

**NOTICE OF SALE  
AND  
BIDDING INSTRUCTIONS**

**ON**

**\$9,120,000\***

**CHANNELVIEW INDEPENDENT SCHOOL DISTRICT  
(Harris County, Texas)  
UNLIMITED TAX QUALIFIED SCHOOL CONSTRUCTION BONDS, TAXABLE SERIES 2011Q  
(DIRECT PAY TO ISSUER)**

**Sealed Bids Due March 21, 2011 at 11:00 a.m., CDT**

**THE SALE**

**BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING:** The Channelview Independent School District (the "District"), is offering for sale its \$9,120,000\* Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011Q (Direct Pay to Issuer) (the "Bonds").

**BIDS BY PHYSICAL DELIVERY:** Sealed bids, plainly marked "Bid for Bonds," should be addressed to "President and Board of Education, Channelview Independent School District," and delivered to the Superintendent, Greg Ollis, Superintendent, 1403 Sheldon Road, Channelview, Texas 77530, prior to 11:00 a.m., CDT, on the date of the bid opening. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

**BIDS BY TELEPHONE:** Bidders must submit, prior to March 21, 2011, signed Official Bid Forms to Lewis A. Wilks, Coastal Securities, Inc., 5555 San Felipe, Suite 2200, Houston, Texas, 77056, and submit their bid by telephone on the date of the sale. **Telephone bids will be accepted at 713-435-4336, between 10:30 a.m. CDT and 11:00 a.m. CDT on the date of the sale.** Coastal Securities, Inc. will not be responsible for submitting any bids received after the deadline.

**BIDS BY FACSIMILE:** Bidders must submit, prior to March 21, 2011, signed Official Bid Forms to Lewis A. Wilks, Coastal Securities, Inc., 5555 San Felipe, Suite 2200, Houston, Texas, 77056, and submit their bid by facsimile on the date of the sale. **Facsimile bids will be accepted at 713-435-4448 between 10:30 a.m. CDT and 11:00 a.m. CDT on the date of the sale.** Coastal Securities, Inc. will not be responsible for submitting any bids received after the deadline.

**ELECTRONIC BIDDING PROCEDURE:** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via PARITY ("PARITY"). Bidders **MUST SUBMIT VIA FACSIMILE/OR EMAIL PRIOR TO MARCH 21, 2011 SIGNED** Official Bid Forms to Lewis A. Wilks, Coastal Securities, Inc., 5555 San Felipe Suite 2200, Houston, Texas 77056. **Electronic bids will be accepted via the electronic media described below by 11:00 a.m. CDT on the date of the sale.** Any bid received after the scheduled time for receipt will not be accepted.

The official time for the receipt of electronic bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Notice of Sale and Bidding Instructions, Official Bid Form and the Preliminary Official Statement of even date herewith. To the extent that any instructions or directions set forth in PARITY conflict with this Notice of Sale and Bidding Instructions, the terms of this Notice of Sale and Bidding Instructions shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 806-8304.

An electronic bid made through PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and Bidding Instructions, and shall be binding upon the bidder as if made by a signed and sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

**PLACE AND TIME OF BID OPENING:** The bids for the Bonds will be opened by the Pricing Officer designated in the Bond Order at 2:00 p.m., CDT, March 21, 2011.

**DOCUMENT AVAILABILITY:** Copies of Preliminary Official Statement and Notice Of Sale are available from Coastal Securities, Inc. at [http://www.coastalsecurities.com/wf\\_PublicFinance\\_Offering Documents.aspx](http://www.coastalsecurities.com/wf_PublicFinance_Offering Documents.aspx).

**AWARD OF THE BONDS:** The Pricing Officer will take action to award the Bonds (or reject all bids) no later than 5:00 p.m., CDT, on March 21, 2011.

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\* Preliminary, subject to change.

## THE BONDS

**DESCRIPTION:** The Bonds are dated April 1, 2011 (the “Dated Date”). However, interest on the Bonds will accrue from their date of delivery to the Purchaser thereof and will be payable on each February 15 and August 15 thereafter until maturity, commencing August 15, 2011. **The Bonds are to mature on February 15<sup>(a)</sup> as shown in the Official Statement.** The Bonds are issued in denominations of \$5,000 and any multiple thereof (the “Authorized Denomination”). Interest on the Bonds is not exempt from federal income tax.

**BOOK-ENTRY-ONLY SYSTEM:** The District intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”). (See “THE BONDS - Book-Entry-Only System” in the Official Statement.)

**DESIGNATION OF BONDS AS QUALIFIED SCHOOL CONSTRUCTION BONDS:** The District expects to designate or has designated the Bonds as “qualified school construction bonds (Qualified School Construction Bonds)” pursuant to Section 54F of the Code. An issuer of Qualified Tax Credit Bonds must receive an allocation of the national qualified school construction bond limitation. The State received an allocation of \$538,585,000 in 2009 and \$547,674,000 in 2010 from the United States Department of Treasury, and the Texas Education Agency (the “TEA”) is responsible for further allocation of such funds to issuers within the State. The District submitted an application to the TEA and received an allocation sufficient for the issuance of the Bonds.

The District expects to irrevocably elect, or has irrevocably elected, to designate the Bonds as “specified tax credit bonds” within the meaning of Section 6431(f)(3)(B) of the Code. Therefore, the District will be eligible to receive a cash subsidy from the United States Treasury in connection with such election. Pursuant to Section 6431 of the Code, the District expects to receive cash subsidy payments (the “Federal Subsidy”) from the United States Treasury equal to the lesser of (i) 100 percent of the interest payable on an interest payment date for the Bonds, or (ii) the amount of interest which would have been payable under such Bond on such interest payment date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such Bond. The Federal Subsidy received by the District will not be pledge to payment of the Bonds and may be used for any lawful purpose of the District, including but not limited to, the payment of debt service on the Bonds. No holder of the Bonds will be entitled to a tax credit with respect to the Bonds.

Although the District expects to receive the Federal Subsidy contemporaneously with each applicable interest payment date of the Bonds, the District anticipates that until the subsidy program is fully implemented there may be a delay in the receipt of the payments. Accordingly, the District has covenanted and is prepared to levy ad valorem taxes for the full amount of debt service payments.

The receipt of the Federal Subsidy is subject to certain requirements, including the filing of a form with the Internal Revenue Service (the “IRS”) prior to each interest payment date. The Federal Subsidy does not constitute a full faith and credit guarantee of the United States Government, but are required to be paid by the United States Treasury under the Code.

**Mandatory Sinking Fund Redemption:** The Bonds are not subject to mandatory sinking fund redemption prior to maturity.

**Sinking Fund:** Although the Bonds are not subject to mandatory sinking fund redemption, the District may choose to establish a sinking fund related to the Bonds. The timing and amount of deposits into such sinking fund will be determined by the District. In compliance with the Code, such sinking fund may be funded at amount not more rapid than equal annual installments, and will not be funded in an amount greater than needed to repay the Bonds. Deposits to the sinking fund, if any, will not relieve the District of any of its obligations, including the obligation to make all payments, including interest, related to the Bonds.

### REDEMPTION:

**Optional Redemption:** The District reserves the right, at its option, to redeem Bonds in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2020, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. If a 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 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.

**Special Mandatory Redemption due to unexpended proceeds...** To the extent that 100% of the “Available Project Proceeds” (as defined herein) are not expended for “Qualified Purposes” (as defined herein) by the close of the 3-year period beginning on the date of delivery of the Bonds (or if an extension of such expenditure period has been received by the District from the Secretary of the Treasury (the “Secretary”), by the close of the extended period), the District shall redeem an amount of Bonds equal to such unexpended proceeds (rounded up to the next highest authorized denomination) within 90 days after the end of such period, at a redemption price equal to the principal amount thereof, plus any accrued but unpaid interest on the Bonds to the date fixed for redemption, payable from such unexpended proceeds of sale of the Bonds held by the District.

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<sup>(a)</sup> Subject to the maximum final maturity date as established by the Department of Treasury on the pricing date.

*Extraordinary Redemption due to loss of Qualified School Construction Bond Status ...Prior to February 15, 2021*, upon a Determination of a Loss of Qualified School Construction Bond Status, the Bonds are subject to extraordinary redemption prior to their maturity date, at the option of the District, in whole, on the date designated by the District, at a redemption price equal to the greater of:

- (1) the principal amount of the Bonds to be redeemed; or
- (2) the sum of the present value of (i) the remaining scheduled payments of principal and interest prior to February 15, 2020, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points, plus accrued and unpaid interest on the Bonds to be redeemed to the redemption date, and (ii) the present value of the remaining principal subject to optional call on February 15, 2020, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 100 basis points.

The term “Qualified Purpose” means the construction, rehabilitation, or repair of a public school facility or the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Bonds.

The term “Available Project Proceeds” means the proceeds from the sale of the Bonds, less costs of issuance, not to exceed 2% of such proceeds plus investment earnings on the proceeds of such Bonds pending their expenditure.

The term “Date of Loss of Qualified School Construction Bond Status” means the date specified in a Determination of a Loss of Qualified School Construction Bond Status as the date from and after which the Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status (defined below), which date could be as early as the date of issuance of the Bonds.

The term “Determination of a Loss of Qualified School Construction Bond Status” means (a) a final determination by the IRS (after the District has exhausted all administrative appeal remedies and has determined not to pursue and remedies in a court of competent jurisdiction ) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond status has occurred.

The term “Accountable Event of Loss of Qualified School Construction Bond Status” means (a) any act or any failure to act on the part of the District, which act or failure to act is a breach of a covenant or agreement of the District contained in the Resolution, the Paying Agent/Registrar Agreement, or the Bonds and which act or failure to act causes the Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds, or (b) the making by the District of any representation contained in the Resolution, the Paying Agent/Registrar Agreement, the Federal Tax Certificate, or the Bonds, which representation was untrue when made and the untruth of which representation at such time causes the Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code.

“Treasury Rate” means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. At the request of the Paying Agent/Registrar, the make-whole optional redemption price of the Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the District at the District’s expense to calculate such redemption price. The Paying Agent/Registrar and the District may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

**PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, N.A., Houston, Texas (See “THE BONDS -Paying Agent/Registrar” in the Official Statement).

**SOURCE OF PAYMENT:** The Bonds constitute direct obligations of the District, payable as to principal and interest from a continuing ad valorem tax levied, without limit as to rate or amount, against all taxable property within the District.

**PERMANENT SCHOOL FUND GUARANTEE PROGRAM:** The District has applied for and received conditional approval for the payment of the principal of and interest on the Bonds to be guaranteed by the corpus of the Texas Permanent School Fund.

Further details regarding the Bonds are set forth in the Official Statement.

### CONDITIONS OF THE SALE

**TYPE OF BIDS AND INTEREST RATES:** The Bonds will be sold based on the following terms and conditions:

1. All bids must be submitted on the Official Bid Form enclosed herewith without change. The Bonds will be sold in one block on an “all or none” basis.
2. The minimum bid for the Bonds shall not be less than \$9,120,000\* (100% of par).
3. Bidders shall specify the annual rate of interest to be borne by the Bonds for which a bid is submitted. No bid will be accepted for the purchase of less than all of the Bonds previously described. On delivery of the Bonds, payment of the amount due must be made by the successful bidder to the order of the District in immediately available federal funds or by such other means as may be acceptable to the District. Any expense of providing immediately available funds shall be borne by the bidder.
4. **TERM BOND(S):** Bidders may provide that all the Bonds in accord with the Sinking Fund Schedule shown on the Official Bid Form be issued as One Term Bond maturing as shown below (Alternative 1) or as Two Term Bonds (Alternative 2) as described in Alternative 2 below.

***Alternative 1 - One Term Bond:***

One term bond maturing on February 15, 2026\*. The coupon bid for this alternative may not exceed the tax credit rate established by the Department of Treasury on March 21, 2011. (If the bidder wishes to bid a coupon in excess of the tax credit rate, bidder must bid using Alternative 2 below.)

***Alternative 2 - Two Term Bonds:***

Two term bonds consisting of the February 15, 2015 through February 15, 2026\* sinking fund dates. The coupon bid for the first term bond for this alternative may not exceed the tax credit rate established by the Department of Treasury on March 21, 2011. The second term bond may exceed the tax credit rate.

5. No bid may result in underwriter’s compensation of more than 1.0% of the proceeds of the Bonds. The issue price (reoffering price) of each maturity must be specified and cannot exceed the par amount of such maturity by more than 0.25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for the Bonds of that maturity.

**BASIS FOR AWARD:** The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest true interest cost rate to the District. The District reserves the right to reject any or all bids. The true interest cost rate is that annual rate which, when used to compute the total present value as of the Dated Date of the Bonds of all debt service payments on the Bonds on the basis of semi-annual compounding, using a 360-day year composed of 12 consecutive 30-day months, produces an amount equal to the sum of the par value of the Bonds plus any premium bid (but not interest accrued from the Dated Date of the Bonds to the date of their delivery). In the event of the bidder’s error in interest cost calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

**GOOD FAITH DEPOSIT:** A Good Faith Deposit, payable to the “Channelview Independent School District,” in the amount of \$182,400 is required. Such Good Faith Deposit shall be a bank cashier’s check or certified check, which is to be retained uncashed by the District pending the Purchaser’s compliance with the terms of the bid and this Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which drawn which authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Purchaser will be returned to the Purchaser upon payment for the Bonds.** No interest will be allowed on the Good Faith Deposit. In the event the Purchaser should fail or refuse to take up and pay for the Bonds in accordance with the bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened and an award of the Bonds has been made.

\* Preliminary, subject to change. The final maturity may not exceed the date as established by the Department of Treasury on the pricing date.

## DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

**CUSIP NUMBERS:** It is anticipated that a CUSIP identification number will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Bonds shall be paid by the District; provided, however, that the CUSIP Service Bureau charge for assignment of the numbers shall be the responsibility of and shall be paid for by the Purchaser.

**DELIVERY OF BONDS:** Delivery will be accomplished by the issuance of one Initial Bond, either in typed or printed form, in the total aggregate principal amount of \$9,120,000\*, signed by the President and Secretary of the Board of Education by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Upon delivery of the Initial Bond, such Initial Bond shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede and Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Delivery will be at the office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about April 14, 2011 and it is understood and agreed that the Purchaser will accept delivery and make payment for the Bonds by 10:00 a.m., CDT on April 14, 2011 or thereafter on the date the Bonds are tendered for delivery, up to and including May 11, 2011. If for any reason the District is unable to make delivery on or before May 11, 2011, the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances reasonably beyond the District's control.

**CONDITIONS TO DELIVERY:** The obligation of the Purchaser to take up and pay for the Bonds is subject to the Purchaser's receipt of (a) the legal opinion of Andrews Kurth LLP, Houston, Texas, Bond Counsel for the District ("Bond Counsel"), (b) the no-litigation certificate and (c) the certificate as to the Official Statement, all as further described in the Official Statement.

In order to provide the District with information required to enable it to comply with certain conditions of Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"), the Purchaser will be required to complete, execute, and deliver to the District a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Bonds for sale, such certificate may be modified in a manner approved by Bond Counsel. **In no event will the District fail to deliver the Bonds as a result of the Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.** Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

**LEGAL OPINIONS:** The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Purchaser of the opinion of Bond Counsel, in substantially the form as attached to the Official Statement as "APPENDIX C."

**CERTIFICATION OF OFFICIAL STATEMENT:** At the time of payment for and initial delivery of the Bonds, the District will execute and deliver to the Purchaser a certificate in the form set forth in the Official Statement.

## GENERAL

**FINANCIAL ADVISOR:** Coastal Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Coastal Securities, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

\*Preliminary, subject to change.

**BLUE SKY LAWS:** By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The District agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the District shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

**NOT AN OFFER TO SELL:** This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of sale of the Bonds. The offer to sell the Bonds is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

**RATINGS:** An application for ratings on this issue has been made to Standard & Poor's ("S&P"). It is anticipated that S&P will assign its municipal bond rating of "AAA" to the Bonds by virtue of the guarantee of the Permanent School Fund of the State of Texas on the Bonds.

**THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12:** The District has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), will deem such Preliminary Official Statement to be an Official Statement that is final as of its date within the meaning of the Rule for the purpose of review prior to bidding. To the best knowledge and belief of the District, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the District concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The District will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date an aggregate of **75** copies of the final Official Statement, including a like number of copies of any supplement(s) reflecting interest rates and other terms relating to the initial reoffering of the Bonds. Any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the District assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Bonds.

**CONTINUING DISCLOSURE AGREEMENT:** The District will agree in the Order to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The obligation of the Purchaser to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

**COMPLIANCE WITH PRIOR UNDERTAKINGS:** Except as disclosed in the Official Statement under the heading "CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings," for the past five years the District has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

**ADDITIONAL COPIES OF NOTICE, BID FORM AND PRELIMINARY OFFICIAL STATEMENT:** A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement, are available over and above the normal mailing, and may be obtained at the offices of Coastal Securities, Inc., 5555 San Felipe, Suite 2200, Houston, Texas, 77056, Financial Advisor to the District.

The Board will, in the order authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

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President, Board of Education  
Channelview Independent School District

March 9, 2011

**OFFICIAL BID FORM**

President and Board of Education  
Channelview Independent School District

Members of the Board of Education:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions dated March 9, 2011 of the \$9,120,000\* CHANNELVIEW INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX QUALIFIED SCHOOL CONSTRUCTION BONDS, TAXABLE SERIES 2011Q (Direct Pay to Issuer), both of which constitute a part hereof.

The Bonds will be sold in one block on a “All or None” basis. The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest true interest cost rate to the District. The true interest cost rate (the “TIC”) is that annual rate which, when used to compute the total present value as of April 1, 2011 (the “Dated Date”) of all debt service payments on the Bonds on the basis of semi-annual compounding, using a 360-day year composed of 12 consecutive 30-day months, produces an amount equal to the sum of the par value of the Bonds plus any premium bid (but not interest accrued from the Dated Date of the Bonds to the date of their delivery). The Bonds will be awarded to the best bidder or syndicate account whose name first appears on the Official Bid form (the “Initial Purchaser” or “Purchaser”) whose bid based on the above computation produces the lowest TIC to the District. In case of error in the TIC calculations, interest rates named on the Official Bid Form will govern; however, the Board reserves the right to reject any and all bids and to waive any and all irregularities, except the time for filing of the bids. If two or more equal bids are received the Board will determine by lot which bid, if any, shall be accepted, and such determination shall be final. The successful bidder will be required to agree to deliver a certificate setting forth the “original issue price” of the Bonds, determined in accordance with the provisions of section 1273 of the Internal Revenue code of 1986, as amended. In the event of the bidder’s error in interest cost calculations, the interest rates and premium, if any, set forth in the Official Bid Form will be considered as the intended bid.

For your legally issued Bonds, as described in said Notice of Sale and Bidding Instructions and Preliminary Official Statement, we will pay you \$\_\_\_\_\_ (not less than \$9,120,000\* (100% of Par), such Bonds to bear interest payable semi-annually at the following annual rate:

**No bid may result in a underwriters compensation of more than 1.0% of the proceeds of the Bonds.**

**Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011Q (Direct Pay to Issuer)**

**Sinking Fund Schedule**

			<b>Initial</b>
	<b>Principal</b>	<b>Interest</b>	<b>Reoffering</b>
<b>Maturity</b> <sup>(a)</sup>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b> <sup>(b)</sup>
2/15/2015	\$ 760,000	%	%
2/15/2016	760,000		
2/15/2017	760,000		
2/15/2018	760,000		
2/15/2019	760,000		
2/15/2020	760,000		
2/15/2021	760,000		
2/15/2022	760,000		
2/15/2023	760,000		
2/15/2024	760,000		
2/15/2025	760,000		
2/15/2026	760,000		

As indicated below, the Bidder may bid one or two term bonds consisting of the February 15, 2015 through February 15, 2026 sinking fund dates. The coupon for the first term bond may not exceed the tax credit rate established by the Department of Treasury on March 21, 2011. The second term bond may exceed the tax credit rate. If the bidder wishes to bid a coupon in excess of the tax credit rate, bidder must bid according to Alternative #2 on page 4 of the Notice of Sale. The term bonds created are as follows:

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>
<b><u>February 15</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>
_____	_____	_____
_____	_____	_____

\* Preliminary, subject to change.

<sup>(a)</sup> Subject to the maximum final maturity date as established by the Department of Treasury on the pricing date.

**True Interest Cost** \_\_\_\_\_(Not part of bid)

Initial Purchaser: \_\_\_\_\_ Contact: \_\_\_\_\_ Phone: \_\_\_\_\_

In accordance with the terms of the Notice of Sale and Bidding Instructions, and the Good Faith Deposit, a bank cashier's or bank certified check for \$182,400 drawn on \_\_\_\_\_ is herewith enclosed or has been made available to you prior to opening of the bid with authorizing instructions from such bank. Such Good Faith Deposit is payable to the order of "Channelview Independent School District". If the Bonds are awarded to us, the Good Faith Deposit will remain uncashed and will be returned to us at the time of delivery of the Bonds by the District.

Accordingly, if the Bonds are awarded to us, we agree to pay you in federal funds acceptable to the District, for immediate and unconditional credit to the District or as otherwise directed by the District, the full purchase price. If the Bonds are not awarded to us, the Good Faith Check will be returned to us promptly.

The undersigned agrees to complete, execute and deliver to the District, within 5 business days of the award of sale of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the District.

If the bid is accepted by the District, this bid shall thereupon become a contract of purchase for the Bonds under the terms contained in this Official Bid Form and in the Notice of Sale and Bidding Instructions. We hereby acknowledge that we have received and read the Notice of Sale and Bidding Instructions and Preliminary Official Statement referred to above.

Respectfully submitted,

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

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

a.

b. ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Channelview Independent School District, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 21<sup>st</sup> day of March, 2011.

\_\_\_\_\_  
President, Board of Education  
Channelview Independent School District

ATTEST:

\_\_\_\_\_  
Secretary, Board of Education  
Channelview Independent School District

Direct inquiries to the attention of:

Lewis A. Wilks  
Coastal Securities, Inc.  
5555 San Felipe, Suite 2200  
Houston, Texas 77056  
713-435-4336  
713-435-4448 Fax

**CERTIFICATE OF ISSUE PRICE**

The undersigned hereby certifies with respect to the sale of the Channelview Independent School District Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011Q (Direct Pay to Issuer) (the "Bonds"), as follows:

1. The undersigned is a duly authorized representative of the underwriter or of the manager of the syndicate of underwriters that purchased the Bonds from the Channelview Independent School District (the "District") pursuant to a competitively bid sale. (Such underwriter or syndicate of underwriters is referred to herein as the "Initial Purchaser"). In this capacity, the undersigned is familiar with the facts stated herein.

2. The respective initial offering prices (exclusive of pre-issuance accrued interest) for each maturity of the Bonds (the "Initial Offering Prices") (stated in term of dollars or as a percent of par) are set forth in the following table.

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INITIAL OFFERING PRICE</u>
2015	_____	_____ %
2016	_____	_____ %
2017	_____	_____ %
2018	_____	_____ %
2019	_____	_____ %
2020	_____	_____ %
2021	_____	_____ %
2022	_____	_____ %
2023	_____	_____ %
2024	_____	_____ %
2025	_____	_____ %
2026	_____	_____ %

3. The term "Sale Date" means the first day on which there was a binding contract in writing for the sale of the Bonds by the District to the Initial Purchaser on specific terms that were not later modified or adjusted in any material respect. In the case of the District, the Sale Date is \_\_\_\_\_, 2011.

4. The term "Public" does not include bond houses, brokers and similar persons or organizations acting in the capacity of wholesalers or underwriters. The term "Issue Date" means the first day on which there is a physical delivery of the written evidence of the Bonds in exchange for the purchase price (but not earlier) than the day interest on the Bonds begins to accrue for federal income tax purposes). In the case of the Bonds, the Issue Date is \_\_\_\_\_, 2011.

5. Based on the actual facts and reasonable expectations in existence, the Initial Offering Price for each Bond:

- a. Represented the price (payable in cash, with no other consideration being included, and exclusive of pre-issuance accrued interest), at which the Initial Purchaser reasonably expected, each such Bond would be sold to the Public; and
- b. Did not exceed what the Initial Purchaser believed to be the respective fair market value of each such Bond.

6. The Initial Purchaser has purchased the Bonds for contemporaneous sale to the Public and not for investment for its own account. All of the Bonds of each maturity have actually been offered to the Public at their respective Initial Offering Price in a bona fide public offering of all the Bonds and, as of the Issue Date, a substantial amount of each maturity (at least 10 percent), except any Retained Maturities (as defined below), has been sold to the Public in arm's length transactions for cash prices (with no other consideration being included). For the Bonds maturing in the years \_\_\_\_, \_\_\_\_, and \_\_\_\_ (the "Retained Maturities"), the Initial Purchaser reasonably expected, as of the Sale Date, to sell at least 10 percent of each maturity of such Bonds to the Public at prices not greater than the Initial Offering Prices for such Retained Maturities.

7. Based on the foregoing, the aggregate of the Initial Offering Prices for each maturity of the Bonds (without taking into account costs of issuance or pre-issuance accrued interest), is \$\_\_\_\_\_.

We understand that the representations made herein will be relied on by the District in connection with the conditions imposed by the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder with respect to the Bonds, and by Andrews Kurth LLP, Bond Counsel to the District regarding the qualification of the Bonds as Qualified School Construction Bonds (Direct Payment) within the meaning of the Code. The Initial Purchaser understands that failure of the Bonds to be sold in accordance with the representations set forth herein could result in the District being unable to claim the refundable tax credit under the Code available for Qualified School Construction Bonds (Direct Payment).

EXECUTED and DELIVERED as of and on \_\_\_\_\_, 2011.

\_\_\_\_\_  
Name of Initial Purchaser

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_