

**RESOLUTION OF
THE CITY OF ABILENE, TEXAS, REGARDING
THE ABILENE HIGHER EDUCATION AUTHORITY AND ITS
CHANGE OF STATUS UNDER SECTION 53.47(e)
OF THE TEXAS EDUCATION CODE**

WHEREAS, the *Abilene Higher Education Authority, Inc.* ("AHEA") has represented to the City that it was organized as a Texas nonprofit corporation on September 11, 1972, pursuant to the Texas Non-Profit Corporation Act; and

WHEREAS, the City of Abilene, Texas (the "City"), pursuant to Section 53.47(e) of the Texas Education Code (the "Education Code"), as amended, requested AHEA to exercise the powers enumerated and provided in Section 53.47 of the Education Code for and on behalf of the City for the primary purpose of assisting students and parents of students to finance the costs of higher education by purchasing or making student or parent loan notes which are guaranteed under the provisions of the federal Higher Education Act of 1965, as amended (the "Higher Education Act"); and

WHEREAS, AHEA agreed to exercise such powers requested by the City under Section 53.47 of the Education Code, and AHEA has represented to the City that it has continually operated as a Texas nonprofit corporation in compliance with Section 53.47(e) of the Education Code since that time; and

WHEREAS, AHEA has further represented to the City that it is a "qualified scholarship funding corporation" as defined in Section 150(d) of the Internal Revenue Code of 1986 (the "Internal Revenue Code") and, pursuant to Section 53.47 of the Education Code, is authorized to acquire student loan notes which are guaranteed under Title IV, Part B, of the Higher Education Act, and to finance and refinance the acquisition of such student loan notes by the issuance of revenue bonds; and

WHEREAS, AHEA has further represented to the City that it has served as a "secondary market" for the primary purpose of acquiring student loans made to finance the education of students attending Abilene Christian University, Hardin-Simmons University and McMurry University;

WHEREAS, AHEA has further represented to the City that, in order to finance the purchase of student loan notes in the secondary market, AHEA has issued and currently has outstanding eight separate series of qualified scholarship funding bonds, currently outstanding in the aggregate principal amount of \$121,215,000 (the "Outstanding Bonds"), which have been issued and are secured pursuant to the provisions of an *Amended and Restated Indenture of Trust*, dated as of November 1, 1998, between the AHEA and Bank One, Texas, N.A., as Trustee; and

WHEREAS, AHEA has further represented to the City that in 1996, Congress enacted Section 150(d)(3) ("Section 150(d)(3)") of the Internal Revenue Code which generally provides that "*qualified scholarship funding bonds*" issued by a qualified scholarship funding corporation "*shall not fail to be a tax-exempt bond*" if the issuer elects to cease its status as a qualified scholarship funding corporation and transfers all student loan notes and other assets pledged to secure the repayment of "*qualified scholarship funding bond indebtedness*" (e.g. the Outstanding Bonds) to a for-profit corporation and

such transferee corporation assumes or otherwise provides for the payment of all of the qualified scholarship funding bond indebtedness of the issuer; and

WHEREAS, AHEA has notified the City of its desire and intention to exercise the provisions of Section 150(d)(3) in order to (i) restructure and reorganize itself for the purpose of providing scholarships to students attending Abilene Christian University, Hardin-Simmons University and McMurry University and furthering the educational mission of each University, and (ii) cease being a qualified scholarship funding corporation pursuant to Section 150(d) of the Internal Revenue Code; and

WHEREAS, AHEA has further represented to the City that funding for such scholarships will derive initially from assets not required to be transferred by AHEA pursuant to Section 150(d)(3) to the for-profit corporation to secure the repayment of the Outstanding Bonds and after payment of costs and expenses associated with such reorganization, and AHEA has further represented to the City that the assets remaining in AHEA following such reorganization will be dedicated for the purpose of providing scholarships to students attending Abilene Christian University, Hardin-Simmons University and McMurry University and furthering the educational mission of each University; and

WHEREAS, AHEA has further represented to the City that following such election by and reorganization of AHEA, AHEA will no longer be eligible or qualified to operate for and on behalf of the City as a qualified scholarship funding corporation under Section 150(d) of the Internal Revenue Code and as contemplated by Section 53.47(e) of the Texas Education Code; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was adopted was open to the public and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code; and

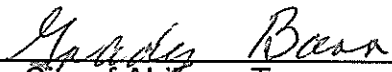
WHEREAS, it is hereby deemed necessary and advisable that this Resolution be adopted;

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ABILENE, TEXAS, THAT:

SECTION 1. WITHDRAWAL OF REQUEST TO ACT UNDER THE TEXAS EDUCATION CODE. The City acknowledges and accepts AHEA's intention to cease exercising any powers under Section 53.47 of the Education Code, and the City hereby formally withdraws its request for AHEA to exercise the powers enumerated and provided in Section 53.47 on behalf of the City, effective April 1, 2000 (the "Effective Date"). From and after the Effective Date, AHEA will no longer act for and on behalf of the City; consequently, the City will no longer appoint or remove the directors of AHEA nor have the power or authority to do so, and no sections of the Education Code shall apply to or govern AHEA by reason of Section 53.47 of the Texas Education Code.

SECTION 2. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF ABILENE,
TEXAS ON THE 24TH DAY OF FEBRUARY, 2000.



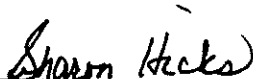
Mayor, City of Abilene, Texas

ATTEST:



City Secretary, City of Abilene, Texas

APPROVED:



City Attorney, City of Abilene, Texas

SIGNATURE PAGE TO CITY RESOLUTION REGARDING
CHANGE OF STATUS OF ABILENE HIGHER EDUCATION AUTHORITY, INC.

CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS
COUNTIES OF JONES AND TAYLOR
CITY OF ABILENE

I, the undersigned City Secretary of the City of Abilene, Texas (the "City"), hereby certify as follows:

1. The City Council (the "City Council") of the City convened in REGULAR MEETING ON THE 24TH DAY OF FEBRUARY, 2000, at its regular meeting place in the Abilene City Hall (the "Meeting"), and the roll was called of the duly constituted officers and members of the City Council to wit:

Grady Barr, Mayor
A. Don Drennan
Kay Alexander

Rob Beckham
Versie L. Brown, Jr.
Paul Vasquez
(vacancy)

All members of the City Council were present, except the following: _____, thus constituting a quorum, whereupon among other business the following was transacted at the Meeting a written:

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(The "Resolution") was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, such motion, carrying with it the adoption of Resolution prevailed and carried by the following votes;

AYES: 6 NOES: 0 ABSTENTIONS 0

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

SIGNED AND SEALED THIS 8 DAY OF March, 2000.

(SEAL)



City Secretary, City of Abilene, Texas