of any owner upon terms satisfactory to the Trustee.

Section 3.12. Issuance of Bonds; Maturity; Interest Rate. The Bonds shall be issued in the aggregate principal amount of \$28,075,000 and shall be designated "Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Refunding Bonds, Series 2019," for the purpose of refinancing the Refunded Bonds issued for the Project. The Bonds shall be dated April 15, 2019 (the *Dated Date*), and shall bear interest until paid at a rate per annum as shown below, commencing from the Closing Date, computed on the basis of a 360-day year consisting of twelve 30-day months, payable on August 15, 2019, and semiannually thereafter on February 15 and August 15 of each year, and shall mature on August 15 in the years and the amounts shown below, unless earlier called for redemption:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
08/15/2020	\$415,000	4.000%
08/15/2021	\$435,000	4.000%
08/15/2022	\$450,000	4.000%
08/15/2023	\$470,000	4.000%
08/15/2024	\$485,000	4.000%
08/15/2025	\$805,000	3.000%
08/15/2026	\$1,130,000	3.250%
08/15/2027	\$1,170,000	3.250%
***	***	***
08/15/2032	\$6,590,000	4.500%
***	***	***
08/15/2036	\$6,425,000	4.500%
***	***	***
08/15/2041	\$9,700,000	4.000%

Section 3.13. Delivery of Bonds. Upon the execution and delivery of this Trust Agreement, the Issuer shall execute and deliver to the Trustee and the Trustee shall register and authenticate the Bonds in the aggregate principal amount of \$28,075,000 and deliver them to the persons designated by the Purchaser.

Prior to the registration and authentication by the Trustee of any of the Bonds, there shall be filed with the Trustee:

(a) closing certificate of the Issuer incorporating a copy of the documents evidencing creation of the Issuer, the Issuer's Articles of Incorporation and By-Laws and the Resolution;

(b) closing certificate of the District incorporating a copy of the order of the Board of Trustees of the District authorizing and approving the execution and delivery of the Lease and all other documents to be delivered by the District in connection with the transactions contemplated by said instrument;

(c) original executed counterparts of the Financing Documents;

(d) a direction and authorization to the Trustee by the Issuer, signed by the President or Vice President of the Issuer, to authenticate and deliver the Bonds to the Purchaser therein identified upon payment to the Trustee for the account of the Issuer of the sum therein specified (including accrued interest, if any), and to deposit the proceeds thereof as provided in this Trust Agreement;

(e) a tax certificate of the Issuer stating the reasonable expectations of the Issuer on the date of the issuance of the Bonds regarding the amount and use of the proceeds of the Bonds and setting forth the facts and estimates on which the Issuer's expectations are based;

(f) an opinion dated as of the date of the closing of Bond Counsel, in form and substance satisfactory to the Purchaser;

(g) reserved;

(h) a Commitment for Title Insurance, issued by a title company reasonably acceptable to the Purchaser, in the Trustee's favor as mortgagee, in the amount of the principal amount of the Bonds, subject only to those title exceptions approved by the Purchaser, and the standard printed exceptions contained in the usual form of Texas Mortgagee's Title Policy;

(i) approval of the Texas Attorney General and registration of the Initial Bonds by the Texas Comptroller of Public Accounts; and

(j) such other documents, certificates, and instruments in connection with the transactions contemplated by the Financing Documents, in form and substance satisfactory to the Purchaser, as the Purchaser may reasonably request.

Upon receipt of the foregoing and of the purchase price for the Bonds, the Trustee shall register, authenticate, and deliver the Bonds to or upon the order of the Purchaser.

Section 3.14. Book-Entry Only System. (a) The Bonds shall initially be issued in book-entry-only form and shall be deposited with DTC, which is hereby appointed to act as the securities depository therefor, in accordance with the letter of representations from the Issuer to DTC. On the Closing Date, the definitive Bonds shall be issued in the form of a single typewritten certificate for each maturity thereof registered in the name of Cede & Co., as nominee for DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Trustee shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an owner, as shown on the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an owner, as shown in the Bond Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Trust Agreement to the contrary, the Issuer and the Trustee shall be entitled to treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners as shown in the Bond Register, as provided in this Trust Agreement, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Bond Register, shall receive a Bond certificate evidencing the obligation of the

Issuer to make payments of amounts due pursuant to this Trust Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Trust Agreement with respect to interest checks or drafts being mailed to the registered owner at the close of business on the Record Date or Special Record Date, as applicable, the word "Cede & Co." in this Trust Agreement shall refer to such new nominee of DTC.

(c) In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the letter of representations from the Issuer to DTC, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants of the availability through DTC of certificated Bonds and cause the Trustee to transfer one or more separate registered Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Trust Agreement.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds shall be made and given, respectively, in the manner provided in the blanket letter of representations from the Corporation to DTC.

Section 3.15. Continuing Disclosure Obligation Pursuant To Rule 15c2-12 (17 C.F.R. § 240.15C2-12).

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

The term "*Financial Obligation*" means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of the foregoing (a) and (b). The term Financial Obligation does not include any municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The term "*MSRB*" means the Municipal Securities Rulemaking Board.

The term "*Rule*" means SEC Rule 15c2-12 (17 C.F.R. § 240.15C2-12), as amended from time to time.

The term "*SEC*" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in the Official Statement under Appendix A. The Issuer will update and provide the information in Appendix A within six months after the end of each fiscal year ending in and after 2019. The Issuer will additionally provide audited financial statements, which consist of the District's audited financial statements, when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2019. 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. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D of 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.

(ii) The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule. 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 document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) 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:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or 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;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of an obligated person (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
13. 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, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

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 this Section by the time required by such subsection.

(d) 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 will give notice of any deposit or applicable law that causes Bonds no longer to be outstanding.

(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 they have expressly agreed to provide

pursuant to this Section and do 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 makes no 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 CIRCUMSTANCE 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 this Trust Agreement for purposes of any other provision of this Trust Agreement. 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) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. 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 Trust Agreement 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 (b) 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 3.16. Additional Bonds. The Issuer hereby covenants and agrees that, other than bonds or other obligations issued to refund the Bonds, no other bonds or other obligations shall be issued which are secured by a lien on the Trust Estate. However, no refunding bonds or obligations may have a lien on the Trust Estate prior and superior to that securing the Bonds which will remain Outstanding after the refunding.

ARTICLE IV ESTABLISHMENT AND ADMINISTRATION OF FUND AND ACCOUNTS

Section 4.01. Trust Fund. There is hereby established with the Trustee a special trust fund to be designated the "Tioga Independent School District Public Facility Corporation School Facility Project Trust Fund," referred to herein as the *Trust Fund*. The Trustee shall keep the Trust Fund separate and apart from all other funds held by it. Within the Trust Fund, there are hereby established, for the benefit of the Bondholders, the separate and distinct accounts (except the Rebate Fund) more particularly described in this Article. On the Closing Date, the Trustee agrees to accept and deposit the proceeds from the sale of the Bonds, plus accrued interest, if any, on the Bonds, which amounts shall thereafter be subject to and be administered pursuant to the terms of this Article.

Section 4.02. Establishment and Application of Project Account.

(a) Within the Trust Fund, there is hereby established a special account to be designated as the "Tioga Independent School District Public Facility Corporation School Facility Project Account," referred to herein as the *Project Account*. The Trustee shall administer the Project Account as provided in this Article. On the Closing Date, the Trustee shall deposit to the Project Account \$27,066,000.00 from the proceeds from the sale of the Bonds and the District's contribution of \$333,987.50 for a total deposit of \$27,399,987.50 of which \$27,399,987.50 is the amount required for the payment in full of all outstanding Refunded Bonds. The Trustee shall transfer an amount from the Project Account to the appropriate payees and as necessary to effectuate the refunding of the Refunded Bonds, all in accordance with written instructions from the Corporation.

(b) Any remaining amounts in the Project Account shall be disbursed as otherwise specified in this Article.

(c) Disbursements to pay the Issuance Costs shall be made by the Trustee only upon receipt of a Requisition Requesting Disbursement of Project Costs, including Issuance Costs, in the form attached hereto as Exhibit "B", approved and executed by a District Representative and a Corporation Representative. The total amount to be paid from the Project Account for Issuance Costs pursuant to this subparagraph (c) shall not exceed \$633,988.15.

(d) Disbursements from the Project Account for Project Costs other than Issuance Costs and the distribution pursuant to subparagraph (b) shall be made, no more frequently than twice a month, by the Trustee only upon, and within five Business Days following receipt of a properly completed and executed Requisition Requesting Disbursement of Project Costs, in the form attached hereto as Exhibit "B", executed by a Corporation Representative and approved by a District Representative. The Trustee shall also create a subaccount within the Project Account in order to deposit and account for any casualty or condemnation proceeds received pursuant to Section 8.1 of the Lease. The disbursements of any such casualty or condemnation proceeds shall be made by the Trustee in accordance with the procedures established in this subparagraph (d).

(e) Upon receipt of a fully executed and approved Requisition Requesting Disbursement of Project Costs or of Issuance Costs and its required attachments, the Trustee may rely conclusively upon such requisition and shall have no liability on account of any disbursement from the Project Account in accordance with such requisition.

(f) Upon a redemption of all Outstanding Bonds pursuant to Section 6.01 or upon written request of the District Representative and Corporation Representative, all funds then on deposit in the Project Account shall be transferred to the Redemption Account in accordance with the terms of Section 4.06, and the Project Account shall be closed.

(g) No amounts shall be withdrawn or transferred from or paid out of the Project Account except as provided in this Article IV.

(h) Not later than August 1, 2019, the Trustee shall transfer any remaining money in the Project Account to the Payment Account.

Section 4.03. Establishment and Application of Payment Account.

(a) Within the Trust Fund, there is hereby established a special account to be designated the "Tioga Independent School District Public Facility Corporation School Facility Project Payment Account" (the *Payment Account*). The Payment Account shall be maintained by the Trustee until either (i) the Lease Payments and all other amounts payable under the Lease are paid in full, or (ii) the Purchase Option Price and all other amounts payable under the Lease are paid in full pursuant to the terms of the Lease. Accrued interest on the Bonds, if any, Lease Payments, Net Proceeds of insurance or condemnation, and, subject to Section 5.12 hereof, all other funds derived from the lease, sale, sublease, or other disposition of the Project, payment of the Purchase Option Price, and such other amounts as may be paid to the Trustee, and such amounts as are transferred by the Trustee upon closing of the Project Account or the Reserve Account shall be immediately deposited, as soon as practicable, by the Trustee in the Payment Account, subject to the provisions of Section 6.01 hereof.

(b) To the extent of funds contained therein, the Trustee shall withdraw from the Payment Account, on each Bond Payment Date, an amount equal to the amount of interest and principal payments due on such Bond Payment Date and shall cause the same to be applied to the payment of interest and principal payments due on such Bond Payment Date.

(c) Upon a redemption of all the Bonds pursuant to Section 6.01(a), all funds in the Payment Account shall be transferred to the Redemption Account. In the event of a partial redemption of the Bonds, pursuant to Sections 6.01(b) or (c), one Business Day prior to the date fixed for redemption of the Bonds, the Trustee shall transfer from the Payment Account to the Redemption Account the funds required to pay the redemption price of such Bonds to be redeemed, to the extent of funds contained therein.

(d) No amounts shall be withdrawn or transferred from or paid out of the Payment Account except as provided in this Article IV and in Section 5.12 hereof.

Section 4.04 Establishment and Application of Insurance and Condemnation Account.

(a) Within the Trust Fund, there is hereby established an account designated as the "Tioga Independent School District Public Facility Corporation School Facility Project Insurance and Condemnation Account" (*Insurance and Condemnation Account*). Money received by the Trustee as the result of the damage and/or destruction of the Project (from Net Proceeds or otherwise) shall be deposited into the Insurance and Condemnation Account.

(b) Reserved.

(c) If the amount of Net Proceeds which is deposited into the Insurance and Condemnation Account is insufficient for the necessary repair and/or replacement of the Project, in accordance with Section 9.2 of the Lease, the District may, within 90 days following the triggering condemnation or casualty, elect to either (i) deposit into the Insurance and Condemnation Account, from Available Funds, the amount needed for the completion of all necessary repairs and/or replacement of the Project (and upon such deposit, the Corporation shall make all necessary repairs and/or replacements of the Project and the Trustee shall disburse amounts from the Insurance and Condemnation Account for such purpose upon receipt of satisfactory evidence of such costs and repairs from a Corporation Representative and a District Representative), (ii) exercise its Option to Purchase and deposit into the Insurance and Condemnation Account, from Available Funds, an amount which together with amounts available in the Insurance and Condemnation Account will be sufficient to pay the Purchase Option Price, or (iii) terminate the Lease without causing an Event of Default thereunder, in each case, in accordance with section 9.2 of the Lease. Such election must be in writing and delivered to the Trustee on or before the 90th after the triggering condemnation or casualty.

(d) If the amount of Net Proceeds which is deposited into the Insurance and Condemnation Account is insufficient for the complete repairs and/or replacement of the Project or for the exercise of its purchase option, and the District does not, within 90 days following the triggering condemnation or casualty, make the election required in Section 4.04(c) above, the Trustee shall transfer the entire amount on deposit in the Insurance and Condemnation Account to the Redemption Account and such amount shall thereafter be applied in accordance with Section 4.6 hereof.

Section 4.05. Establishment and Application of Reserve Account.

(a) Within the Trust Fund, there is hereby established an account designated the "Tioga Independent School District Public Facility Corporation School Facility Project Reserve Account" (the *Reserve Account*).

(b) On the Closing Date, \$0.00 (the *Reserve Requirement*) shall be deposited by the Trustee into the Reserve Account from the proceeds of the Bonds. Funds within the Reserve Account shall be disbursed by the Trustee to pay Bond Payments to the extent the amount on deposit in the Payment Account is not sufficient therefor. In such event, the Trustee shall provide notice in the form and manner described in Section 5.07 hereof. In the event that the Reserve Account contains less than the Reserve Requirement, the Trustee shall give written notice to the District and the Corporation of the amount required to replenish the Reserve Account to an amount equal to the Reserve Requirement, and in accordance with its obligation under the Lease, the District shall replenish the Reserve Account from Available Funds to an amount equal to the Reserve Requirement within one year of receipt of such notice from the Trustee.

(c) Upon a redemption of the Bonds in whole, but not in part, all funds in the Reserve Account shall be transferred to the Redemption Account to redeem the Bonds. In the event of a partial redemption of the Bonds pursuant to Section 6.01(d) hereof, and to the extent the amount on deposit in the Payment Account is insufficient to pay the redemption price of such Bonds, the Trustee shall transfer from the Reserve Account to the Redemption Account the amount required to pay the redemption price of such Bonds to be redeemed, such transfer to be made one Business Day prior to the date fixed for redemption of the Bonds.

(d) The unexpended balance of the Reserve Account shall be transferred to the Payment Account to be used to make Bond Payments on the last Business Day prior to the final Bond Payment Date and the Reserve Account shall thereby be closed.

Section 4.06. Establishment and Application of Redemption Account. Within the Trust Fund, there is hereby established an account designated the "Tioga Independent School District Public Facility Corporation School Facility Project Redemption Account" (the *Redemption Account*). Money to be used for redemption of the Bonds shall be transferred by the Trustee one Business Day prior to the date fixed for redemption of the Bonds, first from the Payment Account and, if not sufficient, then from the Project Account, and deposited in the Redemption Account. Said money shall be set aside in the Redemption Account solely for the purpose of redeeming the Bonds in advance of their maturity and shall be applied on or after the date fixed for redemption to the payment of the principal of and interest on the Bonds to be redeemed upon delivery of the Bonds being redeemed to the Trustee. If there is not sufficient money available to pay in full all Trustee's fees, and interest and principal then due on the Bonds to be redeemed, the Trustee shall apply the money on deposit in the Redemption Account first, to the payment of its reasonable fees and expenses, and second, to the payment of all interest due with respect to such Bonds, pro rata in proportion to the respective aggregate amount of interest due if necessary, and third, to the payment of the principal of such Bonds, pro rata in proportion to the respective amount of the total amount of principal to be redeemed, if necessary. Any money remaining in the Redemption Account following redemption of, and payment of all principal and interest due with respect to, all

Bonds shall be transferred to the District after the payment of the fees and expenses of the Trustee as provided in Section 7.07 hereof.

Section 4.07. Rebate Fund.

(a) The Corporation hereby establishes with the Trustee, which shall maintain separate and apart from the Trust Fund, for the benefit of all persons who are or have at any time from and after the Closing Date been owners of any Bonds, at all times prior to the final payment to the United States of America of the amounts described in subsection (b) of this Section, a special fund designated its "Tioga Independent School District Public Facility Corporation School Facility Project Rebate Fund" (hereinafter referred to as the *Rebate Fund*). The money deposited to the Rebate Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section, unless in the opinion of Bond Counsel failure to make such application as so provided will not adversely affect any exclusion from gross income of interest on any Bond under the Code.

(b) The Trustee will deposit or transfer to the credit of the Rebate Fund each amount delivered to the Trustee by the District for deposit thereto and each amount directed in writing by the District to be transferred thereto.

(c) The Rebate Fund is to be held by the Trustee in accordance with the terms and provisions of this Trust Agreement. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code. The Rebate Fund shall not be part of the Trust Estate and shall not be security for the Bonds.

(d) In order to assure that Rebateable Arbitrage is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made in accordance with the Code and the Issuer's tax certificate relating to the Bonds.

(e) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and shall not be liable or responsible if it follows the instructions of the Corporation and shall not be required to take any action under this Section in the absence of instructions from the Corporation.

(f) If, on the date of each annual calculation, the amount on deposit in the Rebate Fund exceeds the amount of the Rebateable Arbitrage, the Corporation may direct the Trustee in writing to transfer the amount in excess of the Rebateable Arbitrage to the Payment Account.

(g) The Trustee shall preserve all statements, forms, and explanations received from the Issuer and all records of transactions in the Rebate Fund until six years after the discharge of the Bonds.

(h) If at any time during the term of this Trust Agreement the Corporation, the Trustee, or the District desires to take any action which would otherwise be prohibited by the terms of this Section, such person shall be permitted to take such action if it shall first obtain and provide at the expense of the District, payable solely from lawfully Available Funds, to the other persons named

herein an opinion of Bond Counsel to the effect that such action shall not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof for federal income tax purposes and shall be in compliance with the laws of the State and the terms of this Trust Agreement.

Section 4.08. Deposit and Investment of Money in the Trust Fund.

(a) Money held in the Trust Fund shall be invested by the Trustee in Permitted Investments pursuant to written instruction of the District. The District's instructions must state that the investment is a Permitted Investment and the Trustee is entitled to conclusively rely on such statement in honoring this investment instruction. No money in the Trust Fund shall be invested in any Permitted Investment which matures or becomes due and payable after the Business Day preceding the date upon which such money will be required by the Trustee for the uses and purposes specified in this Trust Agreement. Proceeds from the Bonds are not to be directed by the District for investment in any Permitted Investments except for a temporary period pending use; all such proceeds are not to be used by the District directly or indirectly so as to cause any part of the Bonds to be or become "arbitrage bonds" within the meaning of the Code. It is expressly agreed that any Permitted Investment may be purchased by the Trustee notwithstanding that an affiliate of the Trustee has underwritten, privately placed, or made a market for, any such Permitted Investment, or may in the future underwrite, privately place, or make a market in any such Permitted Investment.

(b) All interest or income received by the Trustee on the investment of money held in the Project Account shall be retained in the Project Account until such account is closed pursuant to Section 4.02.

(c) All interest or income received by the Trustee on the investment of money held in the Payment Account, the Reserve Account, and the Redemption Account shall be deposited in the Payment Account as received and applied as a credit to future Lease Payments. On July 15, 2019 and on January 15 and July 15 of each year thereafter, the Trustee shall give written notice to the Lessee of the amount of the Lease Payment next due and the amount of such investment earnings on deposit in the Payment Account which may be applied by the Lessee as a credit to its next Lease Payment.

(d) The Trustee shall act only as agent in making or disposing of any investment. The Trustee shall not be liable for any loss resulting from the making or disposition of any investment pursuant to the provisions of subsection (a) of this Section, and any such losses or penalties shall be charged to the account with respect to which such investment was made.

Section 4.09. Covenants Regarding Tax Exemption of Interest on Bonds.

(a) The Corporation covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as an obligation 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 Corporation covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (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 Corporation, with respect to such private business use, do not, under the terms of this Article 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" that 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 that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as a "private activity bond" 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 that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of an advance refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds is issued, and in the case of a current refunding bond, for a period of 90 days or less,

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise

contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

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

(9) 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).

(b) In order to facilitate compliance with the above covenant (a)(8), the Rebate Fund is established by the Corporation pursuant to Section 4.07 for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the registered Owner. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) The Corporation understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Corporation 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 (the "*Treasury Regulations*"). In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Bonds, the Corporation will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, the Corporation 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 Corporation hereby authorizes and directs the Mayor to execute any documents, certificates or reports required by the Code and to make such elections on behalf of the Corporation that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) The Corporation covenants to account for the expenditure of sale proceeds and investment earnings to be used for Costs on its books and records in accordance with the requirements of the Code. The Corporation 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 Major Improvements are completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Corporation recognizes that in

order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Corporation 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 Corporation 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.

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

Section 4.10. Payment of Other Costs. The District has agreed in Section 9.4 of the Lease to pay from lawfully available Appropriated funds the ordinary fees and expenses of the Trustee (solely from Available Funds), utility charges, ad valorem taxes (prior to their delinquency) which are imposed on the Project, if any, the operating and maintenance costs of the Project, and required replenishment of the Reserve Account solely from Available Funds, and the premiums of insurance policies relating to the Project.

ARTICLE V DEFAULT; LIMITATION OF LIABILITY

Section 5.01. Events of Default. An Event of Default is an event of default under the Lease or the occurrence of any one or more of the following:

(a) failure by the District to make a Lease Payment, whether such failure is a result of an Event of Default, an Event of Nonappropriation, or otherwise, within ten calendar days after the due date thereof, or failure by the Corporation to make a Bond Payment when due;

(b) failure by the District or the Corporation to observe and perform any covenant, condition, or agreement, on its part to be observed or performed by it under the Financing Documents, other than as referred to in (a) above or the failure to pay the Purchase Option Price when required by Section 10.1 of the Lease, and such failure is not cured within 20 calendar days after written notice thereof is provided to the defaulting party by the non-defaulting party to such document or by the Trustee;

(c) any material statement, representation, or warranty made by the Corporation or the District in any of the Financing Documents or in any writing ever delivered by the Corporation or

the District pursuant to or in connection with the Financing Documents is false, misleading, or erroneous in any material respect;

(d) the filing by the District or the Corporation of a voluntary petition in bankruptcy, or failure of the District or the Corporation promptly to lift any execution, garnishment, or attachment of such consequence as would impair the ability of the District or the Corporation to carry on its operations at the Project, or adjudication of the District or the Corporation as a bankrupt or assignment by the District or the Corporation for the benefit of creditors, or the entry by the District or the Corporation into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District or the Corporation in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar federal or State acts which may hereafter be enacted;

(e) any event which shall occur or any condition which shall exist the effect of which is to cause (i) more than \$100,000 of aggregate indebtedness of the Corporation or the District to become due prior to its stated due date, or (ii) a lien to be placed on the Project or the Corporation's or the District's interest in the Project, and not released within 60 days; or

(f) a final judgment against the Corporation or the District for an amount in excess of \$100,000 shall be outstanding for any period of 60 days or more from the date of its entry and shall not have been discharged in full or stayed pending appeal, and a lien is placed on the Project or the Corporation's or the District's interest in the Project.

The Corporation or the District, as applicable, shall provide written notification to the Trustee and the Purchaser upon the occurrence of any Event of Default (or an event which with the passage of time could become an Event of Default) identified in this Section 5.01 other than subsection (a) hereof.

Section 5.02. Remedies Upon Event of Default.

(a) Upon the occurrence of an Event of Default (and subject to the provisions of Section 3.1 of the Lease), the Trustee shall have the right, to the extent permitted by law, at its option and without any further demand or notice, to take one or any combination of the following remedial steps to the extent permitted by law:

(1) with or without terminating the Lease, declare the principal of all Outstanding Bonds and all unpaid accrued interest thereon to be due and payable immediately, by a notice in writing to the Corporation and the District, and upon any such declaration, such principal and all unpaid accrued interest thereon shall become immediately due and payable; or

(2) terminate the Lease upon giving thirty (30) days written notice to the District and the Corporation at the expiration of which period of time the Corporation shall cause the District to immediately surrender possession and control of the Project to the Trustee and the Trustee shall have the right, thereafter, to sell, lease, sublease, or otherwise dispose of the Project;

(3) exercise any rights, powers, or remedies it may have as a secured party under the Uniform Commercial Code of the State, or other similar laws in effect, and shall have the power to proceed with any available right or remedy granted by the Financing Documents under the laws of the State, as it may deem best, including any suit, action, mandamus, or special proceeding in equity or at law or in bankruptcy or otherwise for the collection of all amounts due and unpaid under the Financing Documents, for specific performance of any covenant or agreement contained herein or therein, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effective to protect the rights aforesaid, insofar as such may be authorized by law; or

(4) exercise any right, power or remedy available to it under the Lease if the Event of Default is also a default under the Lease.

(b) If an Event of Default shall have occurred and be continuing or there shall occur an Event of Nonappropriation, and the Trustee shall have received a direction from the Bondholders as provided herein to foreclose on the Mortgage, or may otherwise be requested to take possession of the Project upon an Event of Nonappropriation or otherwise, the Trustee shall not be required to proceed with the foreclosure or otherwise take possession of the Project if the Trustee determines within ten (10) days of receipt of such direction or request and gives notice to the Purchaser of such determination, in its reasonable discretion that it desires a "Phase I Environmental Report" and the Trustee is indemnified for the costs of such report and any other report recommended therein. Further, if the Trustee reasonably determines on the basis of the Phase I Environmental Report and any other report recommended therein that it does not desire to become, as Trustee, the owner of the Project or otherwise take possession of the Project because it reasonably believes that the indemnification provided by Section 7.03(h) herein is not adequate with respect to its lender liability or mortgagee in possession, if any, exposure with respect to environmental matters, the Trustee shall not be required to proceed with the foreclosure or otherwise take possession of the Project and shall give notice of such determination to the Bondholders, the Corporation, and the District within ten (10) days of its receipt of the Phase I Environmental Report or any other report. If the holders of the Bonds nevertheless desire to proceed with foreclosure or for the Trustee to otherwise take possession of the property and so notify the Trustee in writing, the Trustee may resign, and such resignation shall become effective upon the acceptance of an appointment by a successor Trustee under Section 7.04 hereof. If the successor Trustee requests any indemnification for any loss, cost, or expense arising out of foreclosure or otherwise taking possession of the Project, such indemnification shall be the sole responsibility of the Bondholders.

Section 5.03. Notice of Nonappropriation. The District is obligated to provide the Corporation and the Trustee with written notice within 72 hours of (i) the enactment of appropriations legislation by the Texas Legislature which fails to appropriate to the District Basic Allotment portion of Tier One Funds or Chapter 46 Funds (to the extent the Chapter 46 Funds are awarded to the District), or other funds that may lawfully be used with respect to any payment obligated or permitted under the Lease, in an amount which is sufficient to pay the Lease Payments for the succeeding Fiscal Year, (ii) an Event of Nonappropriation, or (iii) any other action which

constitutes failure by the Board of Trustees of the District to appropriate funds sufficient to pay the Lease Payments due during the succeeding Fiscal Year.

Section 5.04. Delay; Notice. No delay or omission to exercise any right or power accruing upon any Event of Default or upon any Event of Nonappropriation shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in the Lease and this Trust Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease and this Trust Agreement.

Section 5.05. No Remedy Exclusive. No remedy herein conferred upon or reserved to Trustee is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Documents or now or hereafter existing at law or in equity.

Section 5.06. No Additional Waiver Implied by One Waiver. Subject to the requirements of Section 5.11 of this Trust Agreement, the Trustee may waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon notice to the owners of the Bonds of such waiver. No waiver of any breach or Event of Default hereunder shall extend or shall affect any subsequent breach or Event of Default or shall impair any rights or remedies consequent thereon or create liability on the part of the Trustee for doing so.

Section 5.07. Notice of Event of Default. The Trustee shall give written notice of an Event of Default or Event of Nonappropriation of which a Trustee Representative has actual knowledge or the Trustee is deemed to have knowledge under Section 7.08 hereof, or a draw on the Reserve Account, by registered or certified mail to the Corporation and the District, and by first class mail to the Bondholders as soon as practicable upon the occurrence of an Event of Default (or an event which with the passage of time could become an Event of Default), or of a draw on the Reserve Account, or an Event of Nonappropriation, but in no event shall such notice be given later than ten Business Days after the District's failure to make any Lease Payment when due (without regard to any grace period) or the occurrence of any other Event of Default or Event of Nonappropriation of which the Trustee has actual knowledge or has received notice. If such notice relates to a failure to make an obligated payment or transfer, it shall specify the amount. If such notice relates to a matter other than a failure to make an obligated payment or transfer, it shall specify the manner in which the District has failed to comply with the provisions of the Lease and demand such compliance. Notice under this Section is not a condition precedent to the exercise of any remedy under this Trust Agreement.

Section 5.08. Initiation of Remedies. All rights of action hereunder may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants the Bondholders. Any recovery of judgment shall be for the ratable benefit of the Bondholders, after payment of the Trustee's reasonable costs and expenses in connection therewith.

Section 5.09. Rights and Remedies of Bondholders.

(a) No Bondholder shall have any right to institute any suit, action, or proceeding for the enforcement of this Trust Agreement, the execution of any trust hereof, or any other remedy hereunder unless:

(1) either an Event of Default has occurred, the Lease is terminated pursuant to an Event of Nonappropriation, or the Trustee has failed to make a payment to a Bondholder when due from funds on deposit in the Payment Account;

(2) Bondholders owning not less than 25% of the aggregate principal amount of Bonds shall have made written request to the Trustee and shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its own name;

(3) if the Trustee so requests, such Bondholders have provided the Trustee indemnification satisfactory to it for any liability and expense it might incur in carrying out the aforementioned request; and

(4) the Trustee shall thereafter (within 60 days after receipt by the Trustee of the written request) fail or refuse to exercise the powers hereinbefore granted or to institute such action, suit, or proceeding in its, his, or their own name or names.

(b) Such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Trust Agreement and to the initiation of any action or cause of action for the enforcement of this Trust Agreement; however, the Trustee may not, as condition precedent to the execution of the powers and trusts hereunder request indemnification for liability arising out of the Trustee's negligent action or negligent failure to act, or willful misconduct.

(c) No one or more of the Bondholders shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of this Trust Agreement by its, his, or their action or to enforce any right hereunder except in the manner herein provided, and proceedings shall be instituted, had, and maintained in the manner herein provided and for the ratable benefit of all Bondholders. Nothing in this Trust Agreement shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligation of the Trustee to pay the principal of and premium, if any, and interest on each of the Bonds hereunder to the respective Bondholders thereof at the time and place, from the source and in the manner provided in this Trust Agreement.

Section 5.10. Termination of Proceedings. In the event the Trustee shall have proceeded to enforce any right under the Financing Documents and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then the Bondholders, the Corporation, and the Trustee shall be restored to their former positions and rights under the Financing Documents, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 5.11. Waivers of Events of Default. The Trustee shall waive any Event of Default and its consequences and rescind any acceleration of maturity of principal upon the written request of Bondholders owning at least 51% in aggregate principal amount of the Bonds then Outstanding; provided, however, there shall not be waived any Event of Default in the payment of the Lease Payments unless, prior to such waiver or rescission or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely to the Trustee and all arrears of Lease Payments and Trustee's fees and expenses under Section 7.07 hereof, and all expenses of the Trustee in connection with such Event of Default shall have been fully paid. In case of any such waiver or rescission or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely to the Trustee, then the Corporation, the District, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder and under the Lease, respectively, but no such waiver or rescission shall extend to any subsequent or other Events of Default or impair any right consequent thereon.

Section 5.12. Application of Money.

(a) Upon an Event of Default or an Event of Nonappropriation and if money held by the Trustee is insufficient to pay the principal of, premium, if any, and interest on the Bonds, all money received and held by the Trustee pursuant to this Trust Agreement as a part of the Trust Estate (except for money held in the Payment Fund, which shall solely secure Bonds) and all money received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the reasonable expenses, liabilities, and advances incurred or made by the Trustee, be applied as follows:

FIRST - To the payment of the Trustee's unpaid fees and expenses and the costs and compensation of any advances made by the Trustee, and any receiver and the reasonable attorneys' fees of the Trustee, or any receiver;

SECOND - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

THIRD - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which money are held pursuant to the provisions of this Trust Agreement), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on the Bonds due on any particular date, then to the payment ratably, according to the amount of the principal and premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege;

FOURTH - To the payment of operating expenses of the Project and for reasonable renewals, repairs, and replacements of the Project necessary to prevent impairment of the Trust Estate; and

FIFTH - To be held for the payment to the Bondholders entitled thereto as the same shall become due of the principal of, premium, if any, and interest on the Bonds which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of principal, premium, if any, and interest due on such date to the Bondholders entitled thereto without any discrimination or privilege.

(b) Whenever money is to be applied pursuant to the provisions of this Section, such money shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Bond Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue to the extent funds are available on such date to pay the amounts due. The Trustee shall give written notice to the Issuer, the District, and the Bondholders of the deposit with it of any such money and of the fixing of any such date and shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all principal of, premium, if any, and interest on all Bonds have been paid under the provisions of this Section 5.12 and whenever all fees, expenses, and charges of the Trustee shall have been paid, any portion of the properties comprising the Trust Estate remaining hereunder shall be paid, transferred, and assigned to the District.

Section 5.13. No Obligation with Respect to Performance by Trustee. The District and the Corporation shall have no obligation or liability to any of the other parties or to the Bondholders with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 5.14. No Liability to Bondholders for Lease Payments or Covenants. Except as expressly provided in this Trust Agreement, neither the Corporation nor the Trustee shall have any obligation or liability to the Bondholders with respect to the payment of Lease Payments by the District when due or with respect to the performance by the District of any other covenant made by it in the Lease.

Section 5.15. No Responsibility for Sufficiency of Lease. The Trustee shall not be responsible for the sufficiency of the Lease, the assignment made to it of the right to receive Lease Payments, or the value of the Project; provided, however, that the foregoing does not reduce or eliminate any of the Trustee's specified responsibilities or obligations under the Financing Documents. The Trustee shall not be responsible or liable for any loss or penalties suffered in connection with any investment of funds made by it under the terms of and in accordance with this

Trust Agreement. Further, the Trustee shall not be responsible or liable for the loss of investment income resulting from the failure of the District to provide written instructions to the Trustee directing the investment of money held in the Trust Fund; provided the Trustee invests such money in accordance with the provisions of Section 4.07 hereof.

Section 5.16. No Liability of Trustee.

(a) The Trustee shall not be liable to anyone for any delay in the delivery of any property to the District, for any default on the part of any supplier, manufacturer, or builder, or for any defect in any of the property or in the title thereto, nor shall anything herein be construed as a warranty on the part of the Trustee in respect thereof or as a representation in respect of the title thereto. The Trustee shall not be liable for actions taken in good faith, or actions taken at the direction of the Bondholders owning a requisite percentage of the Bonds. The Trustee shall not be liable for costs, expenses, suits, judgments, actions, claims, losses, damages, and liabilities whatsoever, including consequential damages, litigation and court costs, amounts paid in settlement, amounts paid to discharge judgments, and legal fees and expenses, directly or indirectly arising out of (i) the use, maintenance, condition, or management of, or from any work or thing done in connection with, the Project by any third party; (ii) any act of negligence of any third party or of any officer, agent, contractor, servant, employee, licensee, or invitee of such third party in connection with the Project or the Lease; or (iii) the authorization of payment of costs by any third party who is not acting as an attorney, agent or servant of the Trustee.

(b) The Trustee may perform its powers and duties hereunder by or through such attorneys, agents, and servants as it shall appoint, shall be entitled to rely conclusively upon the advice of counsel and shall be answerable for only its own breach of trust, negligence, or willful misconduct, as provided herein, and not for any negligence or willful misconduct of any attorney, agent, or servant appointed by it with reasonable care. The Trustee shall not be responsible in any way for the recitals herein contained or for the execution (except for its own execution) or validity of this Trust Agreement or of the Bonds or for any mistake of fact or law.

IN NO EVENT SHALL THE TRUSTEE BE LIABLE TO ANY PARTY OR THIRD PARTY FOR SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, LOST PROFITS, OR LOSS OF BUSINESS ARISING UNDER OR IN CONNECTION WITH THIS TRUST AGREEMENT OR THE OTHER FINANCING DOCUMENTS OR THE OWNERSHIP OF THE PROJECT, EVEN IF APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES AND REGARDLESS OF THE FORM OF ACTION. THE TRUSTEE SHALL NOT BE RESPONSIBLE OR LIABLE TO ANY BONDHOLDER TO PAY ANY INTEREST, PRINCIPAL, OR PREMIUM DUE OR TO BECOME DUE ON THE BONDS EXCEPT OUT OF FUNDS AVAILABLE TO THE TRUSTEE IN THE TRUST FUND OR ANY ACCOUNT THEREIN.

Section 5.17. Environmental Matters.

(a) The Trustee, in the Trustee's sole discretion, may require, as a prerequisite to the commencement of any proceeding with respect to the Project, that it be provided with evidence satisfactory to the Trustee that the Project is not contaminated by Hazardous Substances, and that

the Project is not being used and has never been used for any activities directly or indirectly involving the generation, use, treatment, storage, disposal, release, or discharge of any such substance. The Trustee, with the prior written approval of Bondholders owning at least 51% of the principal amount of Bonds then Outstanding, shall have the authority to use and expend moneys contained in any account of the Trust Fund to (i) conduct environmental assessments, audits, and site monitoring to determine compliance with any Environmental Requirements thereunder; (ii) take all appropriate remedial action to contain, cleanup or remove any Hazardous Substances, including a spill, release, discharge or contamination, either on its own accord or in response to an actual or threatened violation of any Environmental Requirements thereunder; (iii) institute legal proceedings concerning environmental damage or contest or settle proceedings brought by any local, state or federal agency litigant; (iv) comply with any local, state or federal agency order or court order directing an assessment, abatement or cleanup of any Hazardous Substances; or (v) employ agents, consultants and legal counsel to assist to perform the above undertakings or actions.

(b) For purposes hereof, "Environmental Requirements" shall mean all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances concerning public health, safety or the environment.

(c) Further, notwithstanding any provision to the contrary contained in this Trust Agreement, the Lease or the Mortgage, the Trustee may decline to exercise any right granted herein or therein which, based upon written advice by its legal counsel, may cause the Trustee to incur corporate or personal liability under any Environmental Law. For purposes of this Trust Agreement, "Environmental Law" means CERCLA, the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801 *et seq.*, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. § 69.01 *et seq.*, the Toxic Substance Control Act of 1976, 14 U.S.C. § 2606 *et seq.*, as amended, the Clean Water Act, 33 U.S.C. § 466 *et seq.*, as amended, the Clean Air Act, 42 U.S.C. § 7401, *et seq.*, as amended, and any other federal, State, or local law similar to those set forth in this definition. The Trustee shall not be personally liable to the Bondholders or any other person for any decrease in value of the Project by reason of the Trustee's compliance with any Environmental Law, specifically including, but not limited to, any reporting requirements under such law.

(d) The District's exercise of its right to maintain Hazardous Substances under Section 14.1 of the Lease shall not constitute a violation of or otherwise be subject to the provisions of this Section.

Section 5.18. Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Trust Agreement or any suit against the Trustee, a court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against the party litigant in the suit, having due regard to the merits and good faith of the claims or defenses by the party litigant.

**ARTICLE VI
REDEMPTION OF BONDS**

Section 6.01. Terms of Redemption.

(a) *Optional Redemption.* The Bonds shall be subject to redemption prior to their stated maturities, at the option of the Corporation, on August 15, 2024 or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Trustee) at the redemption price of par plus accrued interest to the date of redemption.

(b) *Mandatory Redemption -Casualty Loss or Condemnation.* In the event of a casualty loss or condemnation of the Project, if the Net Proceeds of insurance or condemnation are not sufficient to repair and restore the Project and if the District exercises its Option to Purchase in accordance with Section 8.2 of the Lease, the Bonds shall be subject to mandatory redemption prior to their respective stated maturities, in whole but not in part, upon payment by the District to the Trustee of the Purchase Option Price, on the next succeeding Bond Payment Date for which notice can be given in accordance with Section 6.02, at a redemption price equal to 100% of the Outstanding principal amount thereof, plus accrued interest to the date of redemption.

(c) The Bonds maturing on August 15 in the years 2032, 2036 and 2041 (the “*Term Bonds*”) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the Issuer in part at the redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from moneys available for such purpose in the Payment Account on the dates and in the respective sinking fund installments as set forth in the following schedule:

\$6,590,000 Term Bonds maturing August 15, 2032

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2028	\$1,205,000
08/15/2029	\$1,260,000
08/15/2030	\$1,315,000
08/15/2031	\$1,375,000
08/15/2032 *	\$1,435,000

\$6,425,000 Term Bonds maturing August 15, 2036

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2033	\$1,500,000
08/15/2034	\$1,570,000
08/15/2035	\$1,640,000
08/15/2036 *	\$1,715,000

\$9,700,000 Term Bonds maturing August 15, 2041

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2037	\$1,790,000
08/15/2038	\$1,865,000
08/15/2039	\$1,935,000
08/15/2040	\$2,015,000
08/15/2041*	\$2,095,000

* Stated Maturity

(e) If less than all of the Bonds are called for redemption under any of the circumstances set forth herein, the particular Bonds or portions thereof to be redeemed shall be selected ratably among stated maturities and by lot within each stated maturity. The Trustee shall credit against the Outstanding principal amount of the Bonds the principal amount of such Bonds redeemed from any source other than the sinking fund payments. To the extent that such Bonds have been previously redeemed, from any source other than sinking fund payments, the remaining sinking fund payments for such Bonds will be reduced, as early as practicable on a proportionate basis, by the amount of such Bonds so called for redemption.

(d) Redemption upon Payment of Purchase Option Price. Upon payment of the Purchase Option Price under the Lease by the District, the Bonds shall be subject to optional redemption on any business day, in whole or in part, or on any business day thereafter at the redemption price of par plus accrued interest to the date of redemption.

Section 6.02. Notice of Redemption.

(a) If any of the Bonds are called for redemption, the Trustee shall give written notice by first class (postage prepaid) mail not less than 30 days prior to the date fixed for redemption, in the name of the Issuer, of the possible redemption of such Bonds, should funds be received for such redemption, to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books at the close of business on a day not later than the fifth day preceding the date of mailing. Such notice shall set forth the following: (i) the maturities of the Bonds to be redeemed; (ii) the CUSIP number, if any, of the Bonds to be redeemed; (iii) the date of such notice; (iv) the issue date of the Bonds; (v) the interest rate of the Bonds to be redeemed; (vi) the redemption date; (vii) the place or places where amounts due upon such redemption will be payable; (viii) if less than all of the Bonds of any maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed; (ix) in the case of a Bond to be redeemed in part only, also the portion of the principal amount to be redeemed; and (x) a statement that on the redemption date there shall become due and payable upon each Bond to be redeemed the amount of the principal thereon (or of the specified portion of the principal in the case of a Bond to be redeemed in part only), together with interest accrued to the redemption date, and that from and after the redemption date interest thereon shall cease to accrue and be payable. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds actually receives the notice.

(b) Failure to give such notice by mail to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of other Bonds. The Trustee shall not be required to send such notice if all of the Bondholders provide the Trustee with a written waiver of the requirement to receive written notice of redemption.

(c) In addition, the Trustee also shall send a copy of such notice with respect to Bonds to be redeemed by United States mail for receipt not less than 30 days before such redemption date to national securities depositories or information services selected by the Trustee to receive such notice; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of the Bonds.

Section 6.03. Partial Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof of such series to be redeemed shall be in amounts equal to \$1,000 or any integral multiple thereof and shall be selected ratably among each stated maturity of the Bonds and by lot within each stated maturity in such manner as the Trustee shall determine. In selecting Bonds for redemption, the Trustee shall select Bonds to be redeemed in such a manner that all remaining Bondholders own only authorized denominations of the Bonds after such redemption. Upon surrender of any Bond for redemption in part, the Issuer shall execute and the Trustee shall authenticate and deliver to the owner thereof a new Bond or Bonds of the same series, interest rate, and maturity and of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 6.04. Payment Upon Redemption. On or prior to each redemption date, the Trustee shall make provision from funds available therefor hereunder for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust, (a) an amount from the Redemption Account sufficient to pay the principal of and interest on such Bonds, and (b) an amount from the Redemption Account sufficient to pay the premium, if any, on such Bonds. Upon presentation and surrender of any such Bond at the Principal Office of the Trustee on or after the date fixed for redemption, the Trustee shall pay the principal of and premium, if any, on such Bond from the money set aside for such purpose. Interest on any Bond called for redemption maturing prior to or on the date fixed for redemption shall be payable only to the registered owner of such Bond.

Section 6.05. Effect of Redemption. Notice of redemption having been given as provided in Section 6.02, the Bonds or portions thereof designated for redemption shall become and be due and payable on the date fixed for redemption at the redemption price provided for herein, provided funds for their redemption are on deposit at the place of payment at that time, and, unless the Issuer defaults in the payment of the principal thereof, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date. Thereafter, the Owners of such Bonds shall no longer be entitled to any security or benefit under the Trust Agreement except to receive payment of the redemption price thereof. If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate set forth therein until paid or until due provision is made for the payment of the same.

Section 6.06. Cancellation. All Bonds which have been purchased, redeemed, paid, or retired, or received by the Trustee for exchange, shall not be reissued but shall be cancelled and destroyed by the Trustee as provided in Section 3.09.

ARTICLE VII THE TRUSTEE

Section 7.01. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Issuer hereby appoints the Trustee, for the benefit of the Bondholders, to: (a) receive the proceeds from the sale of the Bonds; (b) receive all payments to be made pursuant to the Lease; (c) apply and disburse the proceeds from the sale of the Bonds and the payments received hereunder as provided for herein; and (d) perform all the other duties and obligations of the Trustee expressly provided for herein. The Trustee shall not be required to give any bond or surety in respect of the execution of the trust and powers given to it by this Trust Agreement.

Section 7.02. Acceptance of Appointment. The Trustee hereby accepts the appointment above referred to, subject to the terms and conditions of this Trust Agreement.

Section 7.03. Rights and Duties of Trustee.

(a) By executing and delivering this Trust Agreement, the Trustee accepts the duties and obligations of the Trustee expressly provided in this Trust Agreement, but only upon the terms and conditions set forth in this Trust Agreement. Prior to an Event of Default hereunder of which the Trustee is deemed to have knowledge hereunder and after the curing of any such Event of Default, (i) the Trustee shall not be liable for the performance of any duties, except such duties as are specifically set forth in this Trust Agreement and no implied covenants or obligations shall be read into this Trust Agreement against the Trustee, and (ii) in the absence of bad faith on the part of the Trustee, the Trustee shall be protected in acting or refraining from acting and may rely conclusively upon the truth, completeness, validity, and accuracy of instructions, statements, certificates, opinions, resolutions, consents, orders, reports, notices, request, direction, or other paper or document and other showings conforming to the requirements of this Trust Agreement and the Lease and shall not be obligated to make any independent investigation with respect thereto. The Trustee, upon receipt of documents furnished to it by or on behalf of the Corporation or the District pursuant to this Trust Agreement or the Lease, shall examine the same to determine whether or not such documents conform to the requirements, if any, of this Trust Agreement; provided, however, that the Trustee shall be protected in acting upon any such documents believed by the Trustee in good faith to be genuine and correct and to have been signed or sent by the proper person or persons.

(b) In case there is an Event of Default or Event of Nonappropriation which is continuing, which Event of Default or Event of Nonappropriation has not been cured and of which the Trustee has or is deemed to have knowledge, the Trustee shall exercise such rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own business affairs.

(c) Nothing herein contained shall relieve the Trustee from liability for its own negligent action or negligent failure to act or its own willful misconduct, except that (i) this subsection shall not be considered to limit the effect of subsection (a) above; (ii) the Trustee shall not incur any

liability for any error of judgment made in good faith by a responsible officer thereof, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (iii) the Trustee shall incur no liability in respect to any action taken by it in good faith in accordance with the direction of Bondholders of the percentage of the Bonds specified herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(d) Any request or direction of a Bondholder, the District, or the Corporation mentioned herein shall be sufficiently evidenced by a writing originally signed by a Bondholder and acknowledged, or a duly authorized representative thereof, a District Representative, or a Corporation Representative, as appropriate.

(e) When in the administration of this Trust Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate originally signed by a Bondholder and acknowledged, or a duly authorized representative thereof, District Representative, or a Corporation Representative.

(f) The Trustee shall not be bound to make any investigation into the facts, the validity of any instrument, paper, or proceeding, or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, or other paper or document, but the Trustee may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the District or the Corporation personally or by agent or attorney and/or rely upon a certificate signed by a Corporation Representative or District Representative as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has been notified as provided in Section 7.08 hereof, or of which by Section 7.08 it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of a Corporation Representative under the seal of the Corporation (if the Corporation has a seal) to the effect that an authorization in the form therein set forth has been adopted by the Corporation as conclusive evidence that such authorization has been duly adopted, and is in full force and effect. At any and all reasonable times and after reasonable notice has been provided, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right to inspect any and all of the property herein conveyed, including all books, papers and records of the Corporation pertaining to the Project and the Bonds, and to take such memoranda from and with regard thereto as may be desired provided no undue interruption of business results therefrom.

(g) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, but shall, in the case of attorneys, agents, receivers or employees, not be answerable for the conduct of the same if appointed by the Trustee in good faith and without negligence. The Trustee may in all cases pay such reasonable compensation to all such attorneys, agents and receivers as may reasonably be employed in

connection with the trusts hereof or thereof. The Trustee may consult with legal counsel concerning its duties, and the written advice of such counsel or any opinion of such counsel selected with reasonable care shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Bondholders, unless such Bondholders shall have provided to the Trustee security or indemnity satisfactory to it against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction.

(i) No provision of this Trust Agreement shall require the Trustee to expend or risk its funds or otherwise incur any financial liability in the performance of any of its duties hereunder.

(j) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(k) The permissive right of the Trustee to do things enumerated in this Trust Agreement or in the Lease shall not be construed as duties.

(l) The Trustee shall not be personally liable for any debts contracted or for damages to persons or personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Project.

(m) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Corporation under this Trust Agreement or of the Corporation, the District or any other person under the Lease, and shall not have any liability for the contents of any document submitted to or delivered to any Bondholder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

(n) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder after such Bonds shall have been delivered in accordance with instructions of the Issuer or for the use by the District of the proceeds from the sale of such Bonds. The Trustee may become the owner of the Bonds secured hereby with the same rights as any other Bondholder.

(o) The Trustee shall not be liable for interest on any funds deposited with it hereunder, except as provided herein or as the Trustee may otherwise specifically agree in writing.

(p) In acting or omitting to act pursuant to provisions of the Lease, the Security Agreement, or the Mortgage, the Trustee shall be entitled to the rights and immunities accorded by the terms of this Trust Agreement.

(q) Any action taken by the Trustee pursuant to this Trust Agreement upon the request, authority or consent of any person, who at the time of the making of such request or giving of such

authority or consent is the owner or holder of any Bond secured hereby, shall be conclusive and binding upon all future holders of such Bond.

(r) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Trust Agreement.

(s) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of this Trust Agreement, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(t) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Trust Agreement shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's registration or removal, the discharge of this Trust Agreement and final payment of the Bonds.

(u) Naming of the Trustee as an insured or additional insured under any insurance policy, or the furnishing to the Trustee of information relating thereto, shall not impose upon the Trustee any responsibility or duty to approve the form of such policy, the qualifications of the company issuing same or any other matters relating thereto.

Section 7.04. Removal and Resignation. A bank or trust company authorized to provide corporate trust services may be substituted to act as successor trustee under this Trust Agreement, after payment in full of the current Trustee's fees and expenses upon written request of the Bondholders owning a majority in aggregate principal amount of the Bonds then Outstanding. Such substitution shall not be deemed to affect the rights or obligations of the Bondholders. Upon any such substitution, the Trustee agrees to assign to such substituted Trustee its rights under this Trust Agreement and the other Financing Documents and deliver all documents and funds held in connection with this Trust Agreement to such substituted Trustee. Any such successor shall have, or shall be a member of a holding company that has, capital and surplus exclusive of borrowed capital aggregating at least \$100,000,000 and shall be subject to examination or supervision by a federal or state banking authority. The Trustee or any successor may at any time resign by giving mailed notice to all Bondholders, the District, and the Corporation of its intention to resign and of the proposed date of resignation, which shall be a date not less than 30 calendar days after such notice is deposited in the United States mail with postage fully prepaid, unless an earlier resignation date and the appointment of a successor Trustee shall have been or is approved in writing by the Bondholders owning a majority in aggregate principal amount of the Bonds Outstanding. In the event that a successor Trustee is not appointed within 30 calendar days after such notice is deposited in the United States mail, the Bondholders owning a majority in aggregate principal amount of the Bonds Outstanding or the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. No resignation or removal of the Trustee and appointment of a successor Trustee shall become effective until acceptance of appointment by the successor Trustee.

Section 7.05. Appointment of Agent. The Trustee may appoint an agent to exercise any of the powers, rights, or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.06. Merger or Consolidation of Trustee. Any corporation resulting from any merger or consolidation to which the Trustee or any successor to it shall be a party, or any corporation in any manner succeeding to all or substantially all of the corporate trust business of the Trustee or any successor Trustee shall be the successor Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation, if not an affiliate of the Trustee, shall have, or shall be a member of a holding company that has, capital, surplus, and undivided profits aggregating at least \$100,000,000.

Section 7.07. Trustee Compensation. The Trustee shall be entitled to payment by the District in accordance with Section 9.4 of the Lease for the Trustee's fees for services and expenses based upon the Trustee's Fee Schedule attached hereto as Exhibit "C". In the event the Trustee incurs expenses or renders services in any proceedings which result from an Event of Default under Section 5.01(d) of the Trust Agreement, or from any default which, with the passage of time, would become such Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 7.08. Trustee Notice. The Trustee shall be required to take notice of any Event of Default hereunder arising from failure by the District to pay Lease Payments to the Trustee when due. Unless a Trustee Representative shall be specifically notified in writing of any other Event of Default by the District, the Corporation, or the Bondholders owning at least 5% in aggregate principal amount of the Bonds then Outstanding, the Trustee shall not be required to take notice or be deemed to have notice of any other Event of Default hereunder or under any of the Financing Documents, or the occurrence of any event which with the passage of time would lead to an Event of Default hereunder or under any other Financing Documents. Further, the Trustee shall not be deemed to have notice of any other events or occurrences under the Lease unless it shall have received actual, written notice thereof from the District, the Corporation, or Bondholders owning at least 5% in aggregate principal amount of the Bonds Outstanding.

Section 7.09. Directors, Officers, Employees, and Agents Exempt from Personal Liability. This Trust Agreement is solely a corporate obligation of the Trustee and no recourse under or upon any obligation, covenant, or agreement of this Trust Agreement, or for any claim based hereon, shall be asserted against any past, present, or future director, officer, employee, or agent as such of the Trustee whether by virtue of any law or otherwise. All such liability and claims against such persons are expressly waived as a condition of, and in consideration for, the execution and delivery of this Trust Agreement.

Section 7.10. Financial Statements. The Trustee shall provide the District's audited financial statement for each Fiscal Year to those Bondholders who make written request and pay the reasonable cost of obtaining a copy of the financial statement and to the Purchaser within 180 days of each Fiscal Year end. If a Bondholder requests from the Trustee information regarding the Corporation, the District or the Project, the Trustee will request such information from the

Corporation or the District in writing and will forward the information to the Bondholder upon receipt of the information from the Corporation or the District at the expense of the Bondholder requesting the information.

Section 7.11. Fees, Charges, Indemnities and Expenses of the Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and under the other Financing Documents and all advances, counsel fees, and other expenses reasonably made or incurred by the Trustee, in connection with such services and in connection with entering into this Trust Agreement and the other Financing Documents, including any such fees and expenses incurred in connection with action taken under Article V hereof. The Trustee shall also be entitled to payment of its reasonable fees, charges and expenses in the event that provision for the payment of the Bonds is made pursuant to Section 8.02 hereof. The Corporation, to the extent permitted by law, agrees to indemnify and hold harmless the Trustee from and against any and all liabilities, costs, damages, expenses and claims whatsoever arising in connection with this Trust Agreement and the other Financing Documents, however, the Corporation shall not be obligated to so indemnify the Trustee to the extent such liabilities, costs, damages, expenses and claims are attributable to the Trustee's negligence or willful misconduct. The Trustee's right to indemnification payment for its services and reimbursement for its costs and expenses shall survive the termination of this Agreement.

Section 7.12. Facsimile Instructions to the Trustee. The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Issuer and the Corporation shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer and the Corporation elect to give the Trustee email or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer and the Purchaser agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

ARTICLE VIII

AMENDMENT; DEFEASANCE; ADMINISTRATIVE PROVISIONS

Section 8.01. Amendment.

(a) The Issuer and the Trustee, without the consent of the Bondholders, may amend this Trust Agreement, the Lease or other instruments evidencing the existence of a lien on the Trust Estate as shall not be inconsistent with the terms and provisions hereof for any of the following purposes:

(1) to cure any ambiguity, inconsistency, formal defect, or omission in this Trust Agreement or the Lease;

(2) to grant to or confer upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them under this Trust Agreement or the Lease;

(3) to subject additional revenues to the lien and pledge of this Trust Agreement;

(4) to add to the covenants and agreements contained in this Trust Agreement other covenants and agreements thereafter to be observed for the protection of the Bondholders or to surrender or limit any right, power, or authority herein reserved to or conferred upon the Corporation; or

(5) to evidence any succession by the District, the Trustee, or the Corporation and the assumption by such successor of the requirements, covenants, and agreements of the District, the Trustee, or the Corporation in the Financing Documents and the Bonds.

(b) Exclusive of the aforementioned types of amendment and subject to the terms and provisions contained in this Section, and not otherwise, the Issuer and the Trustee, with the prior approval of Bondholders owning not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Trust Agreement to the contrary notwithstanding, to amend any of the terms or provisions contained in this Trust Agreement; provided, however, that nothing in this Section shall permit or be construed as permitting: (i) without the consent of each Bondholder so affected, an extension of maturity of the principal of or the interest on any Bond, a reduction in the principal amount of any Bond or a reduction in the rate of interest thereon; (ii) without the consent of all of the Bondholders, a privilege or priority of any Bond over any other Bond or a reduction in the aggregate principal amount of the Bonds required for consent to an amendment; or (iii) without the consent of all of the Bondholders, creation of any prior or parity liens on the Trust Estate.

(c) Subject to Subsection 8.01(a), the Trustee, without the consent of the Bondholders owning not less than a majority in aggregate principal amount of the Bonds then Outstanding may not consent to any amendment to the Lease. Unless each Bondholder so affected consents, no amendment to the Lease shall be consented to if the amendment would result in an extension of the maturity of the principal of or the interest on any Bond or a reduction in the principal amount, or premium, if any, of any Bond or a reduction in the rate of interest thereon. Unless all the Bondholders consent, no amendment to the Lease shall be consented to if the amendment would result in a privilege or priority of any Bond over any other Bond or a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

(d) If at any time an amendment shall be proposed for any of the purposes of this Section requiring the approval of the Bondholders, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, notify all Bondholders of the proposed amendment in the manner provided by Section 8.06. Such notice shall briefly set forth the nature of the proposed amendment

and shall state that copies thereof are on file at the Principal Corporate Trust Office of the Trustee for inspection by all Bondholders. If, within 60 calendar days after mailing of the notice or such longer period not to exceed 120 calendar days as the Trustee may prescribe, the requisite number of Bondholders at the time notice of such amendment is given shall have consented to and approved the execution thereof as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein or the operation thereof, in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such amendment, this Trust Agreement or the Lease shall be and is deemed to be modified and amended in accordance with such amendment.

(e) There shall be filed with the Trustee with respect to each amendment to this Trust Agreement or the Lease an opinion of counsel acceptable to the Trustee to the effect that such amendment is authorized or permitted by the Trust Agreement or the Lease, as the case may be, and that all conditions precedent with respect to the execution and delivery thereof have been fulfilled.

Section 8.02. Defeasance.

(a) In the event the Bonds delivered pursuant hereto shall become due and payable in accordance with their terms and the whole amount of the principal and interest so due and payable upon all of the Bonds shall be paid or in the event there has been deposited with the Trustee, by way of book entry delivery or actual deposit, cash and/or noncallable securities of the types listed in subsection (i) of the definition of Permitted Investments in an amount sufficient (together with interest earnings thereon) to provide for payment of the whole amount of the principal, premium, if any, and interest when due and payable upon all of the Bonds and there has been filed with the Trustee a certificate of an independent certified public accountant to the effect that such deposit will be sufficient to cause the said entire amount to be paid when due until all the Bonds have been paid, an escrow deposit agreement acceptable in form and substance, and an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes, and that all conditions precedent herein provided for relating to the satisfaction and discharge of this Trust Agreement have been complied with, if irrevocable and satisfactory arrangements have been made with the Trustee, and if, in either such event, all administrative expenses and amounts due or to become due hereunder shall have been paid or provided for, then and in either such event, the right, title, and interest of the Trustee and the Corporation under this Trust Agreement shall thereupon cease, terminate, and become void, and the Trustee shall assign and transfer to the Corporation or the District, upon the order of the District, all property (in excess of the amounts required for the foregoing) then held by the Trustee (including the Lease and all payments thereunder and all balances in any fund or account created under this Trust Agreement) and shall execute such documents as may be reasonably required by the District or the Corporation in this regard.

(b) Notwithstanding any other provision of this Trust Agreement 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 above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the

deceased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the deceased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such deceased debt as though it was being redeemed at the time of the exercise of the option to redeem the deceased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the deceased Bonds.

Section 8.03. Payments Due on Holidays. If the date for making any payment hereunder or the last date for performance of any act or the exercising of any right provided for in this Trust Agreement is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, and such payment or act shall be with the same force and effect as if done on the nominal date provided in this Trust Agreement, and if done on such succeeding Business Day, no interest shall accrue for the period after such nominal date.

Section 8.04. Recording and Filing. The Trustee shall cause to be filed continuation statements under the Uniform Commercial Code of the State, with the appropriate filing office of the State, in such manner as may be required by the Uniform Commercial Code of the State. The District or the Corporation shall be responsible for the reasonable fees and costs, including fees and costs of counsel or other experts, incurred by the Trustee in the preparation and filing of all continuation statements hereunder. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial, amendment, or other filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings or amendments or other changes to Article 9 of the Uniform Commercial Code of the State. The Trustee shall be fully protected in relying on information with respect to such initial filing delivered to it by or on behalf of the District or the Corporation.

Section 8.05. Trustee to Keep Records. The Trustee shall keep copies of the Financing Documents, books and records of all money received and disbursed under this Trust Agreement, and the Bond Register, all of which shall be available for inspection upon reasonable notice by the Corporation, the District, and the Bondholders owning at least 5% in aggregate principal amount of the Bonds at any time during regular business hours.

Section 8.06. Notices.

(a) All notices, certificates, or other communications hereunder shall be in writing and delivered by certified mail, return receipt requested, fax, or other electronic transmission, or by express or personal delivery, prepaid and addressed as follows:

To Corporation: Tioga Independent School District Public Facility Corporation
 P.O. Box 159
 Tioga, Texas 76271

To District: Tioga Independent School District
 Attn: Superintendent

P.O. Box 159
Tioga, Texas 76271

Copies of all notices to the Corporation or the District shall be sent to

McCall, Parkhurst & Horton LLP
Attn: Jeff Gulbas
717 North Harwood Street
Suite 900
Dallas, Texas 75201

To Trustee: Wilmington Trust, National Association
Attn: Dayna Smith
15950 North Dallas Parkway
Suite 550
Dallas, Texas 75248

(b) Any party to this Trust Agreement may designate any additional or different address to which communications under the Lease shall be delivered by giving at least five days' advance notice thereof to the affected parties.

(c) A provision of this Trust Agreement which provides for a different method of giving notice or otherwise conflicts with this Section supersedes this Section to the extent of the conflict.

(d) Notices shall be deemed to have been received five days after deposit in the U.S. mail, postage prepaid. Notices delivered by other means shall be deemed received upon receipt. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Section 8.07. Applicable Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 8.08. Severability. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition and shall not invalidate the remainder of this Trust Agreement.

Section 8.09. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 8.10. Complete Agreement. This Trust Agreement supersedes and takes the place of any and all previous agreements entered into among the parties hereto with respect to the subject matter hereof.

Section 8.11. References to Corporation. References to the Corporation or the Issuer with respect to rights, title and interest of the Corporation or the Issuer, other than with respect to fee title to the Project, shall mean the Trustee. References to the Corporation or the Issuer with respect to obligations, responsibilities, and liabilities shall mean the Corporation or the Issuer and shall not include the Trustee. References to approval or consent by the Corporation shall be deemed a right.

Section 8.12. Execution by District. The District is executing this Trust Agreement to acknowledge the effectiveness of the assignment of the Lease to Trustee, to reflect the District's attornment to the Trustee and to authorize the exercise of remedies by Trustee under the Lease in the event of a default by District under the Lease or by Corporation under this Trust Agreement.

Section 8.13. No Boycott of Israel; No Terrorist Organization.

(a) Pursuant to Section 2270.002, Texas Government Code, the Trustee hereby (a) represents that it does not boycott Israel, and (b) subject to or as otherwise required by applicable federal law, including without limitation 50 U.S.C. Section 4607, agrees it will not boycott Israel during the term of this Indenture. As used in the immediately preceding sentence, "boycott Israel" shall have the meaning given such term in Section 2270.001, Texas Government Code.

(b) Pursuant to Subchapter F, Chapter 2252, Texas Government Code, the Trustee represents that is it not a company engaged in business in Iran, Sudan, or foreign terrorist organization (as defined in 2252.151(2), Texas Government Code) and that it is not on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Sections 2270.0201 or 2252.153 of the Texas Government Code.

Execution Page Follows

IN WITNESS WHEREOF, the parties have executed and attested this Trust Agreement by their officers thereunto duly authorized as of the date and year first written above.

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Trustee:

By: _____
Name: _____
Title: _____

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC
FACILITY CORPORATION

By: _____
Name: Rick Staples
Title: President, Board of Directors

ATTEST:

By: _____
Name: Kelly Lintner
Title: Secretary, Board of Directors

TIOGA INDEPENDENT SCHOOL DISTRICT

By: _____
Name: Rick Staples
Title: President, Board of Trustees

ATTEST:

By: _____
Name: Kelly Lintner
Title: Secretary, Board of Trustees

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**EXHIBIT A
FORM OF BONDS**

[A – FORM OF BONDS]

REGISTERED
NO. R-

UNITED STATES OF AMERICA
STATE OF TEXAS
Grayson County

PRINCIPAL
AMOUNT
\$[]

TIOGA INDEPENDENT SCHOOL DISTRICT
PUBLIC FACILITY CORPORATION SCHOOL FACILITY LEASE REVENUE REFUNDING BOND,
SERIES 2019

<u>INTEREST RATE</u>	<u>CLOSING DATE</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
	May 9, 2019	August 15, []	

REGISTERED OWNER: []

PRINCIPAL AMOUNT: []

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION, a nonprofit corporation and public instrumentality duly organized and existing under the laws of the State of Texas (hereinafter called the "Corporation"), for value received, hereby promises to pay, but only from the sources as hereinafter provided, to

or registered assigns, on the Maturity Date specified above, the sum of

_____ DOLLARS

(unless this Bond shall have been called for redemption and payment of the redemption price shall have been duly made or provided for), and in like manner to pay interest on the unpaid principal amount hereof from the later of the Closing Date, as specified above, or the most recent Bond Payment Date to which interest has been paid or provided for until such principal amount shall have been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on each August 15 and February 15, commencing August 15, 2019 (each a "Bond Payment Date"), except as the provisions hereinafter set forth with respect to redemption prior to stated maturity may

become applicable hereto. Principal of and premium, if any, and interest on this Bond are payable by check or draft in lawful money of the United States of America by presentation and surrender of this Bond (provided, however, with respect to principal payments prior to the Maturity Date, the Bonds need not be surrendered to the Trustee, who will merely document this payment on an internal ledger maintained by the Trustee) at the designated corporate trust office of Wilmington Trust, National Association, Dallas, Texas, as trustee, or its successor in trust (the *Trustee*) or at the duly designated office of any duly appointed alternate or successor paying agent.

Interest on this Bond is computed on the basis of a 360-day year consisting of twelve 30-day months. Payment of interest on this Bond shall be made to the registered owner hereof and shall be paid in lawful money of the United States of America by check or draft mailed to the person in whose name this Bond is registered, at his address as it appears on the registration books of the Corporation maintained by the Trustee, as bond registrar, on behalf of the Corporation, at the close of business on the first day of the month (whether or not a Business Day) in which a Bond Payment Date occurs (the *Record Date*) or, upon written request and at the expense of any registered Bondholder of at least \$500,000 in principal amount of outstanding Bonds by wire transfer in immediately available funds to such persons at such bank account numbers or addresses as are furnished to the Trustee along with the wire payment authorization in writing by such registered owners at least five days prior to the Record Date, at the option, risk, and expense of any owner upon terms satisfactory to the Trustee. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such payment (a "Special Record Date") will be established by the Trustee, if and when funds for the payment thereof have been received from the Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due payment (the *Special Payment Date*, which shall be 15 calendar days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the Registered Owners appearing on the books of the Trustee at the close of business on the last business day next preceding the date of mailing of such notice.

THIS BOND IS PAYABLE SOLELY FROM LEASE PAYMENTS (HEREINAFTER DEFINED) TO BE MADE BY THE TIOGA INDEPENDENT SCHOOL DISTRICT. THIS BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CORPORATION, THE STATE OF TEXAS, THE TIOGA INDEPENDENT SCHOOL DISTRICT, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, BUT THIS BOND SHALL BE A LIMITED OR SPECIAL OBLIGATION OF THE CORPORATION PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE TRUST AGREEMENT (HEREINAFTER DEFINED). NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE TIOGA INDEPENDENT SCHOOL DISTRICT, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THIS BOND OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COSTS INCIDENT THERETO.

NEITHER THE MEMBERS OF THE BOARD OF DIRECTORS OF THE CORPORATION NOR ANY PERSON EXECUTING THIS BOND SHALL BE LIABLE

PERSONALLY ON THIS BOND BY REASON OF THE ISSUANCE THEREOF. THE OBLIGATION OF THE DISTRICT (HEREINAFTER DEFINED) TO MAKE LEASE PAYMENTS IS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS ACTUALLY APPROPRIATED BY THE DISTRICT FOR SUCH USE FROM LAWFULLY AVAILABLE FUNDS BIENNIALLY APPROPRIATED BY THE LEGISLATURE OF THE STATE OF TEXAS AND UNINTENDED SURPLUS MAINTENANCE TAX FUNDS APPROPRIATED BY THE DISTRICT TO THE PAYMENT HEREOF. THE LEASE (HEREINAFTER DEFINED) MAY BE TERMINATED ANNUALLY BY THE DISTRICT WITHOUT ANY PENALTY, AND THERE CAN BE NO ASSURANCE THAT THE DISTRICT WILL ANNUALLY APPROPRIATE FUNDS SUFFICIENT TO MAKE THE LEASE PAYMENTS DUE UNDER THE LEASE. IF THE DISTRICT DOES NOT APPROPRIATE SUCH FUNDS THE LEASE WILL BE TERMINATED AND THE DISTRICT WILL HAVE NO FURTHER OBLIGATION TO MAKE LEASE PAYMENTS REGARDLESS OF WHETHER ANY BONDS REMAIN OUTSTANDING. THE LEASE AND THE OBLIGATIONS OF THE DISTRICT THEREUNDER DO NOT CONSTITUTE A PLEDGE, A LIABILITY, OR A CHARGE UPON THE FUNDS OF THE DISTRICT AND DO NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE STATE OF TEXAS, THE DISTRICT, THE CORPORATION, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE CORPORATION HAS NO TAXING POWER.

This Bond is one of an authorized issue of bonds in the original aggregate principal amount of \$28,075,000 (the *Bonds*), authorized to be issued for the purpose of refinancing the costs of certain school facilities (the *Project*) for the Tioga Independent School District (the *District*) and paying certain costs and expenses in connection with the financing thereof. The Project is owned by the Corporation and the Corporation is obligated to pay the debt service payments and other costs associated with the Bonds from payments received pursuant to an Amended and Restated Lease With an Option to Purchase Between Tioga Independent School District Public Facility Corporation, Lessor and Tioga Independent School District, Lessee" dated April 10, 2019 (the *Lease*), between the Corporation and the District. The District is obligated pursuant to the Lease, but solely from Available Funds (as defined in the Trust Agreement), to pay to the Corporation such lease payments (the *Lease Payments*) as will always be sufficient to pay (i) principal of, premium, if any, and interest on the Bonds, as the same mature and become due and (ii) the amount, if any, required to replenish the Reserve Account (as defined in the Trust Agreement) in accordance with the provisions of the Lease. The District is further obligated, pursuant to the Lease, to pay from lawfully available Appropriated funds all expenses of operating and maintaining the Project in good repair, to keep it properly insured, and to pay all taxes, assessments, and other charges levied or assessed against or with respect to the Project, all of which payments are subject to the annual appropriation of funds by the District in sufficient amounts. The Corporation has assigned its right, title, and interest in and to, but not its obligations, responsibilities, or liabilities, under the Lease to the Trustee.

The Bonds are all issued under and are equally and ratably secured and entitled to the protection given by a Trust Agreement Relating to Tioga Independent School District School Facility Project, dated as of May 1, 2019 (the *Trust Agreement*), duly executed and delivered by and between the Corporation and the Trustee. The obligation of the Corporation under the Trust Agreement is secured by a Deed of Trust, Security Agreement, and Assignment of Rents and

Leases dated as of May 9, 2019 (the *Mortgage*), from the Corporation to the mortgage trustee named therein for the use and benefit of the Bondholders, pursuant to which the Corporation granted a first mortgage lien on the real property portion of the Project, and assigned and pledged its interest in the leases, rents, issues, profits, revenues, income, receipts, money, rights, and benefits of and from the Project for the use and benefit of the Bondholders. The obligations of the Corporation under the Trust Agreement are also secured by a Security Agreement, dated as of May 9, 2019 (the *Security Agreement*), between the Corporation and the Trustee pursuant to which the Corporation granted to the Trustee a first priority security interest in the machinery, equipment, furnishings, or other property at any time owned by the Corporation and acquired with the proceeds of the Bonds and substitutions or replacements therefor, in any inventory of the Corporation installed or located on the Land and substitutions or replacements therefor, in any inventory of the Corporation now or hereafter located at the Project, and in the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Corporation's ownership and operation of the Project. Reference is hereby made to the Trust Agreement and to all indentures supplemental thereto for a description of the property subject to the lien and security for the Bonds, the rights, duties, and obligations of the Corporation, the Trustee, and the Bondholders, and the provisions regulating the manner in which the terms of the Trust Agreement, the Mortgage, the Security Agreement, and the Lease may be modified, to all of which provisions the owner of this Bond, on behalf of himself and his successors in interest, assents by acceptance hereof.

The Bonds are issuable only in the form of fully registered obligations without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the conditions and upon the payment of charges provided in the Trust Agreement, the owner of any Bond or Bonds issued under the Trust Agreement may, if not prohibited by law, surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his attorney duly authorized in writing) in exchange for an equal aggregate principal amount of Bonds of the same series, interest rate, and maturity or maturities, and of any denominations authorized as above described. This Bond is transferable as provided in the Trust Agreement by the registered owner in person or by the owner's attorney duly authorized in writing at the designated office of the Trustee in Dallas, Texas upon surrender of this Bond accompanied by a duly executed instrument of transfer, in form and with guarantee of signature satisfactory to the Trustee, and upon payment of any governmental charges or taxes incident to such transfer. Upon any such transfer, a new Bond or Bonds in the same aggregate principal amount and of the same series, interest rate, and maturity or maturities will be issued to the transferee. The Corporation and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest due on this Bond and for all other purposes, and the Corporation and the Trustee shall not be affected by any notice to the contrary.

The Issuer reserves the right and option to redeem Bonds before their scheduled maturity date, in whole or in part, on any date on or after August 15, 2024, such redemption date or dates to be fixed by the Issuer, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption.

The Bonds are subject to optional redemption prior to their stated maturity on any Bond Payment Date upon the exercise by the District of its option to purchase the Project pursuant to the Lease on the Purchase Option Date after receipt by the Trustee of the Purchase Option Price (as defined in the Lease) and the payment of the Trustee's reasonable fees and expenses, such redemption to be in whole or in part, on the next succeeding date for which notice can be given in accordance with the Trust Agreement. Bonds redeemed pursuant to this paragraph shall be redeemed at a redemption price of par plus accrued but unpaid interest to the redemption date.

In the event of the exercise by the District of its option to purchase upon a casualty loss or condemnation of the Project and the payment by the District to the Trustee of the Purchase Option Price, all in accordance with the Lease, the Bonds are subject to optional redemption prior to their respective stated maturities, in whole but not in part, on the next succeeding Bond Payment Date for which notice can be given in accordance with the Trust Agreement, at a redemption price equal to 100% of the Outstanding principal amount thereof, plus accrued interest to the date of redemption.

The Bonds maturing on August 15 in the years 2032, 2036 and 2041 (the “*Term Bonds*”) are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the Issuer in part at the redemption price equal to the principal amount of the Bonds called for redemption, plus accrued and unpaid interest to the date fixed for redemption from moneys available for such purpose in the Payment Account on the dates and in the respective sinking fund installments as set forth in the following schedule:

\$6,590,000 Term Bonds maturing August 15, 2032

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2028	\$1,205,000
08/15/2029	\$1,260,000
08/15/2030	\$1,315,000
08/15/2031	\$1,375,000
08/15/2032 *	\$1,435,000

\$6,425,000 Term Bonds maturing August 15, 2036

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2033	\$1,500,000
08/15/2034	\$1,570,000
08/15/2035	\$1,640,000
08/15/2036 *	\$1,715,000

\$9,700,000 Term Bonds maturing August 15, 2041

<u>Redemption Date</u>	<u>Sinking Fund Installment Amount</u>
08/15/2037	\$1,790,000
08/15/2038	\$1,865,000
08/15/2039	\$1,935,000

08/15/2040	\$2,015,000
08/15/2041*	\$2,095,000

* Stated Maturity

If less than all of the Bonds are called for redemption under any of the circumstances set forth above, the particular Bonds or portions thereof to be redeemed shall be selected ratably by the Trustee among each stated maturity of the Bonds and by lot within each stated maturity in such manner as the Trustee shall determine.

If this Bond is subject to prior redemption and is of a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, upon the surrender of this Bond to the Trustee at its corporate trust office there shall be issued to the Holder hereof, without charge therefor, for the then unredeemed balance of the principal sum hereof, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided by the Trust Agreement.

At least thirty (30) days prior to a redemption date, the Corporation shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of the Bonds to be redeemed in whole or in part, and subject to the terms and provisions relating thereto contained in the Trust Agreement. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Trustee.

If less than all of the Bonds are called for redemption under any of the circumstances set forth above, the particular Bonds or portions thereof to be redeemed shall be selected ratably by the Trustee among each stated maturity of the Bonds and by lot within each stated maturity in such manner as the Trustee shall determine. In the event the Bonds (which shall be in amounts equal to \$5,000 or an integral multiple thereof) are called for redemption as aforesaid, notice thereof identifying the Bonds to be redeemed shall be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the registration books at the close of business on a day not later than the fifth day preceding the date of mailing; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bonds. All Bonds or portions thereof so called for redemption shall cease to bear interest on the specified redemption date, provided funds for their redemption are on deposit with the Trustee, and shall no longer be protected by the Trust Agreement and shall not be deemed to be outstanding under the provisions of the Trust Agreement.

This Bond and the series of which it forms a part, as may be outstanding from time to time, are issued pursuant to and in full conformity with a resolution duly adopted by the governing body of the Corporation under the authority of and in full conformity with the laws of the State of Texas, particularly the provisions of Chapter 303, as amended, Texas Local Government Code (the *Act*). This Bond and the series of which it forms a part are payable solely from Available Funds as provided in the Trust Agreement. Pursuant to the provisions of the Lease and the Trust Agreement, Lease Payments sufficient for the prompt payment when due of the principal of, premium, if any, and interest on the Bonds are to be paid to the Trustee for the benefit of the Bondholders and have been and are hereby again duly assigned by the Corporation for that purpose. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State, the Corporation has reserved the right to issue Additional Bonds which, when issued in compliance with law and the terms and conditions of the Trust Agreement, may be payable from rental payments paid from funds eligible to be Available Funds received by the Corporation; provided, however, that no bonds or obligations, other than obligations issued to refund the Bonds, shall be secured by a lien on and pledge of the Trust Estate (as defined in the Trust Agreement).

The owner of this Bond shall have no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Trust Agreement, or to institute, appear in, or defend any suit or other proceedings with respect thereto except as provided in the Trust Agreement. In certain events, under the conditions, in the manner, and with the effect set forth in the Trust Agreement, the principal of all of the Bonds issued under the Trust Agreement and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Trust Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Trust Agreement.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form, and manner as required by law in order to make this Bond a valid and legal revenue obligation of the Corporation and that the issuance of the Bonds, together with all other obligations of the Corporation, does not exceed or violate any constitutional or statutory limitation applicable to the Corporation.

IN WITNESS WHEREOF, TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION has caused this bond to be executed by its President by his manual or facsimile signature and has caused this bond to be attested by its Secretary by her manual or facsimile signature.

(signature)
Secretary, Board of Directors

(signature)
President, Board of Directors

[B - FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE]
[The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bonds]

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Bond, and that this Bond has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[C - FORM OF CERTIFICATE OF TRUSTEE]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds referred to in the within-mentioned Trust Agreement.

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Trustee

By: _____
Authorized Signature

Date of Authentication: _____

[D - FORM OF ASSIGNMENT]

ASSIGNMENT
(Please type or print clearly)

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

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

_____ 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.

[E- INITIAL BOND INSERTIONS]

The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this section, except for the following alterations:

(i) immediately under the name of the Bond the heading "INTEREST RATE" and "MATURITY DATE" shall both be completed with the expression "As Shown Below," and the reference to the "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the Bond, the words "on the Maturity Date, as specified above, the sum of _____ DOLLARS" shall be deleted and the following will be inserted: "on August 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
08/15/2020	\$415,000	4.000%
08/15/2021	\$435,000	4.000%
08/15/2022	\$450,000	4.000%
08/15/2023	\$470,000	4.000%
08/15/2024	\$485,000	4.000%
08/15/2025	\$805,000	3.000%
08/15/2026	\$1,130,000	3.250%

08/15/2027	\$1,170,000	3.250%
***	***	***
08/15/2032	\$6,590,000	4.500%
***	***	***
08/15/2036	\$6,425,000	4.500%
***	***	***
08/15/2041	\$9,700,000	4.000%

(iii) the Initial Bond shall be numbered T-1.

EXHIBIT B
REQUISITION REQUESTING DISBURSEMENT OF
PROJECT COSTS, INCLUDING ISSUANCE COSTS

In accordance with the terms of that certain Amended and Restated Lease With an Option to Purchase Between Tioga Independent School District Public Facility Corporation, Lessor and Tioga Independent School District, Lessee" dated April 10, 2019 (the *Lease*), between the TIOGA INDEPENDENT SCHOOL DISTRICT (*District*) and the TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION (*Corporation*) and further in accordance with the terms of that certain Trust Agreement Relating to the Tioga Independent School District Public Facility Corporation School Facility Project (the *Trust Agreement*) dated as of May 1, 2019 by and between WILMINGTON TRUST, NATIONAL ASSOCIATION (*Trustee*) and the Corporation, the Corporation hereby requests a disbursement from the Project Account for certain [Project Costs/ Issuance Costs (as applicable)] relating to the issuance and sale of the Bonds pursuant to the Trust Agreement. The Corporation hereby represents and warrants for all purposes that:

1. The amount to be disbursed is \$_____. Such amount represents [Project Costs/ Issuance Costs (as applicable)]

2. Payments, for the purposes and in the amounts set forth below, are to be made to the respective payees (insert federal reference wire numbers, if appropriate):

<u>Payee</u>	<u>Payment Amount</u>	<u>Payment Purpose</u>	<u>Payee TIN</u>
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3. The amount to be disbursed constitutes [Project Costs/ Issuance Costs (as applicable)] pursuant to the Trust Agreement; such amount was necessarily or reasonably incurred; such amount is not being paid in advance of time, if any, fixed for such payment; and such amount has been properly recorded on the Corporation's books.

4. The work relating to these [Project Costs/ Issuance Costs (as applicable)] has been completed.

5. No amount set forth in this Requisition was included in any Requisition Requesting Disbursement of [Project Costs/ Issuance Costs (as applicable)] previously filed with the Trustee for which payment was actually made by the Trustee.

6. No Event of Default under the Lease or Trust Agreement has occurred and is continuing or will result from the disbursement requested herein.

7. Capitalized terms used herein and not defined shall have the meaning assigned in the Lease and/or the Trust Agreement.

Payment of requested disbursements authorized on _____, 2019.

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC
FACILITY CORPORATION

By: _____

Name: Rick Staples

Title: President, Board of Directors

Acting as Corporation Representative (as described in
Section 4.02(c) of the Trust Agreement)

TIOGA INDEPENDENT SCHOOL DISTRICT

By: _____

Name: Charles A. Holloway

Title: Superintendent of Schools

Acting as District Representative (as described in
Section 4.02(c) of the Trust Agreement)

REQUISITION REQUESTING DISBURSEMENT OF PROJECT COSTS, INCLUDING
ISSUANCE COSTS

EXHIBIT C
TRUSTEE'S FEE SCHEDULE

See attached

[This page is intentionally left blank.]

AMENDED AND RESTATED LEASE WITH AN OPTION TO PURCHASE
between
TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION,
LESSOR
and
TIOGA INDEPENDENT SCHOOL DISTRICT, LESSEE

Dated as of April 10, 2019

THIS AMENDED AND RESTATED LEASE WITH AN OPTION TO PURCHASE (the "Lease") is made and entered into and dated to be effective as of April 10, 2019, by and between TIOGA INDEPENDENT SCHOOL DISTRICT, a political subdivision of the State of Texas created pursuant to Article VII, Section 3 of the Texas Constitution, together with its successors and permitted assigns (the "Lessee" or the "District"), and the TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION, a Texas nonprofit corporation, together with its successors and assigns (the "Lessor" or the "Corporation").

WITNESSETH:

WHEREAS, Lessor has been duly created and organized pursuant to and in accordance with the provisions of the Public Facility Corporation Act, Chapter 303, Texas Local Government Code as amended ("Chapter 303") for the purpose of acting on behalf of the Lessee for the purpose of financing the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placement in service of public facilities of the Lessee;

WHEREAS, Lessee is authorized by the Public Property Finance Act, Section 271.001 et seq., Texas Local Government Code, as amended (the "Act") to enter into and perform contracts for the use or purchase or other acquisition of personal property and real property or improvements to real property;

WHEREAS, Lessor has determined to issue its \$28,075,000 Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Refunding Bonds, Series 2019 (the "Bonds") to refinance the Project;

WHEREAS, Lessee has determined its need for the Project (defined herein) and desires to enter into and perform this Lease in order to facilitate the refinancing of the Project as contemplated by the Act;

WHEREAS, the District has previously entered into the "Lease With An Option to Purchase Relating to the Tioga Independent School District School Facility Project" with the Corporation dated as of September 1, 2016 (the Original Lease), for the acquisition of certain land and construction of certain school facilities in the District (the Original Project), pursuant to the provisions of the Act;

WHEREAS, the Board of Trustees of the District hereby approves the changes in the provisions of the Original Lease as reflected herein and otherwise amends and restates the amendments to the Original Lease pursuant to the provisions in this Lease;

WHEREAS, the construction of the Project was originally financed through the issuance of "Tioga Independent School District Public Facility Corporation Lease Revenue Bonds, Series 2016" (the *Refunded Bonds*) pursuant to the "Trust Agreement Relating to the Tioga Independent School District School Facility Project" dated September 1, 2016 (the Original Trust Agreement) in the original principal amount of \$26,780,000 and the Project was originally leased to the District pursuant to the Original Lease;

WHEREAS, all requirements under the Original Lease and other financing documents have been fully satisfied and the Corporation and the District have previously evidenced their acceptance of the Project pursuant to the requirements of the Original Lease and Original Trust Agreement;

WHEREAS, Lessee has determined its need for the Project and desires to enter into and perform this Lease in order to decrease the amount of certain lease payments due under the Original Lease and to facilitate the refinancing of the Project by Lessor, and to obtain the right to use, occupy and possibly acquire the Project as contemplated by the Act; and

WHEREAS, in connection with the issuance of the Bonds, Lessor will enter into a Trust Agreement Relating to Tioga Independent School District School Project dated as of May 1, 2019, with Wilmington Trust National Association, as trustee (the "Trust Agreement"), pursuant to which Lessor will assign its rights, but not its obligations under this Lease;

NOW, THEREFORE, for valuable consideration, including the mutual covenants herein contained, the receipt and sufficiency of which is hereby confessed and acknowledged, the parties agree as follows:

ARTICLE 1

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.1 shall, for all purposes of this Lease, have the meanings herein specified. Capitalized terms used herein without being defined herein shall, for the purposes of this Lease, have the meanings assigned them in the Trust Agreement unless the context requires otherwise.

Appropriate or Appropriated shall mean the adoption by the Board of Trustees of a budget or amendments to the budget for a Fiscal Year which includes the Lease Payments and other payments required or any other payments elected, including for maintenance, improvements and alterations to the Project, if any, to be made by the District under this Lease during the respective Fiscal Year.

Available Funds shall mean money Appropriated by the District from (i) money appropriated by the Legislature of the State that may lawfully be used with respect to any payment obligated or permitted under the Lease, which under current law is limited to Basic Allotment portion of Tier One Funds and Chapter 46 Funds, and (ii) any unintended surplus maintenance tax funds of the District at the end of each Fiscal Year after payment of all maintenance and operating expenses of the District for that Fiscal Year; provided, however, that upon receipt of an approving opinion of Bond Counsel, Available Funds shall also include any other funds Appropriated by the District that are determined to be available for the payment of Lease Payments as a result of a final, non-appealable judgment of a court of competent jurisdiction, legislation enacted, or other change in State law effective subsequent to the date of the adoption of this Lease Agreement.

Basic Allotment portion of Tier One Funds shall mean funds which are allotted to the Lessee pursuant to Section 42.101 et seq., Texas Education Code.

Board of Directors shall mean the Board of Directors of the Lessor.

Board of Trustees shall mean the Board of Trustees of the Lessee.

Bond Counsel shall mean the nationally recognized bond counsel of the District.

Chapter 46 Funds shall mean funds that must be deposited into a segregated account of the Lessee's general fund pursuant to Chapter 46, as amended, Texas Education Code that must be transferred by the Lessee upon Appropriation of the Lease Payments to the Trustee for immediate deposit into the Payment Account under the Trust Agreement.

Closing Date shall mean the date of initial delivery of and payment for the Bonds such date being May 9, 2019.

Code shall mean the United States Internal Revenue Code of 1986, as amended.

Deed of Trust shall mean that certain Deed of Trust, Security Agreement and Assignment of Rents and Leases, dated effective as of May 9, 2019, and executed by Lessor to the mortgage trustee named therein, as Mortgage Trustee for the benefit of Trustee under the Trust Agreement.

Event of Default shall mean the occurrence of any of the following events:

(a) Lessee's failure to make an Appropriated Lease Payment within ten calendar days after the due date thereof;

(b) failure by the Lessee or the Lessor to observe and perform any covenant, condition, or agreement (including, without limitation, those set forth in Section 5.2(c)Section 5.2(c) and Section 5.2(d)), on its part to be observed or performed by it hereunder, other than as referred to in (a) above, and such failure is not cured within twenty (20) calendar days after written notice thereof is provided to the party in default by the other party hereto or the Trustee;

(c) any material statement, representation, or warranty made by the Lessee in this Lease or in any writing ever delivered by the Lessee, pursuant to or in connection with this Lease or the Bonds, is false, misleading, or erroneous in any material respect;

(d) the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee promptly to lift any execution, garnishment, or attachment of such consequence as would impair the ability of the Lessee to carry on its operations at the Project, or adjudication of the Lessee as a bankrupt or assignment or the entry by the Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar federal or State laws which may hereafter be enacted;

(e) any event which shall occur or any condition which shall exist the effect of which is to cause (i) more than \$100,000 of aggregate indebtedness of the Lessee to become due prior to its

stated due date, or (ii) a lien to be placed on the Project or the Lessee's interest in the Project, and not released within sixty (60) days; or

(f) a final judgment against the Lessee for an amount in excess of \$100,000 shall be outstanding for any period of 60 days or more from the date of its entry and shall not have been discharged in full or stayed pending appeal, and, as a result thereof, a lien shall be placed on the Project or the Lessee's interest in the Project. Lessee shall provide written notification to Lessor and Trustee upon the occurrence of any Event of Default identified in subsection (c), (d), or (e) of this definition.

Event of Nonappropriation shall mean the failure of the District to appropriate for any Fiscal Year, sufficient funds to pay the Lease Payments or any other amounts due hereunder, or the reduction of any Appropriation to an amount insufficient to permit the District to pay the Lease Payments or any other amounts due hereunder from (i) money appropriated biennially by the Legislature of the State that may lawfully be used with respect to any payment obligated or permitted under the Lease, which under current law is limited to Basic Allotment portion of Tier One Funds and Chapter 46 Funds, (ii) any unintended surplus maintenance tax funds of the District at the end of each Fiscal Year after payment of all maintenance and operating expenses of the District for that Fiscal Year, and (iii) upon receipt of an approving opinion of nationally recognized Bond Counsel, any other funds hereafter determined to be available with respect to any payment obligated or permitted under this Lease as a result of a final, non-appealable judgement of a court of competent jurisdiction, legislation hereafter enacted or other change in State Law.

Financing Documents shall mean collectively, the Trust Agreement, the Lease, the Security Agreement and the Mortgage.

Fiscal Year shall mean a 12 month fiscal period of Lessee commencing on September 1, and ending on August 31 of the following year, or such other annual accounting period as the Lessee may hereafter adopt.

Improvements shall mean all improvements constructed and/or installed (consisting of construction, equipment, and improvement of school facilities consisting of a high school) on the Real Property.

Issuance Costs shall mean the costs of issuance incurred in connection with the sale of Bonds and the execution and delivery of the Lease, including, but not limited to initial and first year's Trustee's fees (including the fees of Trustee's counsel), the District's financial advisor/consultant's fees and expenses, fees and expenses of counsel to the District and the Corporation, Bond Counsel, printing and other costs, Rating Agency fees, if any, and the examination fees of the Attorney General of Texas, filing fees, and other miscellaneous costs and expenses.

Lease shall mean this Amended and Restated Lease with an Option to Purchase dated as of April 10, 2019, by and between the District and the Corporation, and any duly authorized and executed amendment thereto.

Lease Payment shall mean on the first Lease Payment Date, an amount of money which, when added to the amount on deposit in the Payment Account, will equal the amount of principal and interest to become due on the first Bond Payment Date, and thereafter, while any Bonds are outstanding under the Trust Agreement, an amount of money which, when added to the amount then on deposit in the Payment Account, will equal the amount of interest to become due on the Bonds on the next Bond Payment Date and the next maturing principal installment to become due on the Bonds, either pursuant to a mandatory sinking fund redemption or upon maturity of the Bonds and the amount, if any, required to replenish the Reserve Account in accordance with Section 10.7(b) of this Lease. Attached as *Exhibit E* hereto is an initial schedule of Lease Payments.

Lease Payment Date shall mean August 15, 2019 and each February 15 and August 15 thereafter for so long as this Lease is in effect.

Lessee or District shall mean the Tioga Independent School District and its successors and permitted assigns.

Lessee Representative shall mean the Superintendent of Schools of the District, or any other officer, agent, or employee of Lessee who is designated in writing as a Lessee Representative for the purposes of this Lease, such designation to remain effective until the Lessee files with the Trustee a resolution designating a different or alternative representative.

Lessor or Corporation shall mean the Tioga Independent School District Public Facility Corporation, and its permitted successors and assigns.

Lessor Representative shall mean the President of the Board of Directors of the Lessor or any director, agent, or officer of Lessor who is designated in writing as a Lessor Representative for the purposes of this Lease, such designation to remain effective until the Lessor files with the Trustee a resolution designating a different or alternative representative.

Mortgage shall mean the Deed of Trust.

Mortgage Trustee shall mean the mortgage trustee named in the Deed of Trust and any successor.

Net Proceeds shall mean any insurance proceeds or condemnation award paid with respect to the Project remaining after payment of all reasonable expenses incurred in the collection thereof.

Outstanding shall mean as of the date of determination, all Bonds theretofore issued and delivered under the Trust Agreement, except: (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited in an account, other than the "Payment Account" identified in Article IV of the Trust Agreement, with the Trustee in trust irrevocably for the holders of such Bonds; (c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to the Trust Agreement; and (d) Bonds alleged to have been mutilated, destroyed, lost, or stolen which have been paid as provided in the Trust Agreement.

Permitted Assignee shall mean (a) the Trustee, (b) the purchaser at a foreclosure sale held pursuant to the Deed of Trust or in connection with a sale in lieu thereof, or (c) any other person designated by the Trustee to acquire the interest of Lessee under this Lease, including the successors and assigns of any such persons.

Permitted Encumbrances shall mean the matters described in **Exhibit B** attached hereto and made a part hereof.

Project shall mean the Real Property and the Improvements to be refinanced thereon pursuant to this Lease.

Project Costs shall mean all costs of, payment of, or reimbursement for refinancing of the Project; financing payments; sales tax, if any, on the Project; costs of feasibility, environmental, appraisal, and other reports; inspection costs; permit fees; filing and recording costs; title insurance premiums; survey costs; Issuance Costs; and all other costs related to the Project or the financing thereof, authorized by Chapter 303..

Purchase Option Date shall mean (i) any date while the Bonds remain Outstanding on and after August 15, 2024, and (ii) prior or subsequent thereto in the event of damage, destruction, or condemnation of the Project, a date established pursuant to Section 9.2 of this Lease.

Purchase Option Price shall mean the amount which will be sufficient on the Purchase Option Date to pay the principal of all Bonds then Outstanding, the redemption premium, if any, and accrued interest thereon to the date fixed for redemption or the amount necessary to effectuate a redemption prior to maturity in accordance with Section 6.1(a) or (e) of the Trust Agreement, provided, however, that on or after August 15, 2041, the Purchase Option Price shall be One Dollar (\$1.00) provided that all amounts due and payable hereunder have been paid.

Real Property shall mean the parcels of real property located within the District and Grayson County, Texas on which the Improvements have been constructed installed, and equipped, and any easements affording ingress, egress and parking in connection therewith as more particularly described in **Exhibit A**, attached hereto and made a part hereof.

Regulations shall mean any proposed, temporary, or final income tax regulations issued pursuant to sections 103 and 141 through 150 of the Code, which are applicable to the Bonds. Any reference to any specific Regulations shall also mean, as appropriate, any proposed, temporary, or final income tax regulation designed to supplement, amend, or replace the specific Regulation referenced.

Security Agreement shall mean that certain Security Agreement dated as of May 9, 2019, from the Corporation in favor of the Trustee.

State shall mean the State of Texas.

Term shall mean the term of this Lease as determined pursuant to Section 3.3 hereof.

Section 1.2 General Rules of Construction. When in this Lease the context requires, (i) a reference to the singular number includes the plural and vice versa; and (ii) a word denoting gender includes the masculine, feminine, and neuter.

Section 1.3 Preamble. The statements and findings in the preamble of this Lease are hereby adopted and made a part of this Lease.

ARTICLE 2

REPRESENTATIONS, COVENANTS, AND WARRANTIES

Section 2.1 Representations, Covenants, and Warranties of Lessee. The Lessee represents, covenants, and warrants as follows:

(a) the Lessee is a duly formed and validly existing independent school district and political subdivision of the State created pursuant to Article VII, Section 3 of the Texas Constitution and governed by the laws of the State;

(b) the Lessee has full power and authority to execute this Lease and to perform its obligations hereunder;

(c) the Board of Trustees of the Lessee has duly authorized the execution of this Lease, and the performance of its obligations hereunder and thereunder;

(d) the execution of this Lease and the performance of its obligations hereunder and compliance with the terms thereof by the Lessee will not conflict with, violate, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Lessee is subject or by which the Lessee or any of its property is bound;

(e) the Lessee is not in violation of any law, which violation could adversely affect the performance of its obligations under this Lease;

(f) the Lessee presently expects to have sufficient Available Funds or other lawfully available Appropriated funds, as applicable, hereunder, to satisfy its obligations under this Lease, and hereby Appropriates sufficient funds into the Payment Account of the Trust Fund under the Trust Agreement representing currently available and unencumbered funds for the payment of the Lease Payment on August 15, 2019, and the Lessee will use its best efforts to manage its affairs in such a way as to maximize the amount of Basic Allotment portion of Tier One Funds and Chapter 46 Funds (to the extent the Lessee receives Chapter 46 Funds), or other similar funds, available to the Lessee to pay Lease Payments; provided, however, the Lessee has no obligation to appropriate, regardless of the amount of Available Funds or other lawfully available funds, as applicable, or request the Legislature of the State to appropriate available funds in any Fiscal Year;

(g) this Lease is a legal, valid, and binding obligation of the Lessee, enforceable in accordance with its terms;

(h) the Lessee will be the sole lessee and primary user of the Project, and the Lessee will use the Project during the Term for the purpose of operating school facilities or other public educational purposes of the Lessee and agrees to maintain the Project in good repair;

(i) the Lessee agrees to keep the Project free and clear of all liens, encumbrances, and security interests (other than the Permitted Encumbrances);

(j) the Lessee has complied and will continue to comply with all open meeting laws, all public bidding or procurement laws and all other State and federal laws applicable to the execution, delivery, and performance of this Lease and to the maintenance of the Project by the Lessee;

(k) except for approval of the Attorney General of Texas, no further approval, consent, or withholding of objections is required from any governmental authority with respect to this Lease;

(l) the Lessee shall deposit all Chapter 46 Funds received with respect to the Bonds, if any, to a segregated account of the Lessee's general fund and shall use such Chapter 46 Funds only to pay Lease Payments due hereunder;

(m) no litigation is pending that would materially adversely affect the financial condition of the Lessee, and no litigation of any nature has been filed or is now pending to restrain or enjoin the issuance or delivery of the Lease, that would affect the provisions made for the payment or security of the Lease, or that in any manner questions the proceedings or authority concerning the execution of the Lease; and

(n) there has been no default or non-appropriation of any obligations of the Lessee.

Section 2.2 Representations, Covenants, and Warranties of Lessor. The Lessor represents, covenants, and warrants as follows:

(a) the Lessor is a validly existing nonprofit corporation authorized to operate under Chapter 303;

(b) the Lessor has the full power and authority to execute the Financing Documents and perform its obligations hereunder and thereunder;

(c) the Lessor has the full power and authority to issue, sell and deliver the Bonds and to use the proceeds thereof for the Project and agrees to take all steps legally required for the valid, lawful, and enforceable authorization, issuance, sale and delivery thereof;

(d) the Board of Directors of the Lessor has duly authorized the execution of the Financing Documents, and has authorized the performance of the Lessor's obligations hereunder and thereunder;

(e) the execution of the Financing Documents and the performance of its obligations hereunder and thereunder and compliance with the terms thereof by the Lessor will not conflict with, or constitute a default under, any law (including administrative rule), judgment, decree, order, permit, license, agreement, mortgage, lease, or other instrument to which the Lessor is subject or by which the Lessor or any of its property is bound;

(f) the Lessor is not in violation of any law, which violation could adversely affect the performance of its obligations under this Lease;

(g) upon termination of this Lease, pursuant to Section 3.3(a) or Section 3.3(d) hereof, the Lessor will either (1) retain title to the Project, if the Lessee so directs or (2) deliver to the Lessee all documents which are or may be necessary to vest all of the Lessor's right, title and interest in and to the Project in the Lessee and terminate and release all liens and encumbrances in favor of the Lessor created under this Lease;

(h) the Lessor agrees to keep the Project free and clear of all liens, encumbrances, and security interests (other than the Permitted Encumbrances, the Mortgage, and the Security Agreement);

(i) On the Closing Date, the Lessor will hold indefeasible fee simple title to the Project, subject to Permitted Encumbrances and the encumbrances created by the Financing Documents and, for the period of time commencing on the date of the execution of this Lease and expiring on the termination of this Lease, will warrant and forever defend all and singular the Lessee's leasehold interest in such property unto the Lessee, its successors, and assigns against every person whomsoever lawfully claiming or to claim the same, or any part thereof. Subject to compliance by the Lessee with the provisions of this Lease, the Lessor hereby covenants to provide the Lessee during the Term with the quiet use and enjoyment of such Real Property, subject to the Permitted Encumbrances and the terms of the Financing Documents, and the Lessee shall peaceably and quietly have and hold and enjoy such property, without suit, trouble, or hindrance from the Lessor;

(j) Except for the approval of the Attorney General of Texas, no further approval, consent, or withholding of objections is required from any governmental authority with respect to the execution, delivery and performance of this Lease;

(k) The Project complies with all State standards and governmental requirements pertaining to the operation of public schools and will be suitable for the Lessee's purposes;

(l) This Lease is a legal, valid and binding obligation of Lessor, enforceable in accordance with its terms; and

(m) Lessor has complied and will comply with all open meetings, all public contract procurement laws and all other State and federal laws applicable to Lessee and/or Lessor relating to the approval, construction and management and operation of the Project, and the payment of Project Costs.

ARTICLE 3

LEASE OF PROPERTY AND TERM

Section 3.1 Lease of Premises. In consideration of the rents, covenants, agreements and conditions herein set forth, which Lessee agrees to pay, keep and perform, Lessor does hereby let, demise and rent unto Lessee, and Lessee agrees to rent and lease from Lessor, the Project; provided, however, if a Lessee Event of Default or an Event of Nonappropriation has not occurred, the Lessee may not be deprived of its rights with respect to the Project as provided in this Lease, including its right of possession and use of the Project and its right to exercise its option to purchase.

Section 3.2 Title Matters. DURING THE TERM, LEGAL TITLE TO THE PROJECT AND ANY AND ALL REPAIRS, REPLACEMENTS, SUBSTITUTIONS AND MODIFICATIONS TO THE PROJECT SHALL BE IN THE LESSOR. The Lessee shall not permit any lien or encumbrance of any kind to exist against the title to the Project, other than the Permitted Encumbrances and the liens and encumbrances created by the Financing Documents. Upon termination of this Lease under Section 3.3(a) or Section 3.3(d) hereof, full and unencumbered, with the exception of the Permitted Encumbrances, legal title to the Project shall either (i) be retained by the Lessor at the Lessee's direction should this Lease be released and terminated due to the making of firm banking and financial arrangements for the final payment and discharge of this Lease and the Bonds or due to the final payment and discharge of the Bonds with the proceeds of refunding bonds or other refinancing secured by the Project or (ii) otherwise shall be promptly conveyed by Lessor to the Lessee, and the Lessor and the Trustee shall execute and deliver to the Lessee such documents as the Lessee may reasonably request to evidence the conveyance of such title to the Lessee and the termination of the Lessor's and the Trustee's interest in the Project.

Section 3.3 Term. This Lease shall be and remain in effect with respect to the Project for a lease term (the "*Term*") commencing on the date hereof and continuing until terminated upon the occurrence of the first of the following events:

(a) upon the exercise by the Lessee of its option to purchase pursuant to ARTICLE 11 of this Lease, or the execution of a new lease related to the Project, and the payment of all sums due and owing hereunder;

(b) the last day of the Fiscal Year in which an Event of Nonappropriation occurs;

(c) the effective date of termination of this Lease by Lessor or Trustee pursuant to the exercise of the rights of Lessor to terminate this Lease pursuant to Section 9.2(c) or upon the occurrence of an Event of Default pursuant to ARTICLE 14;

(d) the date on which Lessee pays all Lease Payments and other amounts required to be paid by Lessee pursuant to the terms of this Lease or the Lessee deposits an amount with the Trustee sufficient to defease the Bonds in whole pursuant to the terms of the Trust Agreement; or

(e) August 15, 2041;

(f) but in all events upon and subject to the covenants, agreements, terms, provisions and limitations hereafter set forth, all of which the Lessee covenants to perform and observe.

ARTICLE 4

USE OF LEASED PREMISES AND COMPLIANCE WITH LAW

Section 4.1 Use. Lessee shall occupy, operate and maintain the Project for use as a public school and associated educational and community purposes, provided in no event may the Project be used for a purpose which may adversely affect the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is excludable from "gross income of the holders thereof for purposes of federal income taxation.

Section 4.2 Compliance With Laws.

(a) Lessee shall comply with all laws, statutes, ordinances, rules and regulations of applicable governmental authorities, now existing or enacted or promulgated in the future, which affect the Project and the use and occupancy thereof. Lessee shall obtain all permits and licenses necessary for the operation, possession and use of the Project. Lessee shall make, at Lessee's own cost and expense from Available Funds, any and all repairs, additions and alterations (whether the same constitute a capital improvement or expenditure) to the Project, that are required by local, State or federal statutes, rules, ordinances or regulations or as may be ordered or required by any governmental authority, whether (i) in order to meet the special needs of Lessee, or by reason of the occupancy of Lessee, or otherwise, and (ii) regardless of whether such laws, rules and regulations, and the cost of implementing them, are imposed upon the fee owner or Lessor.

(b) Lessee may, after written notice to Lessor, by appropriate proceedings conducted promptly in Lessee's name and at Lessee's expense, contest the validity or enforcement of any such laws, statutes, rules, regulations or ordinances, and Lessee may defer compliance with same during such contest, provided Lessee diligently prosecutes such contest to a final determination by the authority having jurisdiction thereof and the delay in complying with such regulations and ordinances does not create a lien or encumbrance on the Project or subject the Lessor or the Project to any liability for damages, fines, or penalties,

ARTICLE 5

THE PROJECT

Section 5.1 Local Conditions. Lessor declares that it is familiar with local conditions relating to the Project. The Lessee hereby represents and warrants that, as of the date hereof, all utility services necessary for the operation of the Project for its intended purposes are available including without limitation, water supply, all required storm drainage facilities, sanitary sewer facilities, gas, electric and telephone facilities. The Lessee further represents and warrants that the Lessee has obtained or, as and when applicable will obtain timely, all necessary approvals,

including, without limitation, all environmental approvals, from any and all governmental, administrative or judicial bodies having jurisdiction over the Project.

Section 5.2 Ownership of Improvements. All materials and other property of any nature whatsoever incorporated into the Project shall become a permanent part of the Project for the purposes of this Lease.

Section 5.3 Assignment of Warranties. The Corporation hereby assigns to the District, for and during the Term of this Lease, all of its interest in all warranties and guarantees, express or implied, issued on or applicable to the Project, and the Corporation hereby authorizes the District to obtain the customary services furnished in connection with such warranties and guarantees.

Section 5.4 Installation of Lessee's Equipment. The Lessee may at any time, in its sole discretion and at its own expense, install items of personal property, movable machinery and equipment in or upon the Project, which items shall be identified by tags or other symbols affixed thereto as property of the Lessee not included in the Project. All such items so identified shall remain the sole property of the Lessee, in which the Lessor shall have no interest, and may be modified or removed by the Lessee at any time, provided that the Lessee shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Project; provided further however, that to the extent the Lessee's obligation under any such conditional sale or lease with option to purchase contract is payable solely from Available Funds, the incurrence of such obligation, as payable from Available Funds, shall be subject to the Trust Agreement and this Lease.

**ARTICLE 6
RESERVED.**

**ARTICLE 7
ALTERATIONS AND IMPROVEMENTS**

Section 7.1 Lessee's Right to Alter. Subject to, and only from and to the extent of Available Funds in excess of the Lease Payments, and provided the conditions set out below and the conditions in Article 8 are met, Lessee shall have the right, upon prior written notice to the Trustee, to make alterations, additions and improvements to the Project. All alterations, improvements, and additions shall be part of the Project, owned by Lessor subject to the terms of this Lease and the Deed of Trust.

During the Term of this Lease, Lessee shall have the right to make alterations and improvements conditioned on the following:

(i) no alteration or improvements shall be made for more than \$50,000 for any one alteration or improvement or \$150,000 in the aggregate without the prior written consent of the Bondholders owning a majority of the principal amount of the Bonds then Outstanding;

(ii) no alteration or improvements may be made that would materially reduce the gross square feet of the Project, materially alter the basic layout of the Project, or provide for materials to be furnished that are not at least of the same quality and grade as that currently in the Project;

(iii) no alteration, modification or addition shall be made which would reduce the fair market value of the Project to a value below the fair market value of the Project without modification, and in this respect, Lessee must supply Lessor and Trustee with a certificate from a licensed architect approved by Lessor that such alteration, modification or addition will not lessen the aggregate value of the Project;

(iv) no structural alteration or improvement shall be made without the prior written consent of the Lessor, the request for which must be accompanied by a certification of a licensed engineer that such alteration will leave the Project, as altered, in a structurally sound condition;

(v) no alteration or improvement may be made which might adversely affect the excludability of the interest on the Bonds from "gross income" of the holders thereof for federal income tax purposes, and in this respect, the District must furnish to the Trustee an opinion of Bond Counsel to the effect that no such alteration or improvement would so effect the Bonds.

(b) All alterations and improvements must; (i) be performed in a good and workmanlike manner; (ii) be performed pursuant to written contracts meeting the insurance requirements of the Lessee, and (iii) result in no liens being filed against the Project, or if such liens are filed, Lessee shall promptly, and from Available Funds in excess of Lease Payments, obtain and file a statutory Bond to Indemnify Against Lien (as provided in the Texas Property Code or its then statutory equivalent), naming the Lessor and Trustee as additional obligees.

ARTICLE 8

OPERATION OF THE PROJECT

Section 8.1 Maintenance. During the Term, Lessee shall, from lawfully available Appropriated funds, maintain, preserve and keep the Project in good repair, working order and condition, and from time to time make or cause to be made all repairs, replacements and improvements (regardless of whether same include capital expenditures) necessary to keep the Project in such condition. Lessor shall have no obligation or responsibility to maintain the Project. The Lessee shall have the right to enter into service or maintenance contracts for the Project, as necessary to keep the Project in good repair, working order, and condition, by delivering 30 days prior written notice to the Trustee; provided, however, that Lessee shall not be relieved of its

obligation to maintain the Project by entering into a contract with a third party to perform such duties.

Section 8.2 Access. Lessor and Lessee agree that Lessee, any Lessee Representative, Lessor, any Lessor Representative, Trustee, any Trustee Representative, and any Permitted Assignee shall have the right at all reasonable times to enter and inspect the Project. The Lessee agrees that Lessor, a Lessor Representative, Trustee, and a Trustee Representative, without incurring any responsibility or obligation, shall have such rights of access to the Project as may be necessary or desirable to: (i) cause the maintenance of the Project in the event of failure by Lessee to perform its obligations hereunder, (ii) permit Lessor or Trustee to exercise their rights or Lessor to carry out its obligations under this Lease, or (iii) determine whether Lessee is in compliance with its obligations under this Lease.

Section 8.3 Utilities. During the Term, Lessee shall pay from lawfully available Appropriated funds, directly to vendors and suppliers, all deposits, charges, fees, and costs incurred for all utility equipment and services in connection with the use and occupancy of the Project by Lessee, including, but not limited to, water, sewer, refuse removal, electricity, gas, telephone, and cable television. Lessee shall pay the costs of any janitorial and related supplies in connection with the operation of the Project.

Section 8.4 Taxes. To the extent applicable, Lessee shall pay from lawfully available Appropriated funds any sales, property (real or personal), use, license, or other taxes with respect to the Project or any part thereof, or the ownership or use of the Project that may be imposed, assessed, levied or becoming due and payable on or after the effective date of this Lease, together with any fines, penalties, or interest thereon. Lessor shall promptly forward to Lessee any tax statements received by Lessor for payment by Lessee prior to delinquency. Lessee shall furnish Lessor and Trustee with copies of paid receipts reflecting the timely payment of such taxes or impositions, and shall furnish the Trustee annually with a certificate that all taxes or impositions have been paid. Lessee, after notifying the Trustee in writing and at its own expense, may contest by appropriate administrative and thereafter legal proceedings the assessed value, entitlement to any claimed exemption from taxation, validity of levy, amount of tax or imposition, or applicability of any such tax or imposition. Lessee's right to contest such taxes or impositions shall be conditioned on Lessee's compliance with any tender requirements of any laws governing protest of taxes and furnishing to Trustee an indemnity bond or cash deposit or other security acceptable to the Trustee, with a surety acceptable to Trustee, in the amount of the tax or imposition being contested by Lessee plus an additional sum sufficient to pay costs, interest, and penalties that may be imposed or incurred in connection with or during the contest. In no event may a contest be maintained or continued that might, if adversely determined, result in a sale of the Project, or any portion thereof pursuant to a court order foreclosing any statutorily provided lien to secure such tax or imposition.

Section 8.5 Liens and Leasehold Mortgages Prohibited. Lessee shall not, directly or indirectly, mortgage, pledge, or hypothecate the Project or its interest in this Lease. Lessee shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, lien, charge, encumbrance, or claim on or with respect to the Project other than the rights of Lessor and Lessee

under this Lease as specifically provided in this Lease and the Permitted Encumbrances. Lessee shall promptly take such action as may be necessary to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim arising at any time during the Term. Lessor or Trustee shall have the right, but not the obligation, to discharge any such liens, charges, mortgages or encumbrances if Lessee does not do so and to be reimbursed by Lessee from lawfully available funds for any expense incurred by either of them in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 8.6 Property and Casualty Insurance or Coverage. Commencing prior to the occupancy of the Project by Lessee, Lessee shall maintain throughout the Term all risk (or its equivalent) property and casualty insurance or coverage on the Project in an amount not less than the greater of the replacement value of the Project, the principal amount of the Bonds then outstanding, or the amount of the Purchase Option Price then applicable, subject only to such exceptions and exclusions as are customarily contained in such policies. The Lessee shall ensure that at all times the limits of coverage are sufficient to pay for the full replacement cost (being the costs associated with constructing or replacing the Project to a condition that existed prior to the casualty event) of the Project (or the amount of the Purchase Option Price then applicable, if greater) at the time of the loss, without deduction for depreciation. All policies shall be issued to the Lessee as the first named insured or term denoting a similar meaning, but shall name the Lessor and Trustee as loss payee or additional insureds as their interests may appear under a standard mortgagee's endorsement. All policies shall be issued on a non-reporting basis. If Lessee shall act as its own contractor for alterations and improvements that cost more than \$100,000, it shall obtain builder's risk insurance for the full completed value of the improvements. Lessee shall pay the premiums for such insurance from lawfully available Appropriated funds. The Net Proceeds of such insurance shall be applied as set out in Section 9.1, below. Should it be determined that the final finished grade of the Improvements will cause same to be within an area of special flood hazard, Lessor shall obtain flood insurance for the Improvements.

Section 8.7 Liability Insurance. During the Term, Lessee shall maintain, payable from lawfully available Appropriated funds, a separate policy of Comprehensive General (Public) Liability Insurance naming Lessor and Trustee as additional insureds which coverage shall include coverage for premises/operations, independent contractors, products/completed operations, personal injury, and explosion, collapse and underground property damage, which shall contain contractual coverage and provide for a \$5,000,000 combined single limit and a separate umbrella liability policy with the Lessor and Trustee being additional insureds in such amounts as required in *Exhibit C* hereto. Lessee may fulfill this obligation from the date hereof until the completion of construction of the Project by requiring the Contractors to furnish Owner's Contractors Protective Coverage with limits no less than those required to be carried by Lessee as set forth herein naming the Lessee, the Lessor, and the Trustee as additional insureds and loss payees on a non-reporting basis.

Section 8.8 Workers Compensation Insurance. Lessee shall maintain, payable from lawfully available Appropriated funds, throughout the Term worker's compensation insurance in statutorily required limits covering all of its employees in, on or about the Project and during any

modification, restoration or renovation of the Project, Lessee shall require the contractors and any subcontractor to obtain and maintain such coverage on its employees and to furnish certificates evidencing such coverage to Trustee and the Lessor.

Section 8.9 Insurance Policy Requirements. All policies of insurance to be obtained in connection with this Lease shall be written by companies qualified and licensed to write insurance in the State and have A.M. Best ratings of at least A-VIII. A program or plan qualifying under the Interlocal Cooperation Act, Chapter 791, Title 7, Texas Government Code shall be deemed to meet these requirements. All policies shall provide by endorsement that Lessor and Trustee be given at least sixty (60) days advance written notice of a proposed cancellation or material change in coverage. Lessee shall furnish Lessor and Trustee with certificates of insurance evidencing the above required insurance on or prior to the Closing Date, which certificates must be in a form on which the parties can rely as evidence of binding insurance and shall furnish certificates evidencing renewals or replacements of said policies of insurance at least thirty (30) days prior to the expiration or cancellation of any such policies. The Lessee shall furnish the Trustee annually with a statement signed by a District Representative that the Lessee is in compliance with the insurance policy requirements of this Lease. All insurance must be on a non-reporting basis. The insurance requirements of this Lease may be revised upon written notice to the Lessee of the holders of at least 50% of the Bonds then Outstanding.

Section 8.10 Lessee's Negligence and Liability Insurance.

(a) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, LESSEE ASSUMES ALL RISKS AND LIABILITIES, WHETHER OR NOT COVERED BY INSURANCE, FOR INJURY, LOSS OR DAMAGE TO THE PROJECT OR FOR INJURY, LOSS OR DAMAGE TO ANY PERSONS OR PROPERTY, WHETHER SUCH INJURY OR DEATH BE SUFFERED BY LESSEE OR ANY OTHER THIRD PARTY AND WHETHER OR NOT SUCH DAMAGE TO PROPERTY IS TO LESSEE'S PROPERTY OR THE PROPERTY OF OTHERS, AND WHETHER OR NOT SUCH INJURY, DEATH, LOSS OR DAMAGE IS PROXIMATELY CAUSED BY THE ACTS OR OMISSIONS, INCLUDING NEGLIGENCE, OF LESSEE, ITS AGENTS, SERVANTS, OFFICERS AND EMPLOYEES; PROVIDED, HOWEVER, THAT THIS INDEMNIFICATION SHALL NOT APPLY TO ANY LIABILITY, DAMAGES, OR EXPENSES ARISING FROM THE NEGLIGENT OR WILLFUL CONDUCT OF THE LESSOR OR THE TRUSTEE.

(b) TO THE EXTENT PERMITTED BY THE LAWS OF THE STATE, LESSEE HEREBY ASSUMES RESPONSIBILITY FOR AND AGREES TO REIMBURSE LESSOR AND TRUSTEE, FROM AND TO THE EXTENT OF LAWFULLY APPROPRIATED FUNDS IN EXCESS OF THE AMOUNTS TO BE PAID PURSUANT TO THIS LEASE AND THE FUNDS REQUIRED TO BE HELD BY TRUSTEE PURSUANT TO THE TRUST AGREEMENT, FOR ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, CLAIMS, ACTIONS, COSTS AND EXPENSES OF WHATSOEVER TYPE, KIND OR NATURE, THAT MAY BE ALLEGED TO HAVE BEEN THE RESPONSIBILITY OF LESSOR OR TRUSTEE, INCLUDING THE REASONABLE COSTS OF INVESTIGATION, SETTLEMENT OR DEFENSE, WHICH ARISE OR ARE ALLEGED TO

ARISE IN WHOLE OR IN PART BY REASON OF THE CONDUCT OF LESSEE, ITS OFFICERS, EMPLOYEES, AGENTS, SERVANTS AND EMPLOYEES; PROVIDED, HOWEVER, THAT THIS REIMBURSEMENT OBLIGATION SHALL NOT APPLY TO ANY LIABILITY, DAMAGES, OR EXPENSES ARISING FROM THE NEGLIGENT OR WILLFUL CONDUCT OF THE LESSOR OR THE TRUSTEE.

ARTICLE 9

CASUALTY AND CONDEMNATION

Section 9.1 Casualty or Condemnation. If (i) the Project or any part thereof is damaged by fire or other casualty, or (ii) if title to or temporary use of all or any portion of the Project or the interest therein of Lessor, Lessee or Trustee is threatened or taken pursuant to the exercise of a power of eminent domain (whether by governmental body or by any company authorized by law to exercise powers of eminent domain):

(a) Lessee shall promptly give Lessor and Trustee prompt written notice of any notices received relating to the condemnation or casualty of which it has notice;

(b) Trustee shall have the right, but not the obligation, to participate in any condemnations or negotiations for any sale, conveyance or lease in lieu of condemnation;

(c) Trustee shall have the right, but not the obligation, to participate in the adjustment of any casualty loss;

(d) Lessee shall cooperate with the Lessor and the Trustee in filing any proof of loss on any insurance policy required hereunder and in any condemnation or negotiation for a conveyance in lieu thereof and, to the extent it may lawfully do so, permit the Lessor or the Trustee to prosecute any administrative proceeding or litigation in connection therewith in the name of Lessee;

(e) all Net Proceeds shall be deposited with Trustee to the Insurance and Condemnation Account created in the Trust Agreement;

(f) Lessee shall be obligated, subject to this Section 9.1 and Section 9.2, to repair, restore, modify or improve the Project to its condition immediately prior to the casualty or condemnation;

(g) all Net Proceeds of the Project shall be used in the repair, restoration, rebuilding, modification or improvement by Lessee and shall be drawn by Lessee by means of a requisition in the form set out in *Exhibit B* to the Trust Agreement and incorporated and made a part hereof;

(h) Lessee shall be obligated to meet the requirements set out with respect to alterations and improvements set out in ARTICLE 7 above;

(i) subject to this Section 9.1 and Section 9.2, Lessee shall not be relieved of its obligations to repair, restore, modify or improve the Project by reason of the insufficiency of the Net Proceeds for such purpose;

(j) Lessee shall not have the right to compromise, settle, adjust, or consent to the settlement of any private adjustment or administrative or legal proceeding related to the adjustment of an insurance claim or possible condemnation without the prior written consent of Lessor and Trustee; and

(k) Notwithstanding anything to the contrary contained in this Section 9.1, or anywhere else in this Lease, if title to or the temporary use of the Project or any part thereof, or the interest of Lessor or Trustee in the Project or any part thereof, shall be taken under the exercise of the power of eminent domain by the Lessee, Lessor and Lessee hereby expressly acknowledge and agree, to the extent permitted by law, and pursuant to the requirements of Chapter 21, as amended, Texas Property Code, that the damages payable to Lessor or Trustee, as the case may be, pursuant to such exercise of the power of eminent domain by the Lessee shall be an amount which will be sufficient on the date payment is made by Lessee to Lessor, Trustee or clerk of the court of a court of competent jurisdiction, together with amounts, if any, on deposit in the Payment Account, Redemption Account, Project Account and/or the Reserve Account, to pay the principal of all Bonds then Outstanding, the redemption premium, if any, and accrued interest thereon to the date fixed for redemption in accordance with Section 6.1 of the Trust Agreement, plus the ordinary fees and expenses included within the Purchase Option Price as provided in this Lease.

Section 9.2 Lessee's Options if Net Proceeds are Insufficient. If the Net Proceeds are insufficient, in the judgment of the Lessee, to defray the anticipated cost of restoration, repair, modification or improvement following a condemnation or casualty, Lessee shall, by written notice to Lessor and Trustee given within ninety (90) days following the date of such condemnation or casualty, elect either to:

(a) apply Available Funds in excess of the Lease Payments to such excess costs;

(b) exercise its Option to Purchase on the next following Lease Payment Date occurring more than thirty (30) days following the date of its written notice to the Lessee of its election to exercise its Option to Purchase; or

(c) terminate the Lease without causing an Event of Default under the Lease except to the extent the District has failed to comply with Section 8.6 and Section 8.9.

If Lessee exercises its Option to Purchase pursuant to this Section 9.2, Lessee shall deposit with Trustee, prior to the next succeeding Purchase Option Date for the Option to Purchase, such additional Available Funds, which taken together with the Net Proceeds, will be sufficient to pay the Purchase Option Price that would be due as of such next succeeding Purchase Option Date, together with all sums that may be due or, pursuant to written confirmation from the Trustee, past due under this Lease as of such next succeeding Purchase Option Date, less such amounts other than the Net Proceeds that may be then held by the Trustee and available for payment to the Bondholders pursuant to the Trust Agreement. If there is any balance in the accounts held by the Trustee after paying all sums required for repair, restoration, modification or improvement of the Project or after payment in full of the Purchase Option Price and the payment of the reasonable costs and expenses of Trustee, Trustee shall disburse the balance to Lessee.

ARTICLE 10

LEASE PAYMENTS

Section 10.1 Project and Issuance Costs. Lessee represents that (i) Project Costs to effectuate the redemption of the Refunded Bonds shall not exceed \$27,066,000.00 and (ii) that Issuance Costs shall not exceed \$633,988.15. On the Closing Date, the Trustee shall deposit \$27,066,000.00 in the Project Account and the Lessee's contribution of \$333,987.50 from the proceeds of the sale of the Bonds to redeem, defease, and make final payment on the Refunded Bonds. The remaining proceeds from the sale of the Bonds will be deposited into the Payment Account of the Trust Fund established pursuant to the Trust Agreement and administered and disbursed as provided therein.

Section 10.2 Disbursement Procedures and Requirements. Lessor and Lessee agree that Lessor shall submit the following to the Trustee in order to obtain disbursements from the Project Account:

(a) if for Issuance Costs, a Requisition for Payment of Issuance Costs, in the form set out in *Exhibit B* to the Trust Agreement;

(b) if for Project Costs other than Issuance Costs, a Requisition for Payment of Project Costs, executed by Lessor and Lessee substantially in the form set out *Exhibit B* to the Trust Agreement, incorporated by reference herein as if fully set out.

Section 10.3 Trustee's Review of Documentation. Upon receipt of the required documentation, Trustee shall review the requirements of Section 4.2 of the Trust Agreement, and the documents furnished in accordance with Section 10.2 hereof, and if it finds the conditions to disbursement therein and herein to have been met, Trustee will make the requested disbursement in accordance with the terms and provisions of the Trust Agreement. Disbursements may be made to Lessor or directly to the parties entitled to receive such disbursement. The Trustee is not required to investigate or verify any representations, certifications, factual assertions, or calculations contained in any such required document submitted to it requesting payment from the Project Account.

Section 10.4 Lease Payments.

(a) Lessee shall pay to Trustee on each Lease Payment Date the Lease Payments out of Available Funds. Lessee also agrees to pay from lawfully available Appropriated funds other amounts related to the operation and maintenance of the Project including, without limitation, the ordinary fees and expenses of Trustee (solely from Available Funds), utility charges, to the extent applicable, ad valorem taxes and impositions (prior to their delinquency) imposed on the Project, the premiums of insurance policies relating to the Project, each of such payments to be made in the amounts and at the times provided in this Lease or in the Trust Agreement. Lessee shall be entitled to a credit against the Lease Payments at the times and in the amounts set forth and determined in accordance with the Trust Agreement; provided, however, that no credit shall be taken by Lessee other than as specifically set forth in a written notice thereof to the Lessee from the Trustee. All Lease Payments shall be payable to the Trustee at its address specified in the Trust

Agreement, or to such other person or entity and at such other address as the Trustee may designate by written notice to the Lessee, in lawful money of the United States of America. All Lease Payments shall be applied by Trustee in accordance with the Trust Agreement.

(b) Attached as *Exhibit D* hereto is an initial schedule of Lease Payments. Such schedule shall be updated and included to this Lease on or prior to the Closing Date.

Section 10.5 Current Expenses. Lessee's obligations under this Lease, including its obligations to pay the Lease Payments, shall constitute a current expense of the Lessee in the Fiscal Year during which such payments are due, and shall not constitute an indebtedness of the Lessee within the meaning of the laws of the State. Nothing in this Lease shall constitute a pledge by Lessee of any taxes or other money, other than Available Funds for the then current Fiscal Year, to the Lease Payments due hereunder.

Section 10.6 Lessee's Obligation.

(a) Subject to the limitation set out in subsection (b) of this Section, the obligation of the Lessee shall be absolute and unconditional. The covenant to pay Lease Payments shall be an independent covenant. Lessee shall have no right to withhold, set-off or reduce the amount of Lease Payments or the obligation to make such Lease Payments or other payments when due hereunder regardless of any claim or dispute it may have regarding this Lease. Further, Lessee expressly waives any counterclaim that it may have now or in the future regarding this Lease or its occupancy thereunder. Lessee expressly waives and releases any claim that it may have either now or in the future to constructive eviction or breach of the covenant of quiet enjoyment. There shall be no abatement of Lease Payments for any reason whatsoever.

(b) Lessee's obligation to make Lease Payments is subject to the sufficiency of Available Funds. Lessee presently intends to continue this Lease for the Term and to pay all Lease Payments and other payments required hereunder subject to the provisions of Section 2.1(f) above. Lessee reasonably believes that Available Funds in amounts sufficient to make all such Lease Payments or other payments required hereunder will be available for such purposes.

Section 10.7 Additional Obligations. The Lessee hereby agrees that there shall be no additional obligations pursuant to Section 271.004 of the Act secured by the project contemplated herein. The provisions of this Section 10.7 are not intended to and shall not affect the Lessee's ability to issue additional bonds or obligations which are authorized by any applicable law other than Section 271.004 of the Act.

ARTICLE 11

OPTION TO PURCHASE

Section 11.1 Option to Purchase. The Lessee shall have the option to purchase (the "Option to Purchase") Lessor's interest in the Project on any Purchase Option Date for an amount equal to the Purchase Option Price. Lessee shall give written notice to Lessor and Trustee of its exercise of the Option to Purchase not less than thirty (30) days prior to the Purchase Option Date on which the option to purchase is to be exercised and shall deposit with the Trustee on the

Purchase Option Date an amount, which taken together with the aggregate funds held by the Trustee under the Trust Agreement in the Project Account, Payment Account, Reserve Account, and Redemption Account on the Purchase Option Date will equal the aggregate of the Purchase Option Price and all other sums required to be paid hereunder as of such Purchase Option Date. The Trustee shall use the money so deposited to redeem the Bonds in accordance with the terms of the Trust Agreement and to discharge the other expenses for which Lessee is liable hereunder.

Section 11.2 Conveyance of Lessor's Interest in the Project. On the Purchase Option Date and subject to the payment in full of all amounts due and owing under this Lease and the other Financing Documents, including the Purchase Option Price (i) Trustee will, upon written direction by the Lessor, release the Deed of Trust, (ii) this Lease shall terminate, and (iii) Lessor shall convey the Project to Lessee by Special Warranty Deed and Bill of Sale, free and clear of all liens and encumbrances created under the provisions of the Financing Documents.

Upon the release and termination of this Lease and the execution by the Lessee and the Lessor of a new lease relating to the Project due to the making of firm banking and financial arrangements for the payment and discharge of the Bonds, the Lessee shall have no further obligations under this Lease, but the Lessor shall retain its right, title, and interest in and to the Project, free and clear of all liens, leasehold interests, and encumbrances relating to this Lease and the Bonds, including, if necessary, a release of any and all liens or interests created under the provisions of this Lease and the Mortgage, so that the Lessor may encumber the Project in connection with the execution of the new lease relating to the Project.

ARTICLE 12

ASSIGNMENT, SUBORDINATION, SUBLEASING MORTGAGING AND SELLING

Section 12.1 Assignment by Lessor. Lessor may assign its right, title and interest in this Lease to the Trustee for the benefit of the Bondholders. Lessee acknowledges and consents that the Lessor will assign its right, title and interest in (but not its obligations under) this Lease to the Trustee for the benefit of the Bondholders. No other assignment of this Lease by the Lessor is permitted without the prior written consent of the Trustee. Lessee shall pay all Lease Payments and all other amounts required to be paid to the Lessor pursuant to this Lease to or at the direction of Trustee. Lessor and Lessee covenant and agree to execute, acknowledge and deliver each and every further act, deed, conveyance, transfer and assurance necessary or proper for the perfection of any and all of the security interests in the Project provided for in the Trust Agreement, the Deed of Trust or the Security Agreement whether now owned or hereafter acquired, including, but not limited to, execution and delivery of such financing statements and continuation statements as shall be necessary under applicable law to perfect and maintain such security interests. Lessee and Lessor shall notify Trustee for the benefit of the Bondholders and any investment rating service that has issued a rating or an "if rated letter" of any proposed assignment other than the initial assignment to the Trustee.

Section 12.2 Assignment by Lessee. During the Term, Lessee shall not assign its interest in the Project or in this Lease without the prior written consent of the Lessor and the Trustee, and in consenting to any such assignment the Trustee shall be entitled to receive, and shall be fully

protected in relying upon, an opinion of Bond Counsel that such assignment is authorized or permitted by the Financing Documents.

Section 12.3 Lessee's Right to Mortgage or Sell the Project Restricted. During the Term, Lessee shall not sell, assign, transfer, convey, mortgage, or otherwise encumber its interest in the Project or any portion thereof or in this Lease without the prior written consent of the Lessor and the Trustee, and in consenting to any such sale, assignment, transfer, conveyance, mortgage, or encumbrance the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Bond Counsel that such sale, assignment, transfer, conveyance, mortgage, or encumbrance is authorized or permitted by the Financing Documents.

Section 12.4 Trustee's Right to Cure Defaults. Trustee shall have the right, but not the obligation, to cure any claimed Event of Default under this Lease by Lessor or Lessee.

ARTICLE 13

THE BONDS

Section 13.1 Issuance and Sale of the Bonds. Subject to applicable terms, limitations and procedures, Lessor will issue and sell the Bonds to refinance the Project, at such interest rate and/or discount and other terms as approved by Lessee and in accordance with applicable law.

Section 13.2 Cooperation by Lessee. Lessee shall take the actions, enter into the agreements, provide the certifications contemplated by this Lease and otherwise cooperate with Lessor and its agents to effect the lawful issuance and sale of the Bonds.

Section 13.3 Covenants to Maintain Tax Exemption of the Bonds.

(a) Covenants. Lessor and Lessee covenant 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 Lessor and Lessee covenant 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 Lessor or Lessee, with respect to such private business use, do not, under the terms of the Bond 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 3090 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); and);

(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 Lessor 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. Lessor and Lessee understand that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Lessor and Lessee 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 Lessor and Lessee 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 Lessor and Lessee agree 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 Lessor and Lessee hereby authorize and directs the Lessor Representative and Lessee Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Lessor and Lessee, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The Lessor and Lessee covenant to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records in accordance with the requirements of the Internal Revenue Code. The Lessor and Lessee recognize 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 Lessor and Lessee recognize that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Lessor and Lessee agree 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 Lessor and Lessee 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.

(f) Disposition of Project. The Lessor and Lessee covenant that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Lessor or Lessee 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 Lessor and Lessee 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 Lessor and Lessee 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 13.4 Continuing Disclosure Obligation Pursuant To Rule 15c2-12 (17 C.F.R. § 240.15C2-12).

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

The term "*Financial Obligation*" means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of the foregoing (a) and (b). The term Financial Obligation does not include any municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The term "*MSRB*" means the Municipal Securities Rulemaking Board.

The term "*Rule*" means SEC Rule 15c2-12 (17 C.F.R. § 240.15C2-12), as amended from time to time.

The term "*SEC*" means the United States Securities and Exchange Commission.

(b) Annual Reports.

(i) The Lessee will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the Electronic Municipal Market Access System ("EMMA") at www.emma.msrb.org. The information to be updated includes all quantitative financial information and operating data with respect to the Lessee of the general type included in the Official Statement under Appendix A. The Lessee will update and provide the

information in Appendix A within six months after the end of each fiscal year ending in and after 2019. The Lessee will additionally provide audited financial statements, which consist of the District's audited financial statements, when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2019. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Lessee 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. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D of the Official Statement or such other accounting principles as the Lessee may be required to employ from time to time pursuant to State law or regulation.

(ii) The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by the Rule. If the Lessee 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 Lessee otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices. The Lessee 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:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or 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;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of an obligated person (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Lessee in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Lessee, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Lessee);
13. 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, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the Lessee, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Lessee, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Lessee, any of which reflect financial difficulties.

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

(d) Limitations, Disclaimers, and Amendments.

(i) The Lessee shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Lessee remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Lessee will give notice of any deposit or applicable law that causes Bonds no longer to be outstanding.

(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 Lessee undertakes to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Section and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Lessee'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 Lessee makes no 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 CIRCUMSTANCE SHALL THE LESSEE 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 LESSEE, 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 Lessee in observing or performing its obligations under this Section shall comprise a breach of or default under this Trust Agreement for purposes of any other provision of this Trust Agreement. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Lessee under federal and state securities laws.

(v) Should the Rule be amended to obligate the Lessee to make filings with or provide notices to entities other than the MSRB, the Lessee hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. The provisions of this Section may be amended by the Lessee 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 Lessee, 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 Trust Agreement that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Lessee (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 Lessee so amends the provisions of this Section, it shall include with any amended financial

information or operating data next provided in accordance with subsection (b) 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 Lessee 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.

ARTICLE 14

REMEDIES FOR DEFAULT AND NON-APPROPRIATION

Section 14.1 Remedies for Lessee's Default. Subject to Section 3.1, if an Event of Default occurs by reason of the act or omission of Lessee or Lessor, then the Trustee shall have the right, to the extent permitted by law, to take any or all of the following actions:

(a) with or without terminating this Lease, declare all Lease Payments due or to become due during the then current Fiscal Year to be immediately due and payable by Lessee to the extent of Available Funds, in which event such Lease Payments, to the extent permitted by the laws of the State, shall be immediately due and payable;

(b) terminate this Lease and Lessee's right to occupy the Project and employ legal process to remove Lessee;

(c) enter upon the Project with or without terminating the Lease and without being deemed liable for trespass and complete the construction of the Project, applying the amounts in the Project Account to the payment of Project Costs;

(d) exercise any remedies, rights or powers it may have under this Lease, the Deed of Trust, the Trust Agreement, or the Security Agreement, under the laws of the State including any suit, action, mandamus, or special proceeding at law or in equity or in bankruptcy or otherwise for the collection of all amounts due and unpaid under the Financing Documents, for specific performance of any covenant or agreement contained in this Lease, the Deed of Trust, the Trust Agreement, or the Security Agreement or for the enforcement of any applicable legal or equitable remedy as Trustee may deem most effective to protect the rights aforesaid to the extent permitted by applicable law.

Section 14.2 No Holdover After Termination. As directed by the Trustee, the Lessee shall immediately surrender possession of the Project to Lessor or a Permitted Assignee upon termination of this Lease pursuant to Section 14.1 hereof. No holdover tenancy shall be permitted and Lessee will, upon the termination of this Lease, become a tenant at sufferance and during such tenancy the Lessee shall be required to make rental payments equal to the Lease Payments.

Section 14.3 Termination Upon Non-Appropriation. Lessee shall provide Lessor and Trustee with written notice within 72 hours of the occurrence of either of the following (i) the enactment by the Texas Legislature and the approval thereof by the Governor (whether directly or

indirectly) of appropriations legislation that does not appropriate to Lessee Basic Allotment portion of Tier One Funds or Chapter 46 Funds (to the extent the District is awarded Chapter 46 Funds), or other funds that may lawfully be used to make the Lease Payments and other payments under this Lease, in an amount sufficient to pay the Lease Payments for the current or succeeding fiscal period, or (ii) action by the Board of Trustees of the District, which constitutes an Event of Nonappropriation or a failure to appropriate funds sufficient to pay Lease Payments due during the current or succeeding Fiscal Year. If an Event of Nonappropriation exists or if funds sufficient to pay the Lease Payments due during the succeeding Fiscal Year are not Appropriated, then this Lease shall terminate effective at the end of the Fiscal Year for which sufficient funds have been Appropriated, which termination shall be self-operative without notice or demand. Upon the effective date of termination under this ARTICLE 14, Lessee shall as directed by Trustee peaceably surrender possession and control of the Project to Lessor or a Permitted Assignee.

Section 14.4 Additional Remedies if Nonappropriation Occurs. If this Lease is terminated pursuant to Section 14.3 and Lessee fails timely to surrender possession or control of the Project as directed by Trustee to Lessor or a Permitted Assignee, Lessee, as a tenant at sufferance, shall pay, from and to the extent of lawfully available funds, damages in an amount equal to the Lease Payments that accrue on a daily basis for the period from the effective date of termination to the date of delivery of possession and control of the Project.

Section 14.5 No Mitigation Required. Neither Lessor nor Trustee shall ever be required to mitigate such party's damages resulting from an Event of Default by Lessee, except in the event of an abandonment of the Project by Lessee but then and in that event, only to the extent that it is commercially reasonable.

Section 14.6 No Waiver; Notice.

(a) No delay or failure by either party to insist upon or take action to enforce the strict performance of any covenant, agreement, term or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial Lease Payments during the continuance of any such breach, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No covenant, agreement, term or condition of this Lease to be performed or complied with, and no breach thereof, shall be waived, altered or modified except by a written instrument. No waiver of any breach shall affect or alter this Lease, but each and every covenant, agreement, term and condition of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

(b) In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease.

(c) The District shall provide written notice to the Corporation and the Trustee of the occurrence of any Event of Default under subsections (d), (e) or (f) of the definition of Event of Default.

Section 14.7 Lessor's Remedies are Cumulative. Lessor's remedies are cumulative and not exclusive and shall be in addition to every other remedy afforded by this Lease either now or

hereafter existing at law or in equity, and Lessor may pursue one or more of such remedies without being deemed to have elected its remedies. The remedies conferred on the Lessee upon the occurrence of an Event of Default of the Lessor shall, however, be exclusive and not cumulative.

ARTICLE 15

HAZARDOUS MATERIALS

Section 15.1 Lessee's Limited Right to Maintain Hazardous Materials. In operating the Project as a public school, Lessee may have need to use and store above ground reasonable quantities of Hazardous Materials (defined below) at the Project; provided, that prior to generation, manufacture, storage, use or disposal of or transport of Hazardous Materials at, to or from the Project, Lessee shall provide Lessor and Trustee with thirty (30) days advance written notice of that fact. Lessor and Trustee shall have the right, in their sole and absolute discretion, to withhold their consent to such activity by notice in writing delivered to Lessee given within ten (10) days after receipt of Lessee's notice regarding activities related to Hazardous Materials. Lessee agrees to furnish, upon reasonable request of either Lessor or Trustee, any and all information regarding Hazardous Materials existing or to be in existence at the Project including, without limitation, inventory records, manifests and material safety limitations, and material safety data sheets.

Section 15.2 Lessee's Obligations Regarding Hazardous Materials. Except as provided in Section 15.1 above, Lessee covenants that: (a) no substances, including without limitation, asbestos or any substance containing asbestos, deemed hazardous under any Hazardous Material Law (defined below), the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, petroleum, petroleum fractions, petroleum distillates, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definitions of "hazardous waste," "hazardous materials," "hazardous substances," "toxic waste," "toxic materials" or "toxic substances" (collectively "Hazardous Materials") under any law relating to environmental conditions or industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Water Act of 1972, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, decrees now or hereafter promulgated thereunder (individually and collectively, "Hazardous Materials Law"), shall hereafter be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, released or otherwise placed in, on or under all or any part of the Project; (b) no activity shall hereafter be undertaken on all or any part of the Project which would cause (i) all or any part of the Project to become a treatment, storage or disposal facility for Hazardous Material within the meaning of, or otherwise bring all or any part of or any interest in the Project within the ambit of, RCRA or any other Hazardous Material Law, (ii) a release or threatened release of any Hazardous Material from the Project within the meaning of, or otherwise bring all or any part of the Project within the ambit of, CERCLA or SARA or any other Hazardous Material Law, or (iii) the discharge of Hazardous

Material into any watercourse, body of surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Law; (c) no activity shall be undertaken on or with respect to all or any part of the Project which would cause a violation or support a claim under RCRA, CERCLA, SARA or any other Hazardous Material Law; and (d) except as disclosed in the Phase I environmental report prepared relating to the Project, no underground storage tanks or underground deposits shall be located on all or any part of the Project.

Section 15.3 Notice of Hazardous Material Claims. Lessee shall immediately advise Lessor and Trustee in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting all or any part of or any interest in the Project, (b) all claims made or threatened by any third party against Lessee, Lessor or the Project relating to damage, contribution, cost recovery, compensation, or loss or injury resulting from any Hazardous Material, (c) the discovery of or reasonable cause to believe that any occurrence or condition on any real property adjoining or in the vicinity of the Project that could cause the Project to be classified in a manner which may support a claim under any Hazardous Material Law, and (d) the discovery of any occurrence or condition on any part of the Project or any real property adjoining or in the vicinity of the Project which could subject Lessee or Lessor or any part of the Project to any limitations or restrictions on the ownership, occupancy, transferability or use thereof. Lessor and Trustee may elect (but shall not be obligated) to join and participate in any settlements, remedial actions, legal proceedings or other actions initiated in connection with any claims or responses under any Hazardous Material Law and to have their reasonable attorneys' fees relating to such participation paid by Lessee. At its sole cost and expense from lawfully available Appropriated funds, Lessee agrees to promptly and completely cure and remedy every existing and future violation of a Hazardous Material Law occurring on or with respect to any part of the Project and to promptly remove all Hazardous Materials now or hereafter in, on or under all or any part of the Project and to dispose of the same as required by any Hazardous Material Law(s).

Section 15.4 Right to Retain Site Reviewers. Lessor or Trustee (by its officers, employees and agents), at the expense of Lessee, at any time and from time to time may contract for the services of persons or entities (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on all or any part of the Project to determine the existence of any environmental condition which under any Hazardous Material Law might result in any liability, cost or expense to the owner, occupier or operator of any of the Project. The Site Reviewers are authorized to enter upon all or any part of the Project to conduct Site Assessments. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on any of the Project and such other tests on or of any of the Project as the Site Reviewers or Lessor and Trustee may deem necessary. Lessee agrees to supply to the Site Reviewers and Lessor and Trustee such historical and operational information regarding the Project as may be reasonably requested to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The results of Site Assessments shall be furnished to Lessee upon request the cost of performing Site Assessments shall be paid by Lessee from lawfully available Appropriated funds.

Section 15.5 Lessee's Indemnity. TO THE EXTENT PERMITTED BY LAW, LESSEE SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS LESSOR AND TRUSTEE, THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS, ATTORNEYS AND ASSIGNS FROM AND AGAINST (A) ANY LOSS, LIABILITY, DAMAGE, COST, EXPENSE OR CLAIM ARISING FROM THE IMPOSITION OR RECORDING OF A LIEN, THE INCURRING OF COSTS OF REQUIRED REPAIRS, REMEDIATION, CLEAN UP OR DETOXIFICATION AND REMOVAL UNDER ANY HAZARDOUS MATERIAL LAW WITH RESPECT TO ALL OR ANY PART OF THE PROJECT OR LIABILITY TO ANY THIRD PARTY IN CONNECTION WITH ANY VIOLATION OF A HAZARDOUS MATERIAL LAW; (B) ANY OTHER LOSS, LIABILITY, DAMAGE, EXPENSE OR CLAIM WHICH MAY BE INCURRED BY OR ASSERTED AGAINST LESSOR OR TRUSTEE, THEIR DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS, SUCCESSORS OR ASSIGNS, DIRECTLY OR INDIRECTLY, ARISING FROM THE PRESENCE ON OR UNDER, OR THE DISCHARGE, EMISSION OR RELEASE FROM THE PROJECT INTO OR UPON THE REAL PROPERTY, ATMOSPHERE, OR ANY WATERCOURSE, BODY OF SURFACE OR SUBSURFACE WATER OR WETLAND, ARISING FROM THE INSTALLATION, USE, GENERATION, MANUFACTURE, TREATMENT, HANDLING, REFINING, PRODUCTION, PROCESSING, STORAGE, REMOVAL, REMEDIATION CLEAN UP OR DISPOSAL OF ANY HAZARDOUS MATERIAL WHETHER OR NOT CAUSED BY LESSEE; (C) LOSS OF VALUE OF ANY OF THE PROJECT AS A RESULT OF ANY SUCH LIEN, REMEDIATION CLEAN UP, DETOXIFICATION, LOSS, LIABILITY, DAMAGE, EXPENSE OR CLAIM OR A FAILURE OR DEFECT IN TITLE OCCASIONED BY ANY HAZARDOUS MATERIAL OR HAZARDOUS MATERIAL LAW; AND (D) ALL FORESEEABLE AND UNFORESEEABLE INCIDENTAL AND CONSEQUENTIAL DAMAGES. SUCH INDEMNITY SHALL APPLY REGARDLESS OF ANY CLAIM THAT LESSOR OR TRUSTEE WERE NEGLIGENT IN GRANTING THEIR CONSENT TO THE EXISTENCE OF HAZARDOUS MATERIALS IN, ON, OR ABOUT THE PROJECT. THE INDEMNITY SHALL INCLUDE THE COSTS OF INVESTIGATION, SETTLEMENT AND DEFENSE OF SUCH CLAIMS AND THE ATTORNEYS' FEES OF COUNSEL OF THE INDEMNIFIED PARTY'S CHOOSING, THIS INDEMNITY SHALL SURVIVE THE EXPIRATION OR EARLY TERMINATION OF THIS LEASE AND SHALL NOT MERGE INTO THE FEE TITLE TO THE PROJECT IN THE EVENT OF THE EXERCISE OF THE PURCHASE OPTION; PROVIDED, HOWEVER, THAT THIS INDEMNIFICATION SHALL NOT APPLY TO ANY LIABILITY, DAMAGES, OR EXPENSES ARISING FROM THE NEGLIGENT OR WILLFUL CONDUCT OF THE LESSOR OR THE TRUSTEE.

Section 15.6 Lessor's and Trustee's Right to Take Remedial Action. Lessor. Trustee or a Permitted Assignee shall have the right, but not the obligation, upon thirty (30) days advance written notice to take any remedial action to remove any Hazardous Substance from the Project or clean up any contamination resulting from Lessee's violation of any of the requirements of this Article. Lessee shall reimburse Lessor, the Trustee, or a Permitted Assignee for the costs of such remedial action from lawfully available Appropriated funds to the extent permitted by applicable law.

ARTICLE 16

MISCELLANEOUS

Section 16.1 Notices. Any notice required or permitted to be given hereunder by one party to another shall be in writing and shall be given using one or more of the following methods: (a) delivered in person to the address set forth below for the party to whom the notice is given; (b) placed in the United States mail with postage prepaid, certified or registered mail return receipt requested, properly addressed to such party at the address hereinafter specified; (c) transmitted by telegram or by telecopy (with the original to be sent the same day by nationally recognized overnight delivery service); or (d) deposited into the custody of a nationally recognized overnight delivery service, such as Federal Express Corporation or United Parcel Service, addressed to such party at the address herein specified. Any notice given in the above manner shall be deemed effective (i) if given by mail, three days after its deposit into the custody of the U.S. postal service; or (ii) if employing any other method, upon receipt. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt. The addresses for notices for Lessor and Lessee under this Lease and for all notices hereunder shall be:

To Corporation: Tioga Independent School District Public Facility Corporation
P.O. Box 159
Tioga, Texas 76271

To District: Tioga Independent School District
Attn: Superintendent
P.O. Box 159
Tioga, Texas 76271

Copies of all notices to the Corporation or the District shall be sent to

McCall, Parkhurst & Horton LLP
Attn: Jeff Gulbas
717 North Harwood Street
Suite 900
Dallas, Texas 75201

To Trustee: Wilmington Trust, National Association
Attn: Dayna Smith
15950 North Dallas Parkway
Suite 550
Dallas, Texas 75248

Section 16.2 Certificates by Lessor and Lessee.

(a) *Lessee Estoppel Certificate.* Lessee agrees at any time and from time to time (not more than twice in any calendar year without reasonable compensation)~ upon not less than ten (10) Business Days prior notice by Lessor to execute, acknowledge and deliver to Lessor or Trustee or any other party specified by Lessor or Trustee a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same, as modified, is in full force and effect and stating the modifications) and the date to which the Lease Payments payable by Lessee hereunder have been paid, and stating whether or not to the best knowledge of the signer of such certificate, Lessor or Trustee is in default in performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which the signer may have knowledge.

(b) *Lessor or Trustee Estoppel Certificate.* Lessor and Trustee agree at any time and from time to time (not more than twice in any calendar year without reasonable compensation) upon not less than ten (10) Business Days prior notice by Lessee to furnish to Lessee, certificates signed by Lessor or Trustee certifying as to such Lessee (a) that to its actual knowledge the Lease is in full force and effect and unmodified (or if there have been modifications, that such document is in full force and effect as modified); (b) that such Lessee is not in default under the terms of the Lease and to its actual knowledge no event has occurred which through the passage of time will result in an Event of Default by Lessee or if the Lessor is in default of this Lease, the nature of such Event of Default; and (c) as to such other matters as may be reasonably requested by such Lessee. In no event shall Lessor or Trustee be required to certify to matters which it believes are inaccurate. The certificates may be relied upon by the Lessee.

Section 16.3 Invalidity. If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

Section 16.4 Captions. The captions of this Lease are for convenience of reference only and in no way define, limit or describe the scope or intent of this Lease or in any way affect this Lease.

Section 16.5 Table of Contents. The Table of Contents is for the purpose of convenience of reference only and is not to be deemed or construed in any way as part of this Lease or as supplemental thereto or amendatory thereof.

Section 16.6 Modification. This Lease may not be changed, modified, or terminated orally, but only by a written instrument of change, modification or termination executed by the party against whom enforcement of any change, modification, or termination is sought and the prior written consent of the Trustee, which consent shall be given, provided that prior to effectiveness of such amendment;

(a) Lessor and Lessee obtain an opinion of their legal counsel (which opinion shall also be delivered to the Trustee) to the effect that such amendment is permitted under the law governing such party; and

(b) Lessor obtains an opinion of Bond Counsel (which opinion shall also be delivered to the Trustee) to the effect that such amendment will not adversely affect the status of the Bonds as obligations described by section 103 of the Code, the interest on which is excludable from "gross income" of the holders thereof for federal income tax purposes; and

(c) one or both the following requirements are satisfied;

(1) Lessor obtains an opinion of Bond Counsel (which opinion shall also be delivered to the Trustee) that such amendment shall not adversely affect the rights of the Bondholders; or

(2) the owners of at least 51% in aggregate principal amounts of Bonds then Outstanding consent thereto; provided, that the consent of all Bondholders of Outstanding Bonds shall be required if such amendment would have the effect of reducing the minimum percentage of Bondholders of Outstanding Bonds required for effective consent to such amendment or future amendments or if such amendment would change the amount of the Lease Payments or the Lease Payment Dates.

Section 16.7 Unavoidable Delays. If Lessor or Lessee is delayed in the performance of its nonmonetary obligations under this Lease by an unavoidable delay, then the time within which the non-monetary obligation or non-monetary obligations of such party affected thereby is to be performed shall be extended for a period equal to the length of such unavoidable delay.

Section 16.8 Choice of Law. THIS LEASE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

Section 16.9 Successors and Assigns. The agreements, terms, covenants and conditions herein shall be binding upon, and shall inure to the benefit of, Lessor and Lessee and their respective successors and (except as otherwise provided herein) assigns.

Section 16.10 Recording. Lessor and Lessee will execute for purposes of recordation in the appropriate real property records, a memorandum of short form of the Lease containing the names of the parties, a description of the Real Property, the Term, and other such provisions as either party (or a Leasehold Mortgagee) may require. The cost and expenses of recording the memorandum, or short form of the Lease, shall be borne by the Lessee.

Section 16.11 Approval and Registration. The President of the Board of Trustees is hereby authorized to have control of this Lease and all necessary records and proceedings pertaining to the Lease pending their investigation, examination and approval by the Attorney General of the State of Texas, registration of this Lease by the Comptroller of Public Accounts of the State of Texas (the "Comptroller") and delivery of this Lease to the Lessor. This Lease shall be submitted to the Attorney General of the State of Texas for such purpose. Upon Registration of this Lease, the Comptroller (or a deputy designated in writing to act for said Comptroller) shall

manually sign the Comptroller's Registration Certificate attached hereto. The Lease as registered shall remain in the custody of the President of the Board of Trustee (or his designee) until delivered to the Lessor.

Section 16.12 Execution in Counterparts. This Lease may be executed in multiple counterparts, each of which shall be an original, but taken together shall constitute only one instrument.

Section 16.13 References to Lessor. References in this Lease to Lessor with respect to rights and benefits, other than with respect to fee title to the Project, shall mean the Trustee. Trustee does not make any representations or warranties hereunder nor does the Trustee undertake any obligations, liabilities, or duties hereunder. References in this Lease to Lessor with respect to obligations, responsibilities and liability shall mean the Tioga Independent School District Public Facility Corporation and shall specifically exclude the Trustee. References to approval or consent by Lessor shall be deemed a right.

Section 16.14 Integration. This Lease supersedes and replaces the Original Lease and any and all prior agreements entered into between the parties hereto with respect to the subject matter hereof. This Lease is entered into simultaneously with the execution of the other Financing Documents. All other provisions of the Original Lease not specifically amended herein are hereby confirmed and ratified.

Section 16.15 Survival of Representations and Warranties. The representations, warranties and indemnities contained in this Lease shall survive the expiration or termination of this Lease.

Section 16.16 Time is of the Essence. Time is of the essence in this Lease.

Section 16.17 Third Party Beneficiary. The Parties hereto expressly recognize that the Trustee is a third party beneficiary of this Lease and may enforce any right, remedy or claim conferred, given or granted it hereunder.

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IN WITNESS WHEREOF, each of the parties have caused this Lease to be executed by its duly authorized officers as of the date first above written.

LESSOR OR CORPORATION:

TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION

By: _____
Name: Rick Staples
Title: President, Board of Directors

ATTEST:

By: _____
Name: Kelly Lintner
Title: Secretary, Board of Directors

LESSEE OR DISTRICT:

TIOGA INDEPENDENT SCHOOL DISTRICT

By: _____
Name: Rick Staples
Title: President, Board of Trustees

ATTEST:

By: _____
Name: Kelly Lintner
Title: Secretary, Board of Trustees

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EXHIBIT A - Legal Description

All that certain tract or parcel of land as situated in the Sarah Cross Survey, Abstract Number 210, County of Grayson, State of Texas, said tract being part of a 498.185 acre tract as described in Tract One in Deed to Grass Roots Investments, filed 25 September 2006 and Recorded in Volume 4123 Page 265 of the Deed Records of the County of Grayson, State of Texas, and being more fully described as follows:

BEGINNING for the southwest comer of the tract of being described herein at a found ½ inch Steel Rebar for the southwest comer of said Grass Roots tract and the Northwest comer of the High School Addition, filed 12 July 2005 and Recorded in Volume 17 Page 142 of the Plat Records of Grayson County, said rebar also being in Mohawk Road;

Thence: North 01 degrees 46 minutes 08 seconds East, with the West line of said Grass Roots tract, and passing at 1350.0 feet the Intersection of Shawnee Drive and McKnight Road and the end of Mohawk Drive, and continuing along said course, along said McKnight Road, for a distance of 2177.06 feet to a found ½ inch Steel Rebar at the intersection of said McKnight and Airport Road;

Thence: South 88 degrees 20 minutes 38 seconds East, with the center line of said Airport Road, a distance of 1656.89 feet to a found survey mark for the southeast comer of a tract as described in deed to RBC Ventures LLC, filed 30 March 2013, and Recorded in Volume 5310 Page 898 of said Deed Records;

Thence: South 88 degrees 20 minutes 10 seconds East, with the South line of said RBC tract, and In Airport Road, a distance of 192.67 feet to a found survey mark nail for the Northwest comer of a tract as described in Deed to C.A. Travis Jr., filed 21 September 1962 and recorded in Volume 963 Page 315 of said Deed Records;

Thence: South 02 degrees 17 minutes 28 seconds West, and passing at 34.67 feet a wood fence comer post on the south side of Airport Road, and continuing with the East line of said Grass Roots tract, and the west line of said Travis tract, and along and near a fence, a distance of 1304.94 feet to a found ½ inch Steel Square Tubing for the southwest corner of said Travis tract and the Northwest comer of a - called 113.061 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded In Volume 3845 Page 526 of said Deed Records;

Thence: South 02 degrees 22 minutes 33 seconds West, and continuing with the east line of said Grass Roots tract, and a west line of said 113.061 acre tract, along and near a fence, a distance of 880.48 feet to a point in a pond for the Southeast comer of said Grass Roots tract and the most Westerly Southwest comer of said 113.061 acre tract, and also being on the North line of a called 80.417 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded in Volume 3845 Page 526 of said Deed Records;

Thence: North 88 degrees 15 minutes 11 seconds West, with the South line of said Grass Roots tract, and the North line of said 80.417 acre tract, a distance of 1328.99 feet to a found ½ Inch

Steel rebar for the Northwest corner of said 80.417 acre tract and the Northeast corner of Lot 17 of the Final Amended Plat of High School Addition, an addition to the City of Lioga, County of Grayson, State of Texas, filed 12 July 2005 and recorded in Volume 17 Page 142 of the Plat Records of the County of Grayson, State of Texas;

Thence: North 87 degrees 38 minutes 24 seconds West, and continuing with the South line of said Grass Roots tract and the North line of said Lot 17, a distance of 499.37 feet to the POINT OF BEGINNING and containing 92.183 acres of land.

EXHIBIT B

PERMITTED ENCUMBRANCES

1. The Financing Documents.
2. All taxes, assessments and similar charges not yet due and payable.

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EXHIBIT C

LIABILITY INSURANCE COVERAGE REQUIREMENTS

Contractor's Coverage

1. Workers Compensation Statutory
2. Employers Liability \$500,000
3. Commercial Comprehensive General Public

Liability Insurance including:

Damage to Rented Premises \$300,000

Each Occurrence \$1,000,000

Med Expenses \$5,000

Personal and ADV Injury \$1,000,000

General Aggregate \$2,000,000

Products Comp/OP AGG \$2,000,000

Employee Benefits \$1,000,000

4. Automobile Liability

a. Bodily Injury Each Person \$100,000

Each Occurrence \$300,000

b. Property Damage Each Occurrence \$100,000

5. Independent Contractor's Liability Same limits as Item 3 above.

6. Products and completed operations Same limits as Item 3 above for one (1) year commencing with issuance of final certificates of payment

7. Umbrella Excess Liability \$1,000,000

8. Contract Liability Same limits as Item 3 above.

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EXHIBIT D

INITIAL LEASE PAYMENT SCHEDULE

Lease Payment Date	Lease Payment Amount	Lease Payment Date	Lease Payment Amount	Lease Payment Date	Lease Payment Amount
8/15/2019	\$310,073.33	8/15/2027	1,675,850.00	2/15/2035	\$269,487.50
2/15/2020	581,387.50	2/15/2028	486,837.50	8/15/2035	1,909,487.50
8/15/2020	996,387.50	8/15/2028	1,691,837.50	2/15/2036	232,587.50
2/15/2021	573,087.50	2/15/2029	459,725.00	8/15/2036	1,947,587.50
8/15/2021	1,008,087.50	8/15/2029	1,719,725.00	2/15/2037	194,000.00
2/15/2022	564,387.50	2/15/2030	431,375.00	8/15/2037	1,984,000.00
8/15/2022	1,014,387.50	8/15/2030	1,746,375.00	2/15/2038	158,200.00
2/15/2023	555,387.50	2/15/2031	401,787.50	8/15/2038	2,023,200.00
8/15/2023	1,025,387.50	8/15/2031	1,776,787.50	2/15/2039	120,900.00
2/15/2024	545,987.50	2/15/2032	370,850.00	8/15/2039	2,055,900.00
8/15/2024	1,030,987.50	8/15/2032	1,805,850.00	2/15/2040	82,200.00
2/15/2025	536,287.50	2/15/2033	338,562.50	8/15/2040	2,097,200.00
8/15/2025	1,341,287.50	8/15/2033	1,838,562.50	2/15/2041	41,900.00
2/15/2026	524,212.50	2/15/2034	304,812.50	8/15/2041	2,136,900.00
8/15/2026	1,654,212.50	8/15/2034	1,874,812.50		
2/15/2027	505,850.00				

Total Lease Payments: \$44,944,698.33

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EXHIBIT E

Comptroller's Certification

OFFICE OF COMPTROLLER:

REGISTER NO. ____

STATE OF TEXAS:

I hereby certify that this Lease with an Option to Purchase, dated as of April 10, 2019, by and between Tioga Independent School District Public Facility Corporation, a nonprofit corporation duly organized under the laws of the State of Texas, as Lessor, and Tioga Independent School District, a political subdivision of the State of Texas, as Lessee, has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Lease has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

(SEAL)

Comptroller of Public Accounts of the State of Texas

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EXHIBIT F

MEMORANDUM OF LEASE WITH AN OPTION TO PURCHASE

STATE OF TEXAS

COUNTY OF GRAYSON

KNOW ALL PERSONS BY THESE PRESENTS:

THIS MEMORANDUM OF LEASE WITH AN OPTION TO PURCHASE (this "Memorandum") is made by and between TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION, a Texas nonprofit corporation ("Lessor") and TIOGA INDEPENDENT SCHOOL DISTRICT ("Lessee").

RECITALS

A. Lessor and Lessee have entered into that certain Lease with an Option to Purchase (the "Lease") dated effective as of April 10, 2019. Lessor has leased to the Lessee, subject to the terms provisions, conditions, and covenants set forth in the Lease, that certain tract of land and improvements situated in Grayson County, Texas, and being more particularly Exhibit A attached hereto and made a part hereof for all purposes.

B. Lessor and Lessee desire to enter into this Memorandum, which is to be recorded in the Official Public Records of Real Property of Grayson County, Texas, in order that third parties may have notice of the rights of the parties under the Lease.

LEASE TERMS

Specific reference is hereby made to the following terms and provisions of the Lease:

1. Purchase Options and Related Rights. The Lease contains certain purchase options and related rights pursuant to which the Lessee might acquire the Project, as such term is defined in the Lease, during the term of the Lease.

2. Additional Information. Persons having an interest in the provisions of the Lease may obtain additional information from Lessor or the Lessee at the following addresses:

If to Lessor: Tioga Independent School District
Public Facility Corporation
405 N Florence St
Tioga, TX 76271
Attention: President, Board of Directors

If to Lessee: Tioga Independent School District
405 N Florence St
Tioga, TX 76271
Attention: Superintendent of Schools

This Memorandum is executed for the purpose of recordation in the Official Public Records of Real Property of Grayson County, Texas in order to give notice of all of the terms, provisions, conditions and covenants of the Lease. This Memorandum is not intended and shall not be construed to amend, modify, or change any of the terms, provisions, conditions or covenants of the Lease, and both the Lease and this Memorandum shall be deemed to constitute a single instrument In the event of any conflict between this Memorandum and the Lease, the Lease shall in all events control.

This Memorandum may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument This Memorandum shall be binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of the parties reflected hereon as signatories.

EXECUTED as of the dates set forth in the acknowledgements below, to be effective, however, for all purposes as of April 10, 2019.

LESSOR:
TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC
FACILITY CORPORATION

By: _____
Name: _____
Title: _____

LESSEE:
TIOGA INDEPENDENT SCHOOL DISTRICT

By: _____
Name: _____
Title: _____

STATE OF TEXAS §

COUNTY OF GRAYSON §

This instrument was acknowledged before me on April 10, 2019, by Rick Staples as President of the Board of Trustees of the TIOGA INDEPENDENT SCHOOL DISTRICT.

Notary Public

[NOTARY SEAL]

STATE OF TEXAS §

COUNTY OF GRAYSON §

This instrument was acknowledged before me on April 10, 2019, by Rick Staples, as President of the Board of Directors of the TIOGA INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION.

Notary Public

[NOTARY SEAL]

EXHIBIT "A"

All that certain tract or parcel of land as situated in the Sarah Cross Survey, Abstract Number 210, County of Grayson, State of Texas, said tract being part of a 498.185 acre tract as described in Tract One in Deed to Grass Roots Investments, filed 25 September 2006 and Recorded in Volume 4123 Page 265 of the Deed Records of the County of Grayson, State of Texas, and being more fully described as follows:

BEGINNING for the southwest comer of the tract of being described herein at a found ½ inch Steel Rebar for the southwest comer of said Grass Roots tract and the Northwest comer of the High School Addition, filed 12 July 2005 and Recorded in Volume 17 Page 142 of the Plat Records of Grayson County, said rebar also being in Mohawk Road;

Thence: North 01 degrees 46 minutes 08 seconds East, with the West line of said Grass Roots tract, and passing at 1350.0 feet the Intersection of Shawnee Drive and McKnight Road and the end of Mohawk Drive, and continuing along said course, along said McKnight Road, for a distance of 2177.06 feet to a found ½ inch Steel Rebar at the intersection of said McKnight and Airport Road;

Thence: South 88 degrees 20 minutes 38 seconds East, with the center line of said Airport Road, a distance of 1656.89 feet to a found survey mark for the southeast comer of a tract as described in deed to RBC Ventures LLC, filed 30 March 2013, and Recorded in Volume 5310 Page 898 of said Deed Records;

Thence: South 88 degrees 20 minutes 10 seconds East, with the South line of said RBC tract, and In Airport Road, a distance of 192.67 feet to a found survey mark nail for the Northwest comer of a tract as described in Deed to C.A. Travis Jr., filed 21 September 1962 and recorded in Volume 963 Page 315 of said Deed Records;

Thence: South 02 degrees 17 minutes 28 seconds West, and passing at 34.67 feet a wood fence comer post on the south side of Airport Road, and continuing with the East line of said Grass Roots tract, and the west line of said Travis tract, and along and near a fence, a distance of 1304.94 feet to a found ½ inch Steel Square Tubing for the southwest corner of said Travis tract and the Northwest comer of a - called 113.061 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded In Volume 3845 Page 526 of said Deed Records;

Thence: South 02 degrees 22 minutes 33 seconds West, and continuing with the east line of said Grass Roots tract, and a west line of said 113.061 acre tract, along and near a fence, a distance of 880.48 feet to a point in a pond for the Southeast comer of said Grass Roots tract and the most Westerly Southwest comer of said 113.061 acre tract, and also being on the North line of a called 80.417 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded in Volume 3845 Page 526 of said Deed Records;

Thence: North 88 degrees 15 minutes 11 seconds West, with the South line of said Grass Roots tract, and the North line of said 80.417 acre tract, a distance of 1328.99 feet to a found ½ Inch Steel rebar for the Northwest corner of said 80.417 acre tract and the Northeast comer of Lot 17 of the Final Amended Plat of High School Addition, an addition to the City of lioga, County of

Grayson, State of Texas, filed 12 July 2005 and recorded In Volume 17 Page 142 of the Plat Records of the County of Grayson, State of Texas;

Thence: North 87 degrees 38 minutes 24 seconds West, and continuing with the South line of said Grass Roots tract and the North line of said Lot 17, a distance of 499.37 feet to the POINT OF BEGINNING and containing 92.183 acres of land.

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ATTENTION: COUNTY CLERK - THIS INSTRUMENT COVERS GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN AND IS TO BE FILED FOR RECORD IN THE RECORDS WHERE MORTGAGES ON REAL ESTATE ARE RECORDED. ADDITIONALLY, THIS INSTRUMENT SHOULD BE APPROPRIATELY INDEXED, NOT ONLY AS A MORTGAGE, BUT ALSO AS A FINANCING STATEMENT COVERING GOODS THAT ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN. THE MAILING ADDRESSES OF THE GRANTOR (DEBTOR) AND THE BENEFICIARY (SECURED PARTY) ARE SET FORTH IN THIS INSTRUMENT.

**DEED OF TRUST, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS AND LEASES**

By

**TIOGA INDEPENDENT SCHOOL DISTRICT
PUBLIC FACILITY CORPORATION**

To

**Dayna Smith,
as Mortgage Trustee**

For the Benefit of

**WILMINGTON TRUST, NATIONAL ASSOCIATION,
Trustee**

THIS INSTRUMENT CONTAINS FUTURE ADVANCE CLAUSES

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**DEED OF TRUST, SECURITY AGREEMENT AND
ASSIGNMENT OF RENTS AND LEASES**

THE STATE OF TEXAS §
 §
COUNTY OF GRAYSON §

Preamble

This Deed of Trust, Security Agreement and Assignment of Rents and Leases (hereinafter called "Deed of Trust"), executed by the Tioga Independent School District Public Facility Corporation (hereinafter called "Issuer,"), the mailing address of Issuer being set forth on the execution page hereof; to Dayna Smith, as mortgage trustee, whose mailing address is 15950 Dallas Parkway, Dallas, Texas, 75248 and also to any substitute or successor mortgage trustee as hereinafter provided (all of whom shall be included within the term "Mortgage Trustee" as used hereinafter); for the use and benefit of Wilmington Trust, National Association, as indenture trustee (the "Indenture Trustee") under that certain Trust Agreement (defined below) executed in connection with the Bonds (defined below), whose mailing address. is Wilmington Trust, National Association, 15950 Dallas Parkway, Dallas, Texas, 75248 and any subsequent holder of the Secured Obligations hereinafter set forth (all of whom shall be included within the term "Beneficiary" as used hereinafter), as beneficiary, assignee, and Secured Party, as more fully hereinafter set forth.

WITNESSETH:

WHEREAS, the Issuer has adopted a resolution (the "Bond Resolution") dated April 10, 2019, authorizing the issuance of \$28,075,000 in aggregate principal amount of its lease revenue bonds designated "Tioga Independent School District Public Facility Corporation School Facility Lease Revenue Refunding Bonds, Series 2019" (the "Bonds"), for the purpose of providing funds for the refinancing of school facilities consisting of real property, a high school, and related instructional facilities on such real property (together with all improvements and additions thereto (the "Project"), which real property is more particularly described in Exhibit A attached hereto and made a part hereof,

WHEREAS, the Bonds will be payable from payments received by the Issuer pursuant to that certain Amended and Restated Lease with an Option to Purchase dated as of even date herewith (the "Lease"), pursuant to which the Issuer has agreed to lease the Project to the Tioga Independent School District (the "District") and the District has agreed to lease the Project from the Issuer, and the Issuer has agreed and pledged to the Indenture Trustee, and granted a first priority security interest in, all of its right title and interest in the Lease and all revenues, payments, receipts and money to be received by the Issuer thereunder;

WHEREAS, to secure its obligations under the Trust Agreement Relating To Tioga Independent School District School Facility Project dated as of May 1, 2019, between the Issuer and the Indenture Trustee (the "Trust Agreement"), the Issuer has agreed to grant a first lien on the Project and to assign and pledge Issuer's interest in the Lease and all revenues, profits, income, receipts money, rights and benefits of and from the Project for the use and benefit of the Indenture Trustee on behalf of the owners of the Bonds;

WHEREAS, to further secure its obligations under the Trust Agreement, the Issuer has agreed to execute a Security Agreement of even date herewith (the "Security Agreement"), to grant to the Indenture Trustee a first priority security interest in the personal property portion of the Project including any

equipment, portable buildings, or inventory now or hereafter located at the Project and the accounts, documents, chattel paper, instruments, and general intangibles arising in any manner from the Issuer's ownership and operation of the Project

NOW, THEREFORE, for valuable consideration, including the mutual covenants contained herein and in further consideration of the issuance and sale of the Bonds by the Issuer and the acquisition and construction of the Project for lease to the District pursuant to the terms of the Lease, the receipt and sufficiency of which are hereby acknowledged. Issuer agrees as follows:

ARTICLE 1 SECURED OBLIGATIONS

Section 1.1 Deed of Trust Secures Described Indebtedness. This Deed of Trust is executed and delivered by Issuer to secure the payment and performance of certain indebtedness, liabilities and obligations owing and to become owing to or in favor of Beneficiary, as follows:

(a) the indebtedness evidenced by the Bonds, being payable in the amounts, at the interest rate, and on the dates stipulated therein, maturing as provided therein, bearing interest on past due amounts as provided therein, and containing provisions for the acceleration of maturity, at the option of the holder thereof, and for the payment of attorneys' fees upon the occurrence of contingencies set forth therein;

(b) any and all amounts, liabilities, and obligations for which or for the performance of which Issuer may become indebted or obligated under the terms of the Lease, the Trust Agreement or this Deed of Trust, including, but not limited to, the fees and expenses of the Beneficiary;

(c) any sum or sums constituting other indebtedness (whether now existing or hereafter arising) of Issuer to Beneficiary related to the Project, which indebtedness may be evidenced in various manners (including, but not limited to, indebtedness evidenced by promissory note, loan agreement, deed of trust, mortgage, security agreement, open account, overdraft, surety, guaranty, and letter of credit), whether joint or several, direct or indirect, absolute or contingent, due or to become due, primary or secondary, howsoever evidenced or acquired, it being contemplated that Issuer may hereafter become so indebted to Beneficiary; and

(d) any and all renewals, rearrangements, and extensions of the foregoing items of indebtedness and obligations;

provided, however, that the enumeration of items of indebtedness set forth in paragraphs 1.1(c) and (d) above shall not include and there is expressly excepted therefrom any items of indebtedness owing or to become owing to the Beneficiary for which applicable law prohibits the taking of a lien upon real estate as security.

Section 1.2 Secured Obligations Defined. Each and every item of indebtedness described and included in Section 1.1 above is intended to be fully secured by the liens, assignments, and security interests created under and by virtue of this Deed of Trust; and all such items so secured (now or hereafter existing) are hereinafter collectively called "Secured Obligations."

ARTICLE 2
GRANT OF MORTGAGED PROPERTIES

Section 2.1 Grant Sale and Conveyance. For the purposes and trusts hereinafter set forth, and for ONE AND NO/100 DOLLARS (\$1.00) and other valuable consideration paid to Issuer, the receipt and sufficiency of which are hereby acknowledged, Issuer has GRANTED, SOLD, and CONVEYED, and by these presents does GRANT, SELL, and CONVEY, unto the Mortgage Trustee for the benefit of the Indenture Trustee, all the following described property, to wit:

(a) All those certain tract(s) or parcel(s) of land (the "Land") being situated in Grayson County, Texas, being more fully described as set forth in Exhibit A attached hereto and hereby referred to and incorporated herein for all purposes;

(b) All improvements upon the Land and now or hereafter attached to or placed, erected, constructed, or developed thereon, and all fixtures, materials, equipment, portable buildings, apparatus, furniture, furnishings, building materials, supplies, and other property, real and personal, now or hereafter installed thereon or upon the improvements thereon, including, but not limited to, all heating, lighting, refrigerating, plumbing, ventilating, incinerating, water heating, cooling and air-conditioning equipment, fixtures and appurtenances, all engines and machinery, elevators, pumps, motors, window screens, window shades, Venetian blinds, awnings, floor coverings, and shrubbery and other chattels and personal property installed in connection with the operation, use, and enjoyment of such real property and the improvements thereon, and all renewals, replacements, and substitutions therefor and additions thereto, all of which said property and fixtures shall be deemed to be a part of and affixed to the above described Land (the "Improvements");

(c) All rents, revenues, profits, income, damages, awards, and proceeds from or attributable to all or any portion of the Land hereinabove described, the Improvements hereinabove described, and any other property, both real and personal, hereinabove described;

(d) All other articles of personal property, tangible or intangible (the "Personal Property") acquired with the proceeds of the Bonds now or hereafter attached to or used in or about the Improvements or that are necessary or useful for the complete and comfortable use and occupancy of the Improvements for the purposes for which they are to be attached, planned, erected, constructed or developed, or which Personal Property is or may be used in or related to the planning, development, financing or operation of the Improvements, and all renewals of or replacements or substitutions for any of the foregoing, whether or not the same are or shall be attached to the Land or Improvements;

(e) All building materials and equipment now or hereafter delivered to and intended to be installed in or on the Land or the Improvements;

(f) All contracts now or hereafter entered into by and between Issuer or the District and any Original Contractor (as such term is defined by §53.001 of the TEX. PROP. CODE ANN., as amended), or between the Issuer and any other party, as well as all right, title and interest of Issuer or the District under any subcontracts, provided for the construction (original, restorative or otherwise) of any Improvements to or on any of the Land or the furnishing of any materials, supplies, equipment or labor in connection with such construction;

(g) All plans, specifications and drawings of the Improvements (including, but not limited to, plat plans, foundation plans, floor plans, elevations, framing plans, cross-section of walls, mechanical plans, electrical plans and architectural and engineering plans, and architectural engineering

studies and analysis) heretofore or hereafter prepared by any architect or any engineer, relating to any of the Land;

(h) All agreements now or hereafter entered into and with any party, including any assigned obligations, relating to architectural, engineering, management, development or consulting services rendered or to be rendered relating to planning, design, inspection or supervision of the construction management or development of any of the Land;

(i) Any completion bond, performance bond or labor and material payment bond or other bond relating to the Land or to any contract providing for construction of Improvements on the Land;

(j) Issuer's rights (but not its obligations) under any contracts relating to the Land, the Improvements or the Personal Property;

(k) All permits, licenses, wastewater discharge capacities, franchises, certificates, and other rights and privileges obtained in connection with the Land, the Improvements and the Personal Property;

(l) All proceeds arising from or by virtue of the sale, lease or other disposition of the Land, the Improvements or the Personal Property;

(m) All proceeds (including premium refunds) of each policy of insurance relating to the Land, the Improvements or the Personal Property;

(n) All proceeds from the taking of any of the Land, the Improvements, the Personal Property or any rights appurtenant thereto by right of eminent domain or by private or other purchase in lieu thereof, including change of grade of streets, curb cuts or other rights of access, for any public or quasi-public use under any law;

(o) All right, title and interest of Issuer in and to all streets, roads, public places, easements and rights-of-way, existing or proposed, public or private, adjacent to or used in connection with, belonging or pertaining to the Land;

(p) All rights, hereditaments and appurtenances pertaining to the foregoing; and

(q) Other interests of every kind and character that Issuer now has or at any time hereafter acquires in and to the Land, Improvements, and Personal Property described herein and all property that is used or useful in connection therewith, including rights of ingress and egress and all reversionary rights or interests of Issuer with respect to such property.

TO HAVE AND TO HOLD the hereinabove described properties, together with the rights, privileges, and appurtenances thereto belonging (all of which properties, rights, privileges, and appurtenances are hereinafter collectively called the "Mortgaged Properties"), unto the Mortgage Trustee and to his substitutes or successors forever, and Issuer does hereby bind itself, its successors, assigns, and legal representatives to warrant and forever defend all and singular the Mortgaged Properties unto the Mortgage Trustee, his successors and assigns, against every person whomsoever lawfully claiming or to claim the same, or any part thereof, subject only to the specific matters, if any, set forth in Exhibit B attached hereto and made a part hereof (the "Permitted Encumbrances").

NOTWITHSTANDING THE FOREGOING, any items of movable furniture, machinery, and equipment purchased by the District with funds other than amounts deposited into the Project Account (as defined in the Trust Agreement) which: (i) are installed by the District in the Project; (ii) are identified by the District as property of the District in writing to the Issuer, and (iii) may be removed without damage to the Project, shall not be subject to the lien of this mortgage, except in the event that the Lease is terminated, the District does not acquire the Project, and such items remain in the Project after the District has surrendered possession of the Project

Section 2.2 Issuer's Representations and Covenants Regarding Title. Without in any way limiting the above conveyance and the warranty herein contained. Issuer represents itself to be the owner of all the Mortgaged Properties as hereinabove conveyed and, should any ambiguity exist in regard to the description of said properties, reference may be had to Issuer's ownership of properties held by it in the survey(s), subdivision(s) or section(s) described in Exhibit A hereto for further description of the properties herein conveyed. Issuer agrees that it will, upon request by the holder of the Secured Obligations, execute any further instruments, amendments, or supplements desired to more adequately describe the Mortgaged Properties which it has agreed to make subject to this Deed of Trust.

Section 2.3 Conveyance is as a Deed of Trust. This conveyance, however, is intended as a deed of trust and security agreement and is made upon the following trusts, terms, and conditions, to wit: in the event Issuer shall well and truly perform and pay the Secured Obligations (including payment of all principal and all interest and attorneys' fees and other amounts, if any, owing or to become owing thereon) to the legal holder thereof when the same shall become due, then this Deed of Trust and all herein contained shall be null and void and shall be released at Issuer's cost and expense, otherwise this Deed of Trust shall continue in full force and effect; provided, however, that the Issuer's obligation to indemnify and hold harmless the Beneficiary pursuant to the provisions hereof shall survive any such payment or release.

ARTICLE 3 ASSIGNMENT OF RENTS

Section 3.1 Assignment. In consideration of the indebtedness and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, Issuer absolutely and unconditionally GRANTED, BARGAINED, SOLD, AND CONVEYED, and by these presents does absolutely and unconditionally GRANT, BARGAIN, SELL, AND CONVEY unto Beneficiary, its successors and assigns, the following:

(a) all rights, interests and estates of Issuer in, to and under, but none of its obligations, responsibilities, or liabilities related to, the existing leases, including the Lease, which has previously been assigned to the Indenture Trustee pursuant to the Trust Agreement, and those now or hereafter made, executed or delivered, whether written or verbal, covering all or any portion of the real property described in Exhibit A attached hereto and made a part hereof for all purposes, or the improvements now or hereafter erected or constructed thereon, or any other portion of the Mortgaged Properties, together with all renewals, extensions, modifications and replacements thereof (such lease agreements, renewals, extensions, modifications and replacements thereof being hereinafter collectively called the "Leases"); and

(b) all rents, rentals, security deposits, royalties, bonuses, issues, profits, revenue, income, and other sums of money or benefits that may now or hereafter be derived from the Mortgaged Properties, but none of its obligations, responsibilities, or liabilities related to, or arising from the use or enjoyment of any portion thereof, or from any of the Leases pertaining thereto, including but not limited to, liquidated damages arising from any default under any of the Lenses, amounts that may be collected from any guarantor of any of the Leases, any proceeds payable under any insurance policy covering loss of rents,

and any and all rights that the Issuer may have against any lessee, guarantor or sublessee under such Leases (hereinafter collectively called the "Rents").

It is the intention of the Issuer and Beneficiary that this conveyance be presently and immediately effective; and is neither conditional nor security for the repayment of the indebtedness, and such conveyance establishes an absolute transfer and assignment of all the rights, title, and interest of Issuer in and to, but none of its obligations, responsibilities or liabilities relating to the Leases and the Rents to Beneficiary and not just to create a security interest.

Section 3.2 Limited License. Although this assignment constitutes an absolute, present and current assignment of all Leases and Rents, so long as there exists no Event of Default hereunder (as defined in Article 6 below), Issuer shall have the right under a limited license granted hereby, and the Beneficiary hereby grants to Issuer a limited license (the "License") to collect (but not more than one month in advance or two months in advance where one month's rental is attributable to the next ensuing month and one month's rental is attributable to the last month in the lease term, if any, and is collected as security under the provisions of a written lease or rental agreement or as is otherwise provided in the Leases) all of the Rents arising from or out of the Leases or any renewals or extensions thereof, or from or out of the Mortgaged Properties or any part thereof. Issuer shall receive such Rents and hold them in trust and as a trust fund to be applied, and Issuer hereby covenants to apply the Rents so collected, first to the satisfaction and discharge of the Secured Obligations and second, to the satisfaction and discharge of all obligations under the Leases; thereafter, so long as there exists no Event of Default hereunder or under any of the other documents evidencing or securing the Secured Obligations, Issuer may use the Rents in any manner provided in the Trust Agreement. The License shall be revoked automatically upon the occurrence of an Event of Default hereunder or under any of the documents evidencing or securing the Secured Obligations, but to the extent Issuer continues to collect the Rents after an Event of Default, Issuer shall continue to hold the Rents in trust for the benefit of Beneficiary.

Section 3.3 Affirmative Covenants. Issuer shall, at the sole cost and expense of Issuer:

- (a) duly and punctually observe, perform and discharge, all and singular the obligations, terms, covenants, conditions and warranties of each lessor under the Leases; and
- (b) give prompt notice to Beneficiary of any failure on the part of Issuer to observe, perform and discharge the same or of any claim made by any lessee of any such failure by Issuer; and
- (c) notify and direct, in writing, each and every present or future lessee or occupant of the Mortgaged Properties or of any part thereof that any security deposit or other deposits heretofore delivered to Issuer have been retained by Issuer or assigned and delivered to Beneficiary, as the case may be; and
- (d) enforce, short of termination of the Leases, or secure in the name of Beneficiary, the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or any guarantor; and
- (e) appear in and defend any action or proceeding arising under, occurring out of or in any manner connected with the Leases or the obligations, duties, or liabilities of Issuer and any lessee thereunder, do so in the name and on behalf of Beneficiary upon request by Beneficiary, but at the expense of Issuer, and pay all costs and expenses of Beneficiary, including reasonable attorney's fees and disbursements, in any action or proceeding in which Beneficiary may appear; and

(f) keep the Mortgaged Properties leased at a good and sufficient rental and on other terms and conditions reasonably acceptable to Beneficiary; and

(g) at the request of Beneficiary, execute a written instrument evidencing that the rights, title, and interest of Issuer in and to, but none of its obligations, responsibilities or liabilities relating to such future Leases have been transferred and assigned to Beneficiary in accordance with the terms and conditions as herein contained; and

(h) make, execute and deliver to Beneficiary upon demand and at any time or times, any and all assignments and other documents and other instruments which Beneficiary may deem advisable to carry out the true purposes and intent of this assignment.

Section 3.4 Negative Covenants . Issuer shall not, except in compliance with the Trust Agreement or the Lease, except as noted below:

(a) cancel, terminate or consent to any surrender of any Leases (Beneficiary shall have the right to refuse to consent to this request in its sole discretion taking into account the interests of the holders of the Bonds); or

(b) commence any action or ejectment or any summary proceedings for dispossession of any lessee under any Leases or exercise any right of recapture provided in any Leases; or

(c) modify, extend, or in any way alter the term of any Leases; or

(d) waive or release any lessee or any guarantors from any obligations or conditions to be performed by any lessee or any guarantor under any Leases (Beneficiary shall have the right to refuse to consent to this request in its sole discretion taking into account the interests of the holders of the Bonds); or

(e) enter into any Leases (other than the Lease) for all or any part of the Mortgaged Properties; or

(f) renew or extend the term of any Leases unless an option therefor was originally so reserved by the lessee and for a fixed and definite rental; or

(g) consent to any modification of the express purposes for which the Mortgaged Properties or any portion thereof has been leased (Beneficiary shall have the right to refuse to consent to this request in its sole discretion taking into account the interests of the holders of the Bonds); or

(h) consent to any subletting of Mortgaged Properties or any part thereof, to any assignment of any Leases by any lessee thereunder, to any assignment or further subletting of any sublease; or

(i) receive or collect any Rents from any lessee for a period of more than one month in advance or two months in advance where one month's rental is attributable to the next ensuing month and one month's rental is attributable to the last month in the lease term, if any, and is collected as security under the provisions of a written lease or rental agreement, if any (whether in cash or by evidence of indebtedness); or

(j) pledge, transfer, mortgage or otherwise encumber or assign or permit an encumbrance upon future payments of Rents or any other interest of Issuer in the Leases; or

(k) waive, excuse, condone, discount, set off, compromise or in any manner release or discharge any lessee under any Leases of and from any obligations, covenants, conditions, and agreements to be kept, observed and performed by such lessee including the obligation to pay Rents thereunder in any manner and at any time and place specified therein.

Section 3.5 Appointment of Attorney-in-Fact. Subject to the License as described and limited in Section 3.2 above, Issuer hereby constitutes and appoints Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of Issuer, empowered and authorized in the name, place and stead of Issuer to demand, sue for, attach, levy, recover and receive the Rents, or any premium or penalty payable upon the exercise by any lessee under any Leases of a privilege of cancellation originally provided in any such Leases, and to give proper receipts, releases, and acquittances therefor and, after deducting expenses of collection, to apply the net proceeds as a credit upon any portion of the Secured Obligations selected by Beneficiary, notwithstanding the fact that such portion of the Secured Obligations may not then be due and payable or that such portion of the Secured Obligations is otherwise adequately secured; and Issuer does hereby authorize and direct any such lessee to deliver such payment to Beneficiary, in accordance with this assignment, and Issuer hereby ratifies and confirms all that its said attorney-in-fact shall do or cause to be done by virtue of the powers granted hereby. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in Beneficiary, its successors and assigns, so long as any part of the Secured Obligations secured hereby remain unpaid and undischarged. A lessee need not inquire into the authority of Beneficiary to collect any Rents, and its obligations to pay Rents to Issuer shall be absolutely discharged to the extent of any payment to Beneficiary. Subject to the License, Issuer hereby constitutes and appoints Beneficiary the true and lawful attorney-in-fact, coupled with an interest, of Issuer, empowered and authorized in the name and stead of Issuer to subject and subordinate at any time any Leases or any part thereof to the lien and security interest of this Deed of Trust and the Security Agreement, or to request or require such subordination in any case where the Issuer otherwise would have the right, power or privilege so to do, and to call some or all of the provisions of any Leases that are subordinate to the lien and priority interest of the Deed of Trust and the Security Agreement to become superior to this Deed of Trust and the Security Agreement. The foregoing appointment is irrevocable and continuing and such rights, powers and privileges shall be exclusive in Beneficiary, its successors and assigns, so long as any Secured Obligations secured hereby remain unpaid and discharged, and Issuer hereby warrants that Issuer has not at any time prior to the date hereof exercised any such right, and Issuer hereby covenants not to exercise any such right, to subordinate any such Leases to the lien of this Deed of Trust, the Security Agreement, or to any other mortgage, deed of trust or security agreement or to any ground lease.

Section 3.6 Default. If an "Event of Default" under the Secured Obligations or any of the documents evidencing or securing the Secured Obligations, including but not limited to this Deed of Trust, the Security Agreement, or the Trust Agreement, shall have occurred, or if Issuer shall fail to make any payment or fail to perform any other obligation, covenant or agreement contained in this assignment, or if there occurs an Event of Default as defined in this Deed of Trust, then Beneficiary may, at its option, without notice and without regard to the adequacy of security for the Secured Obligations hereby secured, terminate the License, and either in person or by agent, with or without bringing any action or proceedings, or by a receiver to be appointed by court, enter upon, take possession of, manage and operate the Mortgaged Properties or any portion thereof; make, cancel, enforce or modify Leases to the same extent that the Issuer could do; obtain and evict lessees, and fix or modify Rents, and do any acts which the Beneficiary deems proper to protect the security hereof; and either with or without taking possession of the Mortgaged Properties, in its own name sue for or otherwise collect and receive such Rents (including lessee's security deposits and Rents that are past due and unpaid), and apply the same, less costs and expenses of operation

and collection, including attorneys' fees, upon any Secured Obligations secured hereby, in such order as the Beneficiary may determine subject to the provisions of the Trust Agreement. Upon demand by Beneficiary, Issuer shall deliver to Beneficiary all lessees' security deposits which Issuer has in its possession or control. The entering upon and taking possession of the Mortgaged Properties or the collection of the Rents and security deposits and the application thereof as aforesaid, shall not cure or waive any default under the documents evidencing or securing the Secured Obligations, or waive, modify or affect notice of an Event of Default under this Deed of Trust or the documents evidencing or securing the Secured Obligations, or invalidate any act done pursuant to such notice. Beneficiary may exercise its rights under this paragraph as often as any such Event of Default may occur, and the exercise of such right shall not constitute a waiver of any of the other remedies of the Beneficiary under this Deed of Trust or other document evidencing or securing the Secured Obligation.

Section 3.7 No Obligation of Beneficiary. It is understood that Beneficiary's acceptance of this assignment shall not operate to place responsibility for the control, care, management or repair of the Mortgaged Properties upon Beneficiary, nor for the carrying out of any of the terms and conditions of said Leases; nor shall it operate to make Beneficiary responsible or liable for any waste committed on the Mortgaged Properties by the lessees or any other parties, or for any dangerous or defective condition of the Mortgaged Properties, or for any negligence in the management, upkeep, repair or control of the Mortgaged Properties resulting in loss or injury or death to issuer or any lessee, licensee, employee or stranger. Beneficiary shall not be liable for any loss sustained by Issuer resulting from Beneficiary's failure to let the Mortgaged Properties after default or from any other act or omission of Beneficiary in dealing with the Mortgaged Properties after default. Beneficiary shall not be obligated to perform or discharge, nor does Beneficiary hereby undertake to perform or discharge, any obligation, duty or liability under any of the Leases or under or by reason of this assignment and TO THE EXTENT PERMITTED BY LAW, ISSUER SHALL, AND DOES HEREBY AGREE, TO INDEMNIFY BENEFICIARY FOR, AND TO HOLD BENEFICIARY, ITS AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, AND ATTORNEYS HARMLESS FROM, ANY AND ALL LIABILITY, LOSS OR DAMAGE WHICH MAY OR MIGHT BE INCURRED UNDER THE LEASES OR UNDER OR BY REASON OF THIS ASSIGNMENT AND FROM ANY AND ALL CLAIMS AND DEMANDS WHATSOEVER WHICH MAY BE ASSERTED AGAINST BENEFICIARY BY REASON OF ANY ALLEGED ACTIONS OR UNDERTAKINGS ON THE ISSUER'S PART (INCLUDING BENEFICIARY'S OWN ORDINARY NEGLIGENCE) TO PERFORM OR DISCHARGE ANY OF THE TERMS, COVENANTS OR AGREEMENTS CONTAINED IN THE LEASES OR THIS DEED OF TRUST. SHOULD BENEFICIARY OR MORTGAGE TRUSTEE, OR THEIR AGENTS, EMPLOYEES, OFFICERS, DIRECTORS, AND ATTORNEYS INCUR ANY SUCH LIABILITY UNDER THE LEASES OR UNDER OR BY REASON OF THIS ASSIGNMENT OR IN DEFENSE OF ANY SUCH CLAIMS OR DEMANDS, THE AMOUNT THEREOF, INCLUDING COSTS, EXPENSES, LIABILITIES, LOSSES, AND REASONABLE ATTORNEYS' FEES, SHALL BE SECURED HEREBY AND ISSUER SHALL REIMBURSE BENEFICIARY OR MORTGAGE TRUSTEE THEREFOR IMMEDIATELY UPON DEMAND, AND UPON THE FAILURE OF ISSUER SO TO DO, BENEFICIARY MAY, AT ITS OPTION, UPON THE CONTINUATION OF SUCH CONDITION FOR SIXTY (60) DAYS AFTER WRITTEN NOTICE TO ISSUER, DECLARE ALL OF THE SECURED OBLIGATIONS SECURED HEREBY IMMEDIATELY DUE AND PAYABLE. SUCH INDEMNITY SHALL NOT APPLY WHERE IT IS PROVEN THAT BENEFICIARY OR MORTGAGE TRUSTEE OR THEIR SUCCESSORS OR ASSIGNS WERE NEGLIGENT OR WHERE IT IS PROVEN THAT BENEFICIARY OR MORTGAGE TRUSTEE OR THEIR SUCCESSORS OR ASSIGNS ENGAGED IN WILLFUL MISCONDUCT.

Section 3.8 No Waiver of Beneficiary's Rights. Nothing contained in this assignment and no act done or omitted by Beneficiary pursuant to the powers and rights granted to it hereunder shall be deemed to be a waiver by Beneficiary of its other rights and remedies under the Leases, the Trust Agreement, the

Security Agreement, this Deed of Trust or other document evidencing or securing the Secured Obligations, and this assignment is made and accepted without prejudice to any of the other rights and remedies possessed by Beneficiary under the terms of the Leases, the Trust Agreement, the Security Agreement, this Deed of Trust and other documents evidencing or securing the Secured Obligations. The right of Beneficiary to collect the principal sum, interest and other indebtedness under the Bonds and to enforce any security therefor held by it may be exercised by Beneficiary either prior to, simultaneously with, or subsequent to any action taken by it hereunder.

Section 3.9 Warranties Concerning Leases and Rents. Issuer represents and warrants to Beneficiary that:

(a) Issuer has good title to the Leases and Rents hereby assigned and the authority to assign them, and no other person or entity has any right, title or interest therein, and no Rents have been or will be assigned, mortgaged or pledged; and

(b) all existing Leases, including, but not limited to, the Lease, are valid, unmodified and in full force and effect, and no default exists thereunder, and

(c) no Rents have been or will be, without Beneficiary's prior written consent, anticipated, waived, released, discounted, setoff or compromised; and

(d) except as indicated in the Leases, Issuer has not received any funds or deposits from any lessee for which credit has not already been made on account of accrued Rents; and

(e) no settlement for damages for termination of any of the Leases under the United States Bankruptcy Code or under any other federal, state, or local statute shall be made without the prior written consent of Beneficiary, and any check in payment of such damages shall be made payable to both Issuer and Beneficiary, and Issuer agrees to endorse any check for such payment to the order of Beneficiary, to be applied to the indebtedness as Beneficiary may elect.

Section 3.10 Termination of Assignment of Leases. Upon the payment or performance in full of the Secured Obligations, this assignment shall become void and of no effect, but the affidavit of any officer or loan correspondent of the Beneficiary stating that any part of the indebtedness remains unpaid shall be and constitute evidence of the validity, effectiveness and continuing force of this assignment, and any person may and is hereby authorized to rely thereon.

Section 3.11 Right to Enforce the Leases. In exercise of the rights and powers created under this Article 3, Issuer specifically agrees that Beneficiary, Beneficiary's agent, or the Mortgage Trustee, as such party may see fit, may, subject to the terms of the Trust Agreement: use against Issuer or any other persons lawful or peaceable means to enforce the collection of any such rents, revenues, profits, and income, and to secure possession of the Mortgaged Properties, or any part thereof; settle or compromise on any terms the liability of any person or persons for any such rents, revenues, profits, or income; institute and prosecute to final conclusion actions of forcible entry and detainer, or actions of trespass to try title, or actions for damages, or any other appropriate actions, in the name of such person or in the name of Issuer; and settle, compromise, or abandon any such actions. In furtherance of the foregoing and not by way of limitation, Issuer binds itself to take whatever lawful or peaceful steps Beneficiary may ask it to take for such purposes, including the institution and prosecution of actions of the character above stated; provided, however, Issuer recognizes that neither the Mortgage Trustee, Beneficiary, or any person acting on behalf of Beneficiary shall ever be required to collect any such rents or income or be liable or chargeable for failure so to do.

Section 3.12 Beneficiary Not Mortgagee-in-Possession. Neither the foregoing assignment of Rents and Leases to the Beneficiary, nor the exercise by the Beneficiary of any of its rights or remedies hereunder shall be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties, unless Beneficiary, in person or by agent, assumes actual possession thereof, nor shall appointment of a receiver for the Mortgaged Properties by any court at the request of the Beneficiary or by agreement with Issuer, or the entry into possession of the Mortgaged Properties by such receiver, be deemed to make the Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Mortgaged Properties.

Section 3.13 Notice of Default Under the Leases. Issuer shall immediately give notice to the Beneficiary of any default under any of the Leases, together with a complete copy of any notices delivered to or by the tenant as a result of such default. The Beneficiary shall have the right, but not the obligation, to cure any default of Issuer under any of the Leases, and all amounts disbursed in connection with said cure shall be deemed to be a part of the indebtedness secured hereby. The Leases shall provide that the Beneficiary shall have the right, but not the obligation, to cure any default of Issuer under such lease.

Section 3.14 Form of the Lease to be Used. Issuer must obtain the prior written consent of the Indenture Trustee (at the Issuer's cost and expense) to the form of lease proposed to be used by Issuer with any tenant, and in consenting to any such form of lease, the Indenture Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of Bond Counsel stating that the exclusion of interest on the Bonds for federal income tax purposes will not be adversely affected by such form of lease.

ARTICLE 4 SECURITY AGREEMENT

Section 4.1 Grant of Security Interest. Without limiting any of the other provisions of this Deed of Trust or the Security Agreement and cumulative of the rights granted in the Security Agreement, Issuer, as Debtors (referred to in this Article 4 as "Debtors," whether one or more), expressly GRANT unto Beneficiary, as Secured Party (referred to in this Article 4 as "Secured Party," whether one or more), a security interest in all the Mortgaged Properties (including both those now and those hereafter existing) to the full extent that the Mortgaged Properties may be subject to the Uniform Commercial Code—Secured Transactions (Chapter 9, Business and Commerce Code of Texas, as amended) (hereinafter called the "Uniform Commercial Code").

Section 4.2 Debtors Covenants. Debtors covenant and agree with Secured Party as follows:

(a) In addition to any other remedies granted in this Deed of Trust to Secured Party or the Mortgage Trustee (including specifically, but not limited to, the right to proceed against all the Mortgaged Properties in accordance with the rights and remedies in respect of those Mortgaged Properties which are real property pursuant to section 9.501(d) of the Uniform Commercial Code), Secured Party may, should an Event of Default occur, proceed under the Uniform Commercial Code as to all or any part of the personal property (tangible or intangible) and fixtures included in the Mortgaged Properties (such portion of the Mortgaged Properties being referred to in this Article 4 as the "Collateral"), and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including, without limitation, the right and power to sell, at one or more public or private sales, or otherwise dispose of, lease, or utilize the Collateral and any part or parts thereof in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor, and to apply the proceeds thereof toward payment of any costs and expenses and attorneys' fees and legal expenses thereby incurred by Secured Party, and toward payment of the Secured Obligations in such order or manner as Secured Party may elect.

(b) Among the rights of Secured Party upon occurrence of an Event of Default and without limitation, Secured Party shall have the right, by any lawful means, to take possession of the Collateral or any part thereof and to enter, in any lawful manner, upon any premises where same may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned, and to take any lawful action deemed necessary or appropriate or desirable by Secured Party, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

(c) To the extent permitted by law, Debtors expressly waive any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and, to the extent any such notice is required and cannot be waived, Debtors agree that, if such notice is mailed, postage prepaid, to Debtors at the address shown opposite Debtors' signatures hereinbelow at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(d) Upon occurrence of an Event of Default or upon the occurrence of any event or condition which after either or both the passage of time and the giving of notice would constitute an Event of Default, Secured Party is hereby granted the express right, at its option, to transfer to itself or to its nominee, the Collateral, or any part thereof, to notify any obligor or account debtor in the case of any Collateral to make payment directly to Secured Party, and to receive the money, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for the Secured Obligations or to apply the same on the principal and interest or other amounts owing on any of the Secured Obligations, whether or not then due, in such order or manner as Secured Party may elect, subject to the Trust Agreement. **With respect to the Collateral, Debtors, for themselves, their heirs and assigns, hereby expressly and specifically waive all rights to a marshaling of the assets of Debtors, including the Collateral, or to a sale in inverse order of alienation.**

(e) All recitals in any instrument of assignment or any other instrument executed by Secured Party or by the Mortgage Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be full proof of the matters stated therein, no other proof shall be requisite to establish full legal propriety of the sale or other action or of any fact, condition or thing incident thereto, and all prerequisites of such sale or other action and of any fact, condition or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.

(f) Secured Party may require Debtors to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. Debtors shall be fully liable for all expenses of retaking, holding, preparing for sale, lease or other use or disposition, selling, leasing or otherwise using or disposing of the Collateral which are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses, and costs, all of which expenses and costs shall constitute a part of the Secured Obligations.

(g) Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the real estate hereinabove described, and this Deed of Trust upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral which is or may become fixtures. Debtors have an interest of record in the real estate.

(h) Any copy of this Deed of Trust which is signed by Debtors or any carbon, photographic, or other reproduction of this Deed of Trust may also serve as a financing statement under the

Uniform Commercial Code by Debtors, whose addresses are set opposite their respective signatures hereinbelow, in favor of Secured Party, whose address is set out hereinabove.

(i) So long as any Secured Obligations remain outstanding, unless the prior written specific consent and approval of Secured Party shall have first been obtained, Debtors will not execute and there will not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder.

Section 4.3 Debtors' Warranties and Representations. Debtors warrant and represent to Secured Party that, except for the security interest granted hereby in the Collateral, Debtors are the owners and holders of the Collateral, free of any adverse claim, security interest or encumbrance (other than Permitted Encumbrances), and Debtors agree to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein. Debtors further warrant and represent with respect to the Collateral that they have not heretofore signed any financing statement and that no financing statements signed by Debtors are now on file in any public office except those statements true and correct copies of which have been delivered to Secured Party.

ARTICLE 5 CERTAIN COVENANTS AND WARRANTIES OF ISSUER

Section 5.1 Covenants and Warranties of Issuer. As further assurances with regard to the Secured Obligations, the Issuer hereby covenants, warrants, and agrees in favor of Beneficiary, as follows:

(a) Issuer hereby agrees and binds itself to perform and pay the Secured Obligations and every installment of principal and interest thereof promptly as the same becomes due or payable.

(b) District, on behalf of the Issuer, has covenanted and agreed to pay all taxes and assessments of every kind or character charged, levied, or assessed against the Mortgaged Properties or any part thereof, before any such taxes or assessments become delinquent to pay all water, gas, sewer, electricity, and other utility rates and charges with regard to the Mortgaged Properties; to pay all maintenance fees or charges of any owners' association or like group assessed with respect to the Mortgaged Properties; to pay any ground rents or charges for any easement, license, or agreement existing for the benefit of the Mortgaged Properties; to pay any interest, costs or penalties with respect to the foregoing items; and, upon request of Beneficiary, to furnish to Beneficiary evidence of the timely payment of such items.

(c) Issuer or District, on behalf of the Issuer, shall, at its sole cost and expense, obtain and maintain (a) a loan policy of title insurance (in the amount of the Secured Obligations) and (b) the property and casualty insurance and coverage, the liability insurance, and the worker' compensation insurance in the amounts required by the Lease and such other insurance and in such amounts as the holder or holders of not less than 50% of the Secured Obligations then currently outstanding (the "Requisite Percentage of Holders") shall from time to time reasonably require, all in form and substance satisfactory to Beneficiary, and bearing such endorsements as shall be deemed necessary by Beneficiary, including without limitation an endorsement making Beneficiary an additional insured thereunder, and an endorsement making all insurance proceeds under such policies payable to Beneficiary and the holders of the Secured Obligations not required by the Lease, as the primary loss payees. All insurance policies shall be on a non-reporting basis. All such insurance policies shall be with financially responsible and substantial insurance companies with a Best's rating of A (General Rating), VIII (Financial Size Category) or better. A program or plan qualifying under the Interlocal Cooperation Act, Chapter 791, Title 7, Texas Government Code shall be deemed to meet these requirements. All losses payable under such fire and hazard insurance

shall be payable to Beneficiary pursuant to a standard non-contributing mortgagee clause. The originals or copies of all policies of insurance (certified as true and correct copies), stamped "paid" in each case, or, certificates on which Beneficiary may rely, shall be deposited with Beneficiary. Each insurer shall agree by endorsement upon the policy or policies issued by it, or by independent instruments furnished to Beneficiary, that it will give Beneficiary thirty (30) days' prior written notice before any such policy or policies shall be altered or canceled, and that no act or default of Issuer or any other person shall affect the right of Beneficiary to recover under such policy or policies in case of loss or damage.

(d) District, on behalf of the Issuer, has covenanted and agreed to keep and maintain the Improvements now or at any time hereafter constituting a portion of the Mortgaged Properties in a state of good repair and condition; to make all repairs, replacements, reconstructions and restorations necessary to keep such Improvements in such condition; and, not to tear down or remove or permit to be torn down or removed any such Improvements now existing or hereafter erected.

(e) Issuer covenants and agrees that, should it be discovered after the execution and delivery hereof, that there is a lien or encumbrance of any nature whatsoever (other than Permitted Encumbrances) upon the Mortgaged Properties or any part thereof, equal or superior in rank to the lien of this Deed of Trust, or in case of an error or defect herein, or the execution or acknowledgment hereof, Issuer shall, upon demand from Beneficiary, correct such defects in such title, or remove said liens or encumbrances or homestead claim, or correct such error or defect in this Deed of Trust or its execution or any acknowledgment hereof.

(f) Issuer covenants and agrees that, after any sale under this Deed of Trust, it, or its successors or assigns, shall be mere tenants at sufferance of the purchaser of the property at said sale, and that such purchaser shall be entitled to immediate possession thereof, and that, if Issuer fails to vacate such property immediately, such purchaser may and shall have the right to go into any justice court having venue, or in any other court hereafter having jurisdiction of forcible detainer actions, and file an action in forcible detainer, which action shall lie against Issuer or its successors or assigns as tenants at sufferance.

(g) Issuer expressly agrees that Beneficiary shall be fully subrogated to the rights of all holders of any vendor's liens or other liens whose indebtedness is paid in whole or in part with the proceeds of the Secured Obligations. To the extent that the Secured Obligations represent funds advanced for the acquisition of any of the Mortgaged Properties, Issuer acknowledges and agrees that Beneficiary is entitled to a vendor's lien securing the payment of said indebtedness, and Issuer further specifically covenants, stipulates and agrees that foreclosure under the power of sale contained in this Deed of Trust shall operate to fully foreclose such vendor's lien.

(h) Issuer covenants and agrees that Beneficiary shall treat (i) any sale, transfer, or conveyance of the Mortgaged Properties or any interest therein, or (ii) any "change in control" (hereinafter defined) of Issuer, or any of them, as an Event of Default, and thereupon may invoke any remedies permitted by this Deed of Trust. The term "change in control" within the meaning of this paragraph 5.1(h) shall mean with respect to Issuer any consolidation of the District with another school district, or a proposed dissolution of the District, which would allow the consolidated or successor school district to direct the management or policies of Issuer.

(i) With the exception of Permitted Encumbrances, Issuer covenants and agrees that Beneficiary shall treat any mortgage, pledge, hypothecation, or encumbrance of the Mortgaged Properties or any interest therein (herein collectively referred to as "Pledge"), whether or not such Pledge is expressly subordinate to the lien of this Deed of Trust, as an Event of Default and thereupon may invoke any remedies permitted by this Deed of Trust.

(j) Issuer will not permit removal of any item of personal property or fixtures constituting a portion of the Mortgaged Properties unless, simultaneously therewith, such item is replaced by a like item of equal or greater value and in good working condition with the lien and security interest of this Deed of Trust to attach to such replacement item free from any other lien, security interest, conditional sale, title retention, lease, or other encumbrance.

(k) Issuer will give Beneficiary prompt notice of any casualty loss, threat of condemnation, condemnation, or taking affecting all or any portion of the Mortgaged Properties.

(l) In the event the Secured Obligations shall become due and payable by virtue of an Event of Default, Issuer agrees that any tender of payment of the Secured Obligations prior to a foreclosure sale shall, at the option of Beneficiary, be deemed a voluntary prepayment by Issuer requiring the payment of any prepayment penalty, or redemption premium required under the terms of the Secured Obligations to the full extent that such payment, when added to all other amounts then and theretofore paid and which constitute interest, would not exceed the maximum lawful interest permitted to be charged of Issuer.

ARTICLE 6 DEFAULTS

Section 6.1 Event of Default. Should any of the following events or conditions occur, the same shall constitute an event of default under this Deed of Trust (herein called "Event of Default"):

(a) Issuer shall fail or refuse to pay all or any portion of the Secured Obligations when due, subject to any grace periods applicable to such payments in the documents evidencing such Secured Obligations.

(b) Issuer shall fail to perform or to fulfill in a timely manner any other of the Secured Obligations, including specifically, but not limited to, the covenants and obligations of Issuer contained in this Deed of Trust, subject to any applicable grace periods contained in this Deed of Trust or the documents evidencing and securing the Secured Obligations.

(c) Any warranty or representation of Issuer set forth in this Deed of Trust shall prove untrue in any material respect.

(d) Issuer shall become insolvent, be the subject of an order for relief, or a custodian, receiver, or other such officer of its property be appointed, or should any liquidation, reorganization, arrangement, or other proceeding under any bankruptcy law or other law for the relief of debtors be requested by or instituted against Issuer.

(e) There shall occur any levy or execution of any attachment, execution, or other process against any of the Mortgaged Properties, unless timely and completely stayed by appropriate proceedings.

(f) Any event of default under the Trust Agreement.

(g) An Event of Nonappropriation (as defined in the Lease) or an event of default shall have occurred under the Lease.

(h) Any sale, transfer, or conveyance of the Mortgaged Properties or any interest therein, or any change in control of the Issuer.

(i) Any mortgage, pledge, hypothecation, or encumbrance of the Mortgaged Properties or any interest therein.

Section 6.2 Remedies. Upon the occurrence of an Event of Default, so long as such default remains uncured, Beneficiary shall have the option and right to take any one or more of the following actions: (i) without demand, presentment, notice of intent to accelerate, notice of acceleration, or other notice or demand, all of which are expressly waived by Issuer, declare the Secured Obligations immediately due and payable, (ii) proceed to enforce the lien of this Deed of Trust, and (iii) pursue any and all other remedies available to Beneficiary whether set forth herein or otherwise available at law or in equity; provided, however, if an Event of Default occurs which is not the result of an action or omission by the District, the District may not be deprived of its rights with respect to the Project as provided in Section 3.1 of the Lease, including its right of possession and use of the Project and its right to exercise its option to purchase.

Section 6.3 Remedies Cumulative. Each of the rights and remedies set forth in this Deed of Trust or available at law or in equity shall be cumulative and concurrent, may be pursued jointly or severally against Issuer or any of the Mortgaged Properties, and shall be nonexclusive. The election to pursue any such right or remedy shall not be deemed a waiver, then or thereafter, to pursue any other such right or remedy.

Section 6.4 No Waiver. The acceptance of payment of any portion of the Secured Obligations after its due date or after the giving of notice of an Event of Default and of election to accelerate the maturity of the Secured Obligations shall not waive any right of Beneficiary to require prompt payment when due of all other sums constituting Secured Obligations or to declare an Event of Default for failure to pay the entire unpaid balance of the Secured Obligations, or any right of Beneficiary to proceed with foreclosure sale pursuant to any such notice and acceleration for any unpaid balance of the Secured Obligations. Waiver of a right granted to Beneficiary as to one transaction or occurrence shall not be deemed a waiver of such right as to any subsequent transaction or occurrence,

ARTICLE 7 CERTAIN REMEDIES; POWER OF SALE

Section 7.1 Beneficiary's Right to Advance. In the event that the District or the Issuer fails or refuses to pay any taxes or assessments upon the Mortgaged Properties before the same become delinquent, fails to take out or procure or maintain such insurance as is required by the Lease or this Deed of Trust, or fails to perform any other covenant or to pay any other obligation of the District or the Issuer set forth in the Lease or this Deed of Trust or set forth in any other agreement or instrument evidencing or securing the Secured Obligations, then in any such case Beneficiary, at its option and without any obligation to do so, may pay any such taxes or assessments (without being required to examine the legality or justice of same), take out or procure such insurance, or tender such performance or payment. All amounts advanced by Beneficiary as aforesaid shall be due and payable upon demand, shall become a part of the Secured Obligations, shall bear interest from the date such payments are advanced until the repayment thereof at the highest nonusurious rate of interest set forth in the instruments evidencing the Secured Obligations, and shall be fully secured by the liens, assignments, and security interest of this Deed of Trust. Any amounts so paid, as well as the time of payment thereof, shall be deemed fully established by the affidavit or certificate of the Indenture Trustee or Beneficiary. Issuer agrees that the payment of such taxes or assessments, the procuring and maintaining of such insurance, or the tendering of any such performance or payment by Beneficiary shall not prevent Beneficiary from declaring the Secured Obligations to be due and payable under the provisions hereof by reason of such Event of Default and pursuing any other remedies available to Beneficiary should Beneficiary so elect.

Section 7.2 Trustee to Sell Upon Request of Beneficiary. Upon failure to perform or to pay the Secured Obligations, or any part thereof, when the same shall become due, in whatever way the maturity thereof may be brought about, it shall thereupon, or at any time thereafter while any part of the Secured Obligations remains undischarged, be the duty of the Mortgage Trustee, or his successors, as hereinafter provided, at the request of Beneficiary (which request shall be presumed), to enforce this trust and to sell the Mortgaged Properties, as an entirety or in parcels, by one sale or by several sales, held at one time or at different times, all as the Mortgage Trustee acting may elect, each sale to be held at the location within the county courthouse designated for the holding of nonjudicial foreclosure sales by the Commissioners Court of any county in which a part of the real property to be sold is situated (or if no area has been so designated, then in an area within said courthouse described in the notice referred to in Section 7.3) and to be made on the day of the month authorized by the Texas Property Code for the conduct of such sale between the hours of 10 o'clock a.m. and 4 o'clock p.m. to the highest bidder for cash at public venue, after the Mortgage Trustee (or a person or persons selected by the Mortgage Trustee) and Beneficiary shall have given notices of the proposed sale in the manner hereinafter set forth, and to make due conveyance to the purchaser or purchasers, with general warranty of title (subject to Permitted Encumbrances) to such purchaser or purchasers binding upon Issuer, its successors and assigns. Such sale must begin at the time stated in the notice referred to in Section 7.3 or not later than three hours after that time. Issuer, for itself, its successors and assigns, hereby expressly and specifically waives all rights to a marshaling of the assets of Issuer, including the Mortgaged Properties, or to a sale in inverse order of alienation.

Section 7.3 Required Notices. The Mortgage Trustee (or a person or persons selected by the Mortgage Trustee) shall give notice of each such proposed sale by posting written notice of the time, place, and terms of sale at the courthouse door, and by filing a copy of such written notice in the office of the county clerk, of the county in which the sale is to be made for at least twenty-one (21) consecutive days preceding the date of the sale. Where real properties to be sold are situated in more than one county, one notice shall be posted at the courthouse door, and a copy of such notice shall be filed with the county clerk, of each county in which a part of the real properties to be sold is situated, and such notices shall designate the county where such real properties will be sold, which may be any county in which a part of said real properties is situated. In addition to the foregoing notice or notices to be posted and filed by the Mortgage Trustee (or a person or persons selected by the Mortgage Trustee), Beneficiary shall, at least twenty-one (21) days preceding the date of sale, serve or cause to be served, written notice of the proposed sale by certified mail on each debtor obligated to pay the Secured Obligations or part thereof according to the records of Beneficiary. The service of such notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper or postage prepaid envelope or package, properly addressed to each such debtor at the most recent address (which shall be within the United States of America) as shown by the records of Beneficiary, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed shall be prima facie evidence of the fact of service. In this respect and to the full extent it may legally do so, Issuer also expressly covenants, stipulates, and agrees that: (i) the address of Issuer set out in Article 10 hereof shall be deemed and considered conclusively to be and remain at all times the most recent address of all debtors obligated to pay the Secured Obligations or part thereof as shown by the records of Beneficiary, provided such address may be changed to some other address within the United States of America from time to time only by express written notice of change thereof signed by all debtors obligated to pay the Secured Obligations or part thereof and actually delivered to and received by Beneficiary and setting forth a new address which shall be within the United States of America and which shall be deemed and considered conclusively to be and remain at all times thereafter the most recent address of all debtors obligated to pay such Secured Obligations or part thereof as shown by the records of Beneficiary until changed in the manner herein provided, (ii) the records of Beneficiary shall not be deemed to reflect any change in the name or identity of the debtors obligated to pay the Secured Obligations or part thereof (to whom notice of a proposed sale shall be required to be mailed as provided for above) unless and until

express written notice of such change signed by all debtors obligated to pay the Secured Obligations or part thereof shall have been actually delivered to and received by Beneficiary, and (iii) no notice of such sale or sales other than the notices hereinabove provided shall be required to be given to Issuer or any other persons, and any other notice is expressly waived.

Section 7.4 Compliance with Texas Property Code Requirements. The provisions of Section 7.3 with respect to posting, serving, filing, and giving notices of sale are intended to comply with the provisions of Section 51.002 of the Property Code of the State of Texas (in this Section 7.4 such Section 51.002 being called the "Subject Statute"). In the event the requirement for any notice, or the posting, serving, filing, or giving thereof, under the Subject Statute shall be eliminated or the prescribed manner of posting, serving, filing, or giving same is modified by future amendment to the Subject Statute, the requirement for such particular notice shall be stricken from, or the manner of posting, serving, filing, or giving any notice hereunder modified in, this Deed of Trust in conformity with such amendment. The manner herein prescribed for posting, serving, filing, or giving any notice, other than that to be posted and filed or caused to be posted and filed by the Mortgage Trustee, shall not be deemed exclusive, but such notice or notices may be posted, served, filed, or given in any other manner which may be permitted by applicable law. Further, in relation to this Deed of Trust and the exercise of any power of sale by the Mortgage Trustee hereunder, if the Subject Statute shall be amended or modified to require any other notice or the posting, filing, serving, or giving thereof or any statute hereafter enacted shall require any other notice or the posting, filing, serving, or giving thereof, the Mortgage Trustee or the person selected by him is hereby authorized and empowered by Issuer to give such notice or make such posting, filing, serving, or giving thereof; provided, however, Issuer waives such other notice or the posting, filing, serving, or giving thereof to the full extent Issuer may lawfully so do.

Section 7.5 Credit Bid, Right to Purchase by Beneficiary and Application of Proceeds. At any sale conducted under this Deed of Trust, credit upon all or any part of the Secured Obligations shall be deemed cash paid for the purpose of this Section 7.5, and the holder of all or any part of the Secured Obligations may purchase at any such sale. With the proceeds arising from such sale or sales, the Mortgage Trustee shall apply the proceeds in the following order:

- (a) first, to payment of all expenses of advertising, sale and conveyance, including the reasonable fees and expenses of the Mortgage Trustee acting;
- (b) next, to the payment of all principal, interest and costs legally due and secured hereby, in such order and priority as set forth in Section 5.12 of the Trust Agreement; and
- (c) next, any remaining proceeds to the Issuer.

Section 7.6 Installment Foreclosure. Without limiting any of the powers or remedies provided elsewhere, Issuer agrees that, in the event the Secured Obligations are payable in installments or include, at any time, items of matured as well as unmatured indebtedness, the holder of the matured installments or items of indebtedness, as the case may be, shall have the right to have the Mortgaged Properties sold, subject to the part of the Secured Obligations which is unmatured at the time the Mortgage Trustee is requested to make such sale, at Mortgage Trustee's sale to satisfy the lien and security interest hereof securing the then matured portion of said indebtedness, and the Mortgage Trustee is expressly authorized and empowered to conduct such sale which is called in this Section 7.6 "Installment Foreclosure." Any Installment Foreclosure made under this Section 7.6 shall not affect the liens, assignments, and security interest of this Deed of Trust existing to secure that portion of the Secured Obligations to which the sale is to be made subject. No Installment Foreclosure shall exhaust the power of the Mortgage Trustee to conduct future Installment Foreclosures nor in anywise limit the powers of sale provided elsewhere in this Deed of Trust. The

provisions elsewhere in this Deed of Trust relating to manner of conducting Mortgage Trustee's sales, including the posting, filing, and giving of notices thereof, shall also apply to any Installment Foreclosure, and the same presumptions shall be applicable to any Mortgage Trustee's deed or recital therein contained in connection with an Installment Foreclosure and to any other affidavit as hereinabove provided.

Section 7.7 Appointment of a Substitute Mortgage Trustee. In the case of the absence of the Mortgage Trustee from the state, or of his death, refusal, or failure to act, or in the event the Requisite Percentage of Holders or the Indenture Trustee should elect at any time (with or without cause) to remove the Mortgage Trustee then acting, a successor or substitute may be named, constituted, and appointed, without further formality other than an appointment and designation in writing, which appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Successor or Substitute Mortgage Trustee the title, powers, and duties conferred on the Mortgage Trustee named herein, and the conveyance by the Successor or Substitute Mortgage Trustee to the purchaser at any sale made pursuant hereto shall be valid and effective as fully as hereinabove provided in the case of a conveyance by the Mortgage Trustee. Such right to appoint a Successor or Substitute Mortgage Trustee shall exist as often as and whenever the Mortgage Trustee, original, successor, or substitute, cannot or will not act or has been removed.

Section 7.8 Recitals Conclusive. Issuer specifically covenants and stipulates that: the recitals in the conveyance made to the purchaser, either by the Mortgage Trustee or any Successor or Substitute Mortgage Trustee, shall be full proof and evidence of the matters therein stated; no other proof shall be requisite of the request by the holder of the Secured Obligations or the Mortgage Trustee or on any Successor or Substitute Mortgage Trustee to enforce this trust, or of the due, timely, and proper posting, filing, and giving of all notices and making of the sale, or any particulars thereof or of the inability, refusal, or failure of the Mortgage Trustee or any Successor or Substitute Mortgage Trustee to act, or of the removal of the Mortgage Trustee or any Successor or Substitute Trustee, or of the appointment of a Successor or Substitute Mortgage Trustee, as herein provided, either as to the legality of his appointment or otherwise, or of the contingencies which brought about the failure or inability of the Mortgage Trustee or any Successor or Substitute Mortgage Trustee to act, or of his removal, as the case may be; all prerequisites of said sale shall be presumed to have been performed; and any sale made under the powers herein granted shall be a perpetual bar against Issuer, its successors and assigns.

Section 7.9 Right of Sale not Exhausted. The right of sale hereunder shall not be exhausted by one or any sale, but, so long as any of the Secured Obligations remain undischarged, the Mortgage Trustee or Successor or Substitute Trustee may make other and successive sales until all the Mortgaged Properties shall be legally sold.

Section 7.10 Purchaser's Right to Disaffirm Junior Encumbrances. The purchaser at any foreclosure sale may disaffirm any easement granted or rental, lease or other contract made in violation of any provision of this Deed of Trust, and may take immediate possession of the Mortgaged Properties free from, and despite the terms of, such grant of easement or rental or lease contract.

Section 7.11 Appointment of Receivers.

(a) If an Event of Default occurs and is continuing, a receivership may be necessary to protect the Mortgaged Properties, whether before or after maturity of the Secured Obligations, or at the time of or after the institution of suit to collect the principal of, premium (if any), or interest on the Secured Obligations, or to enforce this Deed of Trust; accordingly, the Mortgage Trustee, at the direction of the Beneficiary, shall, as a matter of strict right and regardless of the value of the Mortgaged Properties or of the solvency of any party bound for the payment of the Secured Obligations, have the right to the

appointment on application and notice to the Issuer, by any court having jurisdiction, of a receiver to take charge of, manage, preserve, protect, and operate the Mortgaged Properties and any business or businesses located thereon, to collect the revenues, rents, issues, profits, products, and income thereof, to make all necessary and needed repairs, to complete the construction of any Improvements which have been undertaken but not completed, to pay all taxes and assessments against the Mortgaged Properties and insurance premiums for insurance thereon, and after the payment of the expenses of the receivership, including reasonable attorneys' fees to the Mortgage Trustee's attorney, and after compensation for management of the Mortgaged Properties, to apply the net proceeds to pay the Secured Obligations or in such manner as the court shall direct. All such expenses shall be secured by the lien of this Deed of Trust until paid.

(b) The receiver or its agents shall be entitled to enter upon and take possession of any part and all of the Mortgaged Properties, together with any and all businesses conducted and all business assets used therewith or thereon, or any part or parts thereof, and to operate and conduct the business or businesses, or complete construction of Improvements, to the same extent and in the same manner as the Issuer might lawfully do. The receiver, personally or through its agents or attorneys, may exclude the Issuer and its subsidiaries, agents, servants, and employees wholly from the Mortgaged Properties (provided, however, if an Event of Default occurs which is not the result of an action or inaction by the District, the District may not be deprived of its rights with respect to the Project as provided in Section 3.1 of the Lease, including its right of possession and use of the Project and its right to exercise its option to purchase) and may have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Issuer, its subsidiaries or agents, may exercise all of their rights and powers and use all of the then existing items of security and collateral, materials, current supplies, stores, and assets and, at the expense of Mortgaged Properties, may maintain, restore, complete construction, insure, and keep insured the properties, equipment, and apparatus provided or required for use in connection with such business or businesses, and may make all necessary and proper repairs, renewals, and replacements and all such useful alterations, additions, betterments, and improvements as the receiver may deem judicious.

(c) Such receivership shall, at the option of the Beneficiary, continue until full payment of the Secured Obligations, title to and interest in the Mortgaged Properties having passed by foreclosure sale under this Deed of Trust, or the Event of Default having been cured.

Section 7.12 Application of Proceeds. The Mortgage Trustee acting shall pay, distribute, and apply the proceeds of any disposition of the Mortgaged Properties to the Beneficiary for deposit and use as provided in Section 7.5 above. Said disposition shall forever be a bar against the Issuer, its legal representatives, successors and assigns, and all other persons claiming under any of them. It is expressly agreed that the recitals in each conveyance to the purchaser shall be full evidence of the truth of the matters therein stated, and all lawful prerequisites to said disposition shall be conclusively presumed to have been performed.

Section 7.13 Remedies Not Exclusive. No lien, right, or remedy herein conferred upon or otherwise available to the Mortgage Trustee is intended to be or shall be construed to be exclusive of any other available lien, right, or remedy, but each and every such lien, right, or remedy shall be cumulative and shall be in addition to every other lien, right, or remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power, or remedy accruing upon any default or Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such default or Event of Default, or an acquiescence therein, but every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any default or Event of Default hereunder shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon. The giving, taking, or enforcement of

any other or additional security, collateral, or guaranty for the payment of the Secured Obligations shall not operate to prejudice, waive, or affect the security of this Deed of Trust or any rights, powers, or remedies hereunder, nor shall the Mortgage Trustee be required to first look to, enforce, or exhaust such other additional security, collateral, or guarantees.

Section 7.14 Abandonment of Sale: Termination of Proceedings.

(a) If foreclosure should be commenced by the Mortgage Trustee, the Beneficiary may at any time before the sale direct the Mortgage Trustee to abandon the sale, and may at any time or times thereafter direct the Mortgage Trustee to again commence foreclosure; or, irrespective of whether foreclosure is commenced by the Mortgage Trustee, the Beneficiary may at any time after an Event of Default as described in Article 6 of this Deed of Trust institute suit for collection of all or any part of the Secured Obligations or foreclosure of the lien of this Deed of Trust or both. If the Beneficiary should institute suit for collection of the Secured Obligations and foreclosure of this Deed of Trust, the Beneficiary may at any time before the entry of final judgment dismiss the same and require the Mortgage Trustee to sell the Mortgaged Properties in accordance with the provisions of this Deed of Trust.

(b) In case the Mortgage Trustee shall have proceeded to enforce any right under this Deed of Trust by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Mortgage Trustee, then and in every such case the Issuer, the Mortgage Trustee, and the Beneficiary shall be restored to their former positions and rights hereunder, and all rights, remedies, and powers of the Mortgage Trustee shall continue unimpaired as if no such proceedings had taken place.

Section 7.15 Waivers.

(a) All rights of marshalling of assets or sale in inverse order of alienation in the event of foreclosure of any lien at any time securing the Secured Obligations or any part thereof (including, but not limited to, the lien hereby created) are hereby waived.

(b) The Issuer agrees, to the full extent permitted by law, that in case of an Event of Default hereunder, neither the Issuer nor anyone claiming through or under it shall set up, claim, or seek to take advantage of any appraisal, valuation, stay, extension, homestead, dower, elective share, exemption, or redemption (or "equity of redemption") laws, statutory or otherwise, now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, or the absolute sale of the Mortgaged Properties, or the delivery of possession thereof immediately after such sale to the purchaser at such sale, and the Issuer, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully do so, the benefit of all such laws.

(c) To the extent allowed by applicable law, the Issuer shall not at any time insist upon or plead or in any manner whatever claim or take the benefit or advantage of any stay or extension law or any law exempting the Mortgaged Properties from attachment, levy, or sale on execution now or at any time hereafter in force in any locality where the Mortgaged Properties or any part thereof may or shall be situated, and the Issuer hereby expressly waives all benefit and advantage of any such law or laws and covenants that the Issuer will not hinder, obstruct, delay, or impede the execution of any power herein granted and delegated to the Mortgage Trustee, but that the Issuer will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

Section 7.16 Exculpation of Mortgage Trustee. The Mortgage Trustee shall have no duties and shall not be obligated to perform any acts other than those herein expressly set forth or intended. Without

limitation, the Mortgage Trustee shall not be responsible for the execution, acknowledgment, or validity of this Deed of Trust, or of any instrument amendatory hereof or supplemental hereto or of the Trust Agreement or of the Secured Obligations or of any other indebtedness, or for the sufficiency of the security purported to be created hereby. The Mortgage Trustee shall not incur any personal liability hereunder except for its own willful neglect or willful misconduct and the Mortgage Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. The Mortgage Trustee shall be entitled to reimbursement for all expenses incurred by it in the performance of its duties, and shall be entitled to reasonable compensation for such of its services as shall be rendered.

ARTICLE 8 CONDEMNATION AND CASUALTY LOSS

Section 8.1 Condemnation. If the Mortgaged Properties, or any part thereof, shall be condemned or taken for public use under the power of eminent domain, Beneficiary shall have the right to demand all awards and damages for such taking of or injury to the Mortgaged Properties be paid to Beneficiary. To the extent such money is received by Beneficiary, Beneficiary shall apply the same, less the reasonable costs of collecting such sums as provided in Section 9.1 of the Lease.

Section 8.2 Casualty. Should the Mortgaged Properties be wholly or partially destroyed or damaged by fire, explosion, windstorm, or other insured casualty, Beneficiary shall have the right to collect, receive, and receipt for, in the name of Issuer or otherwise, any and all money that may become payable or collectible upon any policy of insurance by reason of such damage to or destruction of the Mortgaged Properties. To the extent such money is received by Beneficiary, Beneficiary shall apply the same or so much thereof as is necessary, less the reasonable expense of collecting such funds as provided in Section 9.1 of the Lease.

ARTICLE 9 AMENDMENTS OF AND SUPPLEMENTS TO THIS DEED OF TRUST AND OTHER DOCUMENTS

Section 9.1 Amendments and Supplements with Consent: Limitations. With the prior written consent of the Requisite Percentage of Holders, (a) Beneficiary and Issuer may at any time and from time to time enter into a supplemental deed of trust for the purpose of adding provisions to, or changing or eliminating provisions of, this Deed of Trust, and (b) Issuer and Beneficiary may execute and deliver any written waiver or modification of the terms of this Deed of Trust; provided, however, that no such consent shall be necessary to empower or permit the parties to this Deed of Trust and the other agreements and instruments referred to in Section 9.2 hereof to execute the agreements and instruments and take the actions referred to therein for any of the purposes specified therein; and provided, further, that without the consent of each holder of any Secured Obligations to be affected by such supplemental deed of trust, amendment, supplement, waiver or modification, no such instrument or act shall:

- (a) modify any of the provisions of this Section 9.1 hereof, the definitions of the term "Event of Default" as such term is defined, directly or by cross-reference, herein (except to add additional events of default);
- (b) reduce, amend or modify any indemnities (except to add additional indemnities in favor of the holders of any Secured Obligations);
- (c) adversely affect the Project or the lien of this Deed of Trust thereon; or

(d) reduce any percentage in aggregate principal amount of the Secured Obligations outstanding specified herein the holders of which are empowered under the provisions hereof to take any action hereunder or to permit or compel either Issuer or Beneficiary to take, suffer or omit any action;

provided, however, that without the consent of each holder of any Secured Obligations, no such supplemental deed of trust or waiver or modification of the terms hereof shall permit the creation of any Lien on the Project or any portion thereof, or deprive the holder of any Secured Obligations then outstanding of the lien of this Deed of Trust on the Project. Any supplemental deed of trust or other agreement, instrument or action made, entered into or taken in a manner inconsistent with or contrary to the provisions of this Article 9 shall be void and of no effect.

Section 9.2 Amendments; Supplements, and Consents Not Requiring Consent of Holders. Except as provided below, no written consent under Section 9.1 hereof shall be required to empower Beneficiary at any time or from time to time to enter into any supplemental deed of trust with Issuer:

(a) to add to the covenants and agreements of Issuer contained in this Deed of Trust additional covenants or agreements of Issuer or conditions or restrictions upon Issuer, or to surrender or eliminate any right, power or privilege granted to or conferred upon Issuer in this Deed of Trust;

(b) to cure any minor ambiguity, or formal defect or omission, contained herein or in any of the other said agreements or instruments (provided, however that the interests of the holders of the Secured Obligations shall not be adversely affected thereby);

(c) to correct or amplify the description of the Project (provided however, that the interests of the holders of the Secured Obligations shall not be adversely affected thereby) or to reflect any release of any property from the Project pursuant to the express terms hereof;

(d) to qualify this Deed of Trust under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, except that nothing in this clause (d) shall permit or authorize any provision permitted in Section 316(a)(2) of said act or any corresponding provisions of any similar federal statute; or

(e) to grant to Beneficiary additional property, rights, remedies, powers or privileges, in trust, for the purposes of this Deed of Trust.

Section 9.3 Consent to Substance Not Form. It shall not be necessary for any written consent of the holders of outstanding Secured Obligations, as the case may be, or of Issuer given pursuant to Section 9.1 hereof to specify the particular form of the proposed documents to be executed and delivered pursuant to said Section 9.1, but it shall be sufficient if such consent shall be given in writing to the substance thereof.

Section 9.4 Documents Mailed to Holders. Beneficiary shall mail, by certified mail, postage prepaid, a photocopy or conformed copy thereof, of any agreement or instrument entered into pursuant to Section 9.1 or 9.2 hereof, to each holder of any Secured Obligations at its address shown in the Bond register maintained by the Indenture Trustee.

Section 9.5 Arbitration. Issuer will not, without the prior written consent of Beneficiary and the Requisite Percentage of Holders, submit to arbitration any question, dispute or other matter arising under the Trust Agreement, the Lease, this Deed of Trust, or any document relating to the Secured Obligations.

Section 9.6 Beneficiary Protected. If, in the opinion of the institution acting as Beneficiary hereunder, any document required to be executed pursuant to the terms of Sections 9.1 and 9.2 hereof affects any right, duty, immunity or indemnity with respect to it under this Deed of Trust, Beneficiary may, in its discretion, decline to execute such document.

ARTICLE 10 MISCELLANEOUS

Section 10.1 Severability. In the event any item, term, or provision contained in this Deed of Trust is in conflict or may be held hereafter to be in conflict with any applicable laws, this Deed of Trust shall be affected only as to its application to such item, term, or provision and shall in all other respects remain in full force and effect.

Section 10.2 Captions and Titles. All article and section titles or captions contained in this Deed of Trust or in any schedule or exhibit hereto are for convenience only and shall not be deemed a part of this Deed of Trust and shall not affect the meaning or interpretation of this Deed of Trust.

Section 10.3 Usury Savings Clause. Issuer and Beneficiary specifically intend and agree to limit contractually the amount of interest payable under this Deed of Trust, the Secured Obligations, and all other instruments and agreements related hereto and thereto to the maximum amount of interest lawfully permitted to be charged under applicable law. Therefore, none of the terms of this Deed of Trust, the Secured Obligations, or any instrument pertaining to or relating to this Deed of Trust or the Secured Obligations shall ever be construed to create a contract to pay interest at a rate in excess of the maximum rate permitted to be charged under applicable law, and neither Issuer nor any other party liable or to become liable hereunder, under the Secured Obligations, or under any other instruments and agreements related hereto and thereto shall ever be liable for interest in excess of the amount determined at such maximum rate, and the provisions of this paragraph shall control over all other provisions of this Deed of Trust, the Secured Obligations, or of any other instrument pertaining to or relating to the transactions herein contemplated. If any amount of interest taken or received by Beneficiary shall be in excess of said maximum amount of interest which, under applicable law, could lawfully have been collected by Beneficiary incident to such transactions, then such excess shall be deemed to have been the result of a mathematical error by all parties hereto and shall at the election of Beneficiary, either be applied as credit against the then unpaid principal amount of the Secured Obligations or refunded promptly to the party paying such amount. All amounts paid or agreed to be paid in connection with such transactions which would under applicable law be deemed "interest" shall, to the extent permitted by such applicable law, be amortized, prorated, allocated, and spread throughout the stated term of the Secured Obligations. "Applicable law" as used in this paragraph means that law in effect from time to time which lawfully permits the charging and collection of the highest permissible lawful, nonusurious rate of interest on the transactions herein contemplated, including laws of the State of Texas and of the United States of America; and "maximum rate" as used in this paragraph means, with respect to each portion of the Secured Obligations, the maximum lawful, nonusurious rate of interest (if any) which under applicable law Beneficiary is permitted to charge from time to time with respect to such portion of the Secured Obligations.

Section 10.4 Additional Security. Issuer agrees that no other security, now existing or hereafter taken, for the Secured Obligations shall be impaired or affected in any manner by the execution hereof; no security subsequently taken by any holder of the Secured Obligations shall impair or affect in any manner the security given by this Deed of Trust; all security for the payment of the Secured Obligations shall be taken, considered, and held as cumulative; and the taking of additional security shall at no time release or impair any security by endorsement or otherwise previously given. Issuer further agrees that any part of the security herein described may be released without in anywise altering, varying, or diminishing the force,

effect, or lien of this Deed of Trust, or of any renewal or extension of said lien, and that this Deed of Trust shall continue as a first lien, assignment, and security interest on all the Mortgaged Properties not expressly released until all Secured Obligations are fully discharged and paid.

Section 10.5 Suit Not an Election of Remedies. The filing of a suit to foreclose any lien, assignment, or security interest under this Deed of Trust either on any matured portions of the Secured Obligations or for all Secured Obligations shall never be considered an election so as to preclude foreclosure under any power of sale herein contained after dismissal of the suit.

Section 10.6 Rules of Construction. The term "Issuer" as used herein shall include not only the party designated as Issuer that executes this Deed of Trust but also the respective legal representatives, successors and assigns of such party. Whenever the context requires, the gender of words used herein shall include the masculine, feminine, and neuter, and number of words used herein shall include the singular and the plural.

Section 10.7 District's Limited Right to Maintain Hazardous Materials. In operating the Project as a public school, District may have need to use and store above ground reasonable quantities of Hazardous Materials (defined below) at the Project; provided, that prior to generation, manufacture, storage, use or disposal of or transport of Hazardous Materials at, to or from the Project, District shall provide Issuer and Beneficiary with thirty (30) days advance written notice of that fact. Issuer and Beneficiary shall have the right, in their sole and absolute discretion, to withhold their consent to such activity by notice in writing delivered to District given within ten (10) days after receipt of District's notice regarding activities related to Hazardous Materials. District agrees to furnish, upon reasonable request of either Issuer or Beneficiary, any and all information regarding Hazardous Materials existing or to be in existence at the Project including, without limitation, inventory records, manifests and material safety limitations, and material safety data sheets.

Section 10.8 Environmental Matters. Except as provided in Section 10.7 above, the Issuer covenants that: (a) no substances, including without limitation, asbestos or any substance containing asbestos, deemed hazardous under any Hazardous Material Law (defined below), the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, petroleum, petroleum fractions, petroleum distillates, chemicals known to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions or related materials and any items included in the definitions of "hazardous waste," "hazardous materials," "hazardous substances," "toxic waste," "toxic materials" or "toxic substances" (collectively "Hazardous Materials") under any law relating to environmental conditions or industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Water Act of 1972, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, decrees now or hereafter promulgated thereunder (individually and collectively, "Hazardous Materials Law"), shall hereafter be installed, used, generated, manufactured, treated, handled, refined, produced, processed, stored or disposed of, released or otherwise placed in, on or under all or any part of the Project; (b) no activity shall hereafter be undertaken on all or any part of the Project which would cause (i) all or any part of the Project to become a treatment, storage or disposal facility for hazardous waste or hazardous material within the meaning of, or otherwise bring all or any part of or any interest in the Project within the ambit of, RCRA or any other Hazardous Material Law, (ii) a release or threatened release of any Hazardous Material from the Project within the meaning of, or otherwise bring all or any part of the Project within the ambit of, CERCLA or SARA or any other Hazardous Material Law, or (iii) the discharge of Hazardous Material into any watercourse, body of

surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Material which would require a permit under any Hazardous Material Law; (c) no activity shall be undertaken on or with respect to all or any part of the Project which would come a violation or support a claim under RCRA, CERCLA, SARA or any other Hazardous Material Law; and (d) no underground storage tanks or underground deposits shall be located on all or any part of the Project.

Section 10.9 Notice of Hazardous Material Claims. Issuer shall immediately advise Beneficiary in writing of (a) any governmental or regulatory actions instituted or threatened under any Hazardous Material Law affecting all or any part of or any interest in the Project, (b) all claims made or threatened by any third party against Issuer or the Project relating to damage, contribution, cost recovery, compensation, or loss or injury resulting from any Hazardous Material, (c) the discovery of or reasonable cause to believe that any occurrence or condition on any real property adjoining or in the vicinity of the Project that could cause the Project to be classified in a manner which may support a claim under any Hazardous Material Law, and (d) the discovery of any occurrence or condition on any part of the Project or any real property adjoining or in the vicinity of the Project which could subject Issuer or any part of the Project to any limitations or restrictions on the ownership, occupancy, transferability or use thereof. Beneficiary may elect (but shall not be obligated) to join and participate in any settlements, remedial actions, legal proceedings or other actions initiated in connection with any claims or responses under any Hazardous Material Law and to have its reasonable attorneys' fees relating to such participation paid by Issuer. At its sole cost and expense, Issuer agrees to promptly and completely cure and remedy every existing and future violation of a Hazardous Material Law occurring on or with respect to any part of the Project and to promptly remove all Hazardous Materials now or hereafter in, on or under all or any part of the Project and to dispose of the same as required by Hazardous Material Law(s).

Section 10.10 Right to Retain Site Reviewers. Beneficiary (by its officers, employees and agents) at any time and from time to time may contract for the services of persons or entities (the "Site Reviewers") to perform environmental site assessments ("Site Assessments") on all or any part of the Project to determine the existence of any environmental condition which under any Hazardous Material Law might result in any liability, cost or expense to the owner, occupier or operator of any of the Project. The Site Reviewers are authorized to enter upon all or any part of the Project to conduct Site Assessments. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of Hazardous Materials on any of the Project and such other tests on or of any of the Project as the Site Reviewers or Beneficiary may deem necessary. Issuer agrees to supply to the Site Reviewers and Beneficiary such historical and operational information regarding the Project as may be reasonably requested to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. The results of Site Assessments shall be furnished to Issuer upon request. The cost of performing Site Assessments shall be paid by Issuer.

Section 10.11 Issuer's Indemnity. TO THE EXTENT PERMITTED BY LAW, ISSUER SHALL INDEMNIFY, DEFEND, AND HOLD HARMLESS BENEFICIARY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, SUCCESSORS AND ASSIGNS FROM AND AGAINST (A) ANY LOSS, LIABILITY, DAMAGE, COST, EXPENSE OR CLAIM ARISING FROM THE IMPOSITION OR RECORDING OF A LIEN, THE INCURRING OF COSTS OF REQUIRED REPAIRS, REMEDIATION, CLEAN UP OR DETOXIFICATION AND REMOVAL UNDER ANY HAZARDOUS MATERIAL LAW WITH RESPECT TO ALL OR ANY PART OF THE PROJECT OR LIABILITY TO ANY THIRD PARTY IN CONNECTION WITH ANY VIOLATION OF A HAZARDOUS MATERIAL LAW; (B) ANY OTHER LOSS, LIABILITY, DAMAGE, EXPENSE OR CLAIM WHICH MAY BE INCURRED BY OR ASSERTED AGAINST BENEFICIARY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS, SUCCESSORS OR ASSIGNS, DIRECTLY OR

If to Mortgage Trustee:

15950 Dallas Parkway, Suite 550
Dallas, Texas, 75248

If to District:

Tioga Independent School District
405 N Florence St
Tioga, TX 76271
Attn: Superintendent of Schools

Section 10.14 Extension, Rearrangement, or Renewal of Secured Obligations. It is expressly agreed that any of the Secured Obligations at any time secured hereby may be from time to time extended for any period, rearranged, or renewed, and that any part of the security herein described, or any other security for the Secured Obligations may be waived or released without in anywise altering, varying or diminishing the force, effect, or lien of this Deed of Trust as to unaffected property.

Section 10.15 Governing Law. THIS DEED OF TRUST SHALL BE GOVERNED IN ALL RESPECTS INCLUDING VALIDITY, INTERPRETATION AND EFFECT BY, AND SHALL BE ENFORCEABLE IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS AND OF THE UNITED STATES OF AMERICA.

Section 10.16 Amendments. No amendment or waiver of any provision of this Deed of Trust, nor consent to any departure by the Issuer therefrom, shall in any event be effective unless the same is in writing and signed by the Issuer, the Indenture Trustee, and the Mortgage Trustee and is accomplished in accordance with the Trust Agreement, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 10.17 Assignment. This Deed of Trust shall be binding upon the Issuer and its successors and assigns and shall inure to the benefit of the Beneficiary and its respective successors, transferees, and assigns, and no person other than the Beneficiary and its successors, transferees, and assigns shall under any circumstances be deemed to be a beneficiary of any provision of this Deed of Trust. Without limiting the generality of the foregoing, the Beneficiary may assign, grant a security interest in, or otherwise transfer this Deed of Trust to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to the Beneficiary herein or otherwise. Upon execution and delivery of the Trust Agreement to the Beneficiary, all appointments, designations, representations, warranties, covenants, assurances, remedies, title, interest, privileges, directions, permits, licenses, and rights of every kind whatsoever herein conferred upon the Beneficiary shall be deemed to be conferred also upon the Beneficiary, in its capacity as Indenture Trustee under the Trust Agreement. The Issuer agrees that the assignments made of this Deed of Trust shall not subject the Beneficiary to or transfer or pass or in any way affect or modify any obligation of the Issuer under the Lease, the Bonds, this Deed of Trust, or the Security Agreement, it being understood and agreed that all such obligations of the Issuer shall be and remain enforceable only against the Issuer.

Section 10.18 Capitalized Terms. Capitalized terms herein shall have the meanings assigned herein, or if no definition is contained herein, then the meanings assigned in the Bond Resolution, Trust Agreement and Lease, unless context requires otherwise.

Section 10.19 No Drilling or Exploration. There shall be no drilling or exploring for or extraction, removal, or production of minerals from the surface or subsurface of the real property described herein unless the Indenture Trustee is provided with a certificate of an architect or engineer licensed under the laws of the State of Texas to the effect that such drilling or exploration will not prevent the use of the

Project for its intended purposes and will not diminish the value of the Project. The term "minerals" as used herein shall include, without limiting the generality of such term, oil, gas, casinghead gas, coal, lignite, hydrocarbons, methane, carbon dioxide, helium, uranium and all other natural elements, compounds and substances, including sand and gravel.

Section 10.20 Intentionally Deleted.

THE FINANCING DOCUMENTS, TOGETHER WITH THE BONDS, REPRESENT THE FINAL AGREEMENT BETWEEN THE ISSUER AND INDENTURE TRUSTEE AND MAY NOT BE CONTRADICTED BY EVIDENCE OR ORAL AGREEMENTS OF THE ISSUER AND INDENTURE TRUSTEE, WHETHER MADE BEFORE, ON OR AFTER THE DATE OF THIS DEED OF TRUST. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE ISSUER AND INDENTURE TRUSTEE.

[Signature Page Follows]

IN WITNESS WHEREOF, Issuer has executed this Deed of Trust effective as of _____, 2019.

ADDRESS OF ISSUER:

Tioga Independent School
District Public Facility Corporation
405 N. Florence Street
Tioga, Texas 76271

**TIOGA INDEPENDENT SCHOOL DISTRICT
PUBLIC FACILITY CORPORATION**

By: _____

Name: Rick Staples
Title: President, Board of Directors

THE STATE OF TEXAS §
 §
COUNTY OF GRAYSON §

This instrument was acknowledged before me on the ___ day of _____, 2019, by Rick Staples, the President of the Board of Directors of the Tioga Independent School District Public Facility Corporation, a Texas non-profit corporation.

(SEAL)

Notary Public in and for the State of Texas

(Printed Name of Notary)

My commission expires: _____

EXHIBIT A

LEGAL DESCRIPTION

All that certain tract or parcel of land as situated in the Sarah Cross Survey, Abstract Number 210, County of Grayson, State of Texas, said tract being part of a 498.185 acre tract as described in Tract One in Deed to Grass Roots Investments, filed 25 September 2006 and Recorded in Volume 4123 Page 265 of the Deed Records of the County of Grayson, State of Texas, and being more fully described as follows:

BEGINNING for the southwest corner of the tract of being described herein at a found Y2 inch Steel Rebar for the southwest corner of said Grass Roots tract and the Northwest corner of the High School Addition, filed 12 July 2005 and Recorded in Volume 17 Page 142 of the Plat Records of Grayson County, said rebar also being in Mohawk Road-

Thence: North 01 degrees 46 minutes 08 seconds East with the West line of said Grass Roots tract, and passing at 1350.0 feet the intersection of Shawnee Drive and McKnight Road and the end of Mohawk Drive, and continuing along said course, along said McKnight Road for a distance of 2177.06 feet to a found 1/2 inch Steel Rebar at the intersection of said McKnight and Airport Road

Thence: South 88 degrees 20 minutes 38 seconds East, with the center line of said Airport Road a distance of 1656.89 feet to a found survey mark for the southeast corner of a tract as described in deed to RBC Ventures LLC, filed 30 March 2013, and Recorded in Volume 5310 Page 898 of said Deed Records;

Thence: South 88 degrees 20 minutes 10 seconds East, with the South line of said RBC tract, and in Airport Road a distance of 192.67 feet to a found survey mark nail for the Northwest corner of a tract as described in Deed to CA Travis Jr., filed 21 September 1962 and recorded in Volume 963 Page 315 of said Deed Records;

Thence: South 02 degrees 17 minutes 28 seconds West, and passing at 34.67 feet a wood fence corner post on the south side of Airport Road and continuing with the East line of said Grass Roots tract, and the west line of said Travis tract, and along and near a fence, a distance of 1304.94 feet to a found 3/4 inch Steel Square Tubing for the southwest corner of said Travis tract and the Northwest corner of a called 113.061 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded in Volume 3845 Page 526 of said Deed Records;

Thence: Smith 02 degrees 22 minutes 33 seconds West, and continuing with the east line of said Grass Roots tract, and a west line of said 113.061 acre tract, along and near a fence, a distance of 880.48 feet to a point in a pond for the Southeast corner of said Grass Roots tract and the most Westerly Southwest corner of said 113.061 acre tract, and also being on the North line of a called 80.417 acre tract as described in Deed to Green Valley Ventures, LP., filed 22 April 2005 and recorded in Volume 3845 Page 526 of said Deed Records;

Thence: North 88 degrees 15 minutes 11 seconds West, with the South line of said Grass Root tract, and the North line of said 80.417 acre tract; a distance of 1328.99 feet to a found 12 inch Steel rebar for the Northwest corner of said 80.417 acre tract and the Northeast corner of Lot 17 of the Final Amended Plat of High School Addition, an addition to the City of Tioga, County of Grayson, State of Texas, filed 12 July 2005 and recorded in Volume 17 Page 142 of the Plat Records of the County of Grayson, State of Texas;

Thence: North 87 degrees 38 minutes 24 seconds West, and continuing with the South line of said Grass Roots tract and the North line of said Lot 17, a distance of 499.37 feet to the POINT OF BEGINNING and containing 92.183 acres of land

EXHIBIT B

PERMITTED ENCUMBRANCES

[to be inserted]

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George K. Baum & Company

INVESTMENT BANKERS SINCE 1928