

## CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the Superintendent of Schools of the Laredo Independent School District (the "District"), hereby certifies with respect to LAREDO INDEPENDENT SCHOOL DISTRICT PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 2006, in the amount of \$6,000,000.00 (the "Contractual Obligations") as follows:

A. I, along with other officers of the District, am charged with the responsibility for issuing the Contractual Obligations.

B. This certificate is made pursuant to section 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and Treasury Regulations Section 1.141 through 1.150 (the "Regulations").

C. This certificate is based on the facts and estimates described herein in existence on this date, which is the date of delivery of the Contractual Obligations to and payment for the Contractual Obligations by the initial purchasers thereof, and, on the basis of such facts and estimates, the undersigned expects that the future events described herein will occur. To the best knowledge and belief of the undersigned, there are no other facts, estimates, or circumstances which would materially change the following statements, and the expectations hereinafter set forth are reasonable. Except as provided herein, the District covenants not to take any intentional acts or actions after the Closing Date of the Contractual Obligations to earn a Yield upon the investment of the proceeds materially higher than the Yield on the Contractual Obligations.

D. Terms used not defined herein have the same meaning given to them in the order of the District adopted on July 13, 2006 (the "Order") authorizing the issuance of the Contractual Obligations or in the Regulations.

E. Purpose and Size.

1. The Contractual Obligations are being issued pursuant to the Order in the principal amount of \$6,000,000.00 for the purpose of providing funds to finance the acquisition of personal property including, but not limited to, (i) Band and Orchestra Instruments; (ii) Vehicles; (iii) Radios; (iv) Computer Equipment; (v) Cameras; (vi) Office Equipment; and (vii) Furniture, and the payment for professional services related to the financing of the aforementioned projects (the "Project").

2. The District will, at all times prior to the last Stated Maturity of the Contractual Obligations,

(a) exclusively own, operate, and possess all property acquired, constructed, improved or refinanced with Gross Proceeds and not use or permit the use of any property acquired, constructed, improved or refinanced with Gross Proceeds in any activity carried on by any person or entity (other than a state or local government), *unless* such use is merely as a member of the general public, or

- (b) not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds or any property acquired, constructed, improved or refinanced with Gross Proceeds, other than a charge or other payment merely as a member of the general public or interest earned on Investments acquired with Gross Proceeds pending application for their intended purposes, either or both.

3. There is not, and as of the date hereof, the District does not anticipate entering into any lease, contract, or other understanding or arrangement with any person other than a state or local governmental unit, pursuant to which the District expects that proceeds of the Contractual Obligations will be used in the trade or business of such person (including all activities of such person who are individuals).

4. The amounts received from the sale of the Contractual Obligations, when added to available funds on hand and amounts expected to be received from the investment of such proceeds, do not exceed the amounts required to pay (i) the costs of the Project and (ii) the costs of offering and issuing the Contractual Obligations.

5. No receipts from the sale of the Contractual Obligations or amounts received from the investment thereof will be used to pay the principal of or interest on any currently outstanding issue of the bonds or other obligations of the District.

F. Original Proceeds.

1. The District has received as a result of the sale of the Contractual Obligations an amount equal to the following:

<u>Description</u>	<u>Amount</u>
Principal of the Contractual Obligations	\$6,000,000.00
Net Premium on the Contractual Obligations	59,572.45
Accrued Interest on the Obligations	<u>17,708.33</u>
TOTAL ISSUE PRICE	<u>\$6,077,280.78</u>

The Issue Price (expressed as a percentage of par amount or as a Yield percentage) of each stated maturity of the Contractual Obligations is as set forth in the Issue Price Certificate attached hereto as Exhibit A.

2. The District has caused the deposit of the Issue Price of the Contractual Obligations this day as follows:

<u>Description</u>	<u>Amount</u>
Deposit to Project Fund	\$5,885,000.00
Costs of Issuance	97,731.80
Underwriter's Discount	36,540.00
Deposits to Debt Service Fund (Accrued Interest)	17,708.33
Insurance Premium, Credit Enhancement	<u>40,300.65</u>
TOTAL	<u>\$6,077,280.78</u>

3. The District estimates that it will receive approximately \$120,000.00 in income or profit from the investment of the amounts deposited to the Project Fund pending the disbursement of such amounts for the governmental purposes for which the Contractual Obligations are being issued. Such amount will be deposited in the Project Fund to pay principal of or interest on the Contractual Obligations within one year from the date of receipt.

G. Temporary Periods.

1. The amounts deposited to the Debt Service is interest accrued on the Contractual Obligations since July 15, 2006, which amount is less than the amount of interest due and payable on the Contractual Obligations on February 1, 2007. The District expects to expend the amount of such deposit and all amounts received from the investment thereof to pay interest on the Contractual Obligations becoming due on February 1, 2007.

2. The amount disbursed or set aside to pay costs of issuance of the Contractual Obligations will be so used within two months from the date hereof and may be invested without restriction as to Yield until expended.

H. Yield Restrictions.

1. The District reasonably expects that on the date the Contractual Obligations were issued that it will incur within six (6) months from the issue date a substantial binding obligation to a third party to expend at least five percent (5.00%) of the net sales proceeds of the obligations on the Project, which is a "capital project," as contemplated by the Internal Revenue Code of 1986, as amended, and the related Regulations thereunder. The District expects to proceed with the acquisition of the capital assets with due diligence so as to qualify the obligations as a non-arbitrage issue. Lastly, the District fully expects that on the issue date of the Contractual Obligations, an amount equal to eighty-five percent (85.00%) of the net sales proceeds will be expended on the Project within three (3) years of the issue date.

2. No other obligations payable from the District's maintenance taxes and other revenues have been or will be sold or issued within 15 days of the sale date of the Contractual Obligations.

I. Contractual Obligation Fund.

1. Pursuant to Section 19 of the Order, the District will levy a limited maintenance and operations ad valorem tax on all taxable property within the jurisdiction of the District to pay principal of and interest on the Contractual Obligations, as such become due, and such tax has been pledged to the payment of the Contractual Obligations. Amounts collected from such tax for the payment of the principal of and interest on the Contractual Obligations are to be deposited in the "Laredo Independent School District Public Property Finance Contractual Obligations, Series 2006 Debt Service Fund" (the "Debt Service Fund").

2. The Debt Service Fund has been established and will be used primarily to achieve a proper matching of revenues and debt service within each obligation year. Debt Service Fund will be depleted at least once a year to a reasonable carryover amount which will not exceed the greater of the preceding Contractual Obligation year's earnings from investments in the Debt

Service Fund or one-twelfth of the debt service paid on the respective Contractual Obligations during the preceding obligation year. All amounts deposited to the Debt Service Fund will be spent within 13 months of deposit, and all amounts received from investment of such fund will be deposited therein and will be expended within twelve months of receipt. Accordingly, the amounts held in the Debt Service Fund during said periods are expected to be invested by the District without regard to Yield and any amounts held in the Debt Service Fund in excess of such periods will be invested at a Yield not to exceed the Yield on the Contractual Obligations.

3. Except as described above, no funds of the District have been or will be pledged to payment of the principal of or interest on the Contractual Obligations or otherwise restricted so as to give reasonable assurance of the availability of such funds for such purpose.

J. The weighted average maturity of the Contractual Obligations is 3.8877 years. The weighted average maturity of the Contractual Obligations does not exceed 120% of average reasonably expected economic life of the Project determined pursuant to section 147(b) of the Code.

K. No Excess Proceeds.

Less than \$1,000.00 (less than one percent of the Sales Proceeds of the Contractual Obligations) of the Gross Proceeds of the Contractual Obligation will be expended for a purpose other than:

- (a) payment of the principal and interest on the Contractual Obligations;
- (b) payment of pre-issuance accrued interest on the Contractual Obligations; and
- (c) payment of costs of issuing the Contractual Obligations.

L. Miscellaneous.

1. The District has covenanted to account for the Gross Proceeds of the Contractual Obligations separately and apart from all other funds of the District from the date hereof.

2. Unless the District has qualified for an exception to rebate pursuant to Section 148(f)(4) of the Code, not less frequently than each Computation Date, the District has covenanted in the Order to calculate or cause to be calculated by a nationally recognized accounting, financial advisory firm or financial institution, in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder, the Rebate Amount. This District has covenanted in the Order to maintain such calculations with the official transcript of the Date. The District has covenanted in the Order to pay to the United States the amount described in paragraph 2 of this Section, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and ruling thereunder.

3. The District has covenanted in the Order to pay to the United States any amount described in paragraph 2 of this Section, at the times, in the installments, to the place, in the

manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

4. The Contractual Obligations will be guaranteed by the Guarantee Program of the Permanent School Fund of Texas (the "Guarantee Program"). Under the Guarantee Program, a portion of the securities contained in the Permanent School Fund are pledged to guarantee the Contractual Obligations. On the basis of the certification by the appropriate representatives of the Texas Education Agency and the private letter ruling issued by the Internal Revenue Service on May 7, 1990, regarding the Fund, the District expects that (i) the Fund does not constitute a pledged fund treated as replacement proceeds under Regulation Section 1.148-1(c)(3) and qualifies as a perpetual trust fund under Regulation Section 1.148-11(d)(1), and (ii) on the date hereof the total amount of obligations guaranteed by the Fund under the Guarantee Program does not exceed 250% of the lower of the amortized cost or the fair market value of the Fund on May 14, 1989. The certifications made by the District in Section 20 of the Orders are incorporated herein by reference.

5. The District's employer identification number is 74-6001580.


M. No Abusive Arbitrage Device.

1. In connection with the issuance of the Contractual Obligations, the District has not employed any action which has the effect of overburdening the market for the tax-exempt obligations by issuing more obligations, issuing bonds earlier, or allowing obligation to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Contractual Obligations.

2. In connection with the issuance of the Contractual Obligations, the District has not employed any action which has the effect of enabling the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

EXECUTED AND DELIVERED this AUG 10 2006.

LAREDO INDEPENDENT SCHOOL DISTRICT

By:   
Superintendent of Schools