

**MCCALL, PARKHURST & HORTON, L.L.P.**

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November 8, 2005

Board of Education  
Gadsden Independent Schools  
P.O. Drawer 70  
Anthony, New Mexico 88021

Attention: Agueda Mora, Acting Superintendent

Re: Sale of \$38,000,000 General Obligation Bonds Series 2006  
and 2-Mil Levy Election

Ladies and Gentlemen:

The purpose of this letter is to set forth the role and responsibilities Cuddy, Kennedy, Albetta & Ives, LLP and McCall, Parkhurst & Horton, L.L.P., as co-bond counsel, ("bond counsel") propose to assume in connection with the issuance of the above-referenced bonds (the "Bonds") by the Board of Education of the Gadsden Independent Schools (the "Issuer").

Bond counsel are engaged as recognized experts whose primary responsibility is to render an objective legal opinion with respect to the authorization and issuance of bonds.

As bond counsel, we will examine applicable law, prepare authorizing and operative documents, consult with the parties to the transaction prior to the issuance of the Bonds, review certified proceedings, and undertake such additional duties as we deem necessary to render the opinions.

Subject to the completion of proceedings to our satisfaction, we will render our opinions that:

- (1) the Bonds are valid and binding general obligations of the Issuer;
- (2) all taxable property in the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds; and
- (3) the interest paid on the Bonds will be exempt from New Mexico income taxes (subject to certain limitations which may be expressed in the opinions).

Subject to the completion of proceedings to its satisfaction, McCall, Parkhurst & Horton, L.L.P., will render its separate opinion that the interest paid on the Bonds will be excluded from gross income for federal income tax purposes.

The opinions will be executed and delivered by us in written form on the date the Bonds are exchanged for their purchase price (the "Closing") and will be based on facts and law existing as of that date. Upon delivery of the opinions, our responsibilities as bond counsel will be concluded with respect to this financing; specifically, but without implied limitation, we do not undertake (unless separately engaged) to provide continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the Bonds will continue to be excluded from gross income for federal income tax purposes.

The firms will undertake upon the written request of the Issuer such services as may be necessary to assist the Issuer in satisfying the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, and effective to Bonds sold on and after July 3, 1995. Our fees for such services would be based upon the customary hourly billing rates, then in effect, of the attorneys providing such services. The firms will provide schedules of such hourly rates upon request. Should it be necessary for the firms to render a written opinion with respect to any matters relating to the compliance by the Issuer with the ongoing disclosure or other compliance requirements of Rule 15c2-12, such fee for legal services provided in connection with the delivery of the opinion shall be set at the amount agreed upon in advance by us and the Issuer.

In rendering the opinions, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation.

In performing our services as bond counsel, our client will be the Issuer and we will represent its interests. We assume that other parties to the transaction will retain such counsel as they deem necessary and appropriate to represent their interests in this transaction. Our representation of the Issuer does not alter our responsibility to render an objective opinion as bond counsel.

As bond counsel, we will not assume or undertake responsibility for the preparation of an Official Statement or any other disclosure document with respect to the Bonds, nor are we responsible for performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document. However, if a disclosure document will be adopted or approved by the Issuer, our responsibility will include the preparation or review of any description therein of: (i) New Mexico and federal law pertinent to the validity of the Bonds and the tax treatment of interest paid thereon, (ii) the terms of the Bonds, and (iii) our opinions.

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing, (ii) the duties we will undertake pursuant to this letter, (iii) the time we anticipate devoting to the financing, and (iv) the responsibilities we assume, and assuming that the initial sale will be \$10,000,000 in size, the second sale will be \$10,000,000, and that the third sale will be \$18,000,000, our fee as bond counsel for the initial sale would be \$24,450; our fee for the second sale will be \$24,450; and our fee for the third sale will be \$35,450. Such fee may vary: (i) if the principal amount of Bonds actually issued increases/varies from the amount stated above, (ii) if material changes in the structure of the financing occur, (iii) if unusual or unforeseen circumstances arise which require a significant increase in our time or responsibility, or (iv) if litigation of matters related to the bond issuance should arise, in which event bond counsel would compute its fees for litigation expenses at its then current hourly rate. If the bonds are issued in more than one series, there is a separate fee for each series at bond



counsel's then prevailing rates. The current fee for a series of any size can be determined from Attachment A, attached hereto. If, at any time, we believe that circumstances require an adjustment of our original fee estimate, we will consult with you. In addition, we will expect to be reimbursed for all out-of-pocket expenses, including travel costs, photocopying, deliveries, facsimile transmissions, long distance telephone charges, transcript preparation, filing fees, preparation of IRS Form 8038, and other necessary office disbursements. We estimate that such out-of-pocket expenses for each series will be in the range of \$1,000 to \$1,500.

If, for any reason, the financing is not consummated or is completed without the rendition of our opinion as bond counsel, we will expect to be compensated for out-of-pocket expenses but not for legal fees.

We will submit our bill for fees and then known expenses to the Paying Agent/Registrar at Closing, such bill to be paid from the Bond proceeds by the Paying Agent/Registrar. A copy of such bill will be sent by us to the Issuer prior to Closing. A separate bill for our remaining itemized expenses in connection with the issuance shall be submitted to the District approximately 60 days after Closing.

If the foregoing terms of this engagement are acceptable to you, please so indicate by returning the enclosed copy of this letter signed by an appropriate officer, retaining the original for your files. We look forward to working with you.

MCCALL, PARKHURST & HORTON, L.L.P.

and

CUDDY, KENNEDY, ALBETTA & IVES, LLP

By: \_\_\_\_\_

Accepted and Approved:

GADSDEN INDEPENDENT SCHOOLS

By: \_\_\_\_\_

Its:

Date: \_\_\_\_\_