

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Order.

SECURITY AND SOURCE OF PAYMENT

Series 2015A Bonds. The Series 2015A Bonds are direct obligations of the District, payable from an ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the District.

Series 2015B Bonds. The Series 2015B Bonds are direct obligations of the District, payable from the proceeds of a continuing ad valorem tax levied, without limit as to rate or amount, against all taxable property located within the District.

PERMANENT SCHOOL FUND GUARANTEE

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency, and has received conditional approval from the Commissioner of Education, for the guarantee of the Bonds under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund of the State of Texas. See “THE BONDS - DEFEASANCE.”

OPTIONAL REDEMPTION

Series 2015A Bonds. The Series 2015A Bonds are not subject to optional redemption prior to maturity.

Series 2015B Bonds. The District reserves the right, at its option, to redeem the Series 2015B Bonds maturing on or after February 1, 2026, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Series 2015B Bonds are to be redeemed, the District may select the maturities of the Series 2015B Bonds to be redeemed. If less than all the Series 2015B Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2015B Bonds are in Book-Entry-Only form) shall determine by lot the Series 2015B Bonds, or portions thereof, within such maturity to be redeemed. If a Series 2015B Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Series 2015B Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

The Series 2015B Bonds maturing on February 1, 2038 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity on February 1 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:

\$20,725,000	
Term Bonds due February 1, 2038	
Mandatory	Principal
Redemption Date	Amount
February 1, 2037	\$10,180,000
February 1, 2038 (maturity)	10,545,000

The particular Term Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before the forty-fifth (45th) day prior to the date that the Term Bonds are to be mandatorily redeemed. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds that have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or have been optionally redeemed and which have not been made the basis for a previous reduction.