

Jeff Mashburn
3336 FM 934
Itasca, Texas 76055

April 4, 2025

Stu Madison
302 W. Broad Street
Mansfield, Texas 76063

Regarding: Itasca Independent School District

Mr. Madison,

This letter has been sent to you based on the understanding you are representing the Itasca Independent School District (district) as their legal counsel. I wanted to inform you that multiple criminal complaints have been filed with the DOJ and SEC on February 18th, March 4th and March 19th regarding the matters and issues pertaining to the district that are unresolved and have been ignored by the district's superintendent of schools and board of trustees regarding multiple written requests made in accordance with the Open Records Act since 2020. The list of issues regarding the district is quite long. The focus of this letter is to highlight issues and problems pertaining to bonds issued by school districts that have been exposed over the past several months including the Itasca ISD.

Taxpayers across north Texas are following suit in the same manner in other districts that have failed to respond and provide the same information as requested from the Itasca ISD. The issues and problems found are serious in nature regarding the conduct and actions by elected public servants whose roles and responsibilities include protecting the interests and financial well-being of taxpayers within the taxing jurisdiction of the district.

The list of issues relating existing bonds issued by Itasca ISD are listed below.

1. The bond payment schedules for (2) current bonds issued by the district.
 - a. Financial Institution(s) and Parties managing the bond(s)
 - b. CUSIPs for each bond issued
 - c. Including all debt payments
 - d. Including all interest payments
 - e. Including the terms and conditions and financial impact to taxpayers for failing to meet the requirements of the bond(s) as issued.
 - f. All notes pertaining to the bonds and how the funds have been used to date

Based on new and recent information that has been made available there are serious discrepancies regarding the current bonds that were issued by the district and the actual outstanding bond debt. There are dozens of school districts including the Itasca ISD that have been named regarding problems found with the bond debt(s) reported between several state agencies in Texas. At this time, the dollar amount involved is just short of **\$24,000,000,000.00** dollars. Taxpayers are aware that multiple school districts in Texas have been involved in investigations by

the SEC with one district being found guilty of bond fraud and corruption and school officials charged for their actions and conduct. School districts named have been found guilty of illegally issuing bonds that violate multiple TEA statutes, rules, guidelines. Key requirements and limitations set forth in section Chapter 45 of the TEA Code governing how school districts develop and determine the value of bond referendums have been ignored. School officials are to regulate and issue bonds that do not place taxpayers in financial distress or in danger of losing their homes.

Since 2022 the Itasca ISD has voted and approved two bond referendums that have been put before the taxpayers in the district, one in 2022 (\$20,000,000.00) that was voted down and the currently proposed bond referendum in the amount \$34,000,000.00 dollars. These bonds are the center of additional criminal complaints being filed. Chapter 45, Section 45.0011, (d), (1), (A), (B) restricts school districts to a **Cap of 25 Percent** of the total aggregate current outstanding aggregate bond debt obligated by repayment from ad-valorem taxes and all approved bonds but not yet issued for repayment by ad-valorem taxes. The Itasca ISD board of trustees and superintendent of school have ignored these rules and statutes that govern the financial decisions made by school officials. Itasca ISD is not the only school district that has violated the requirements and limitations set forth in Chapter 45 of the TEA Code.

Thousand of taxpayers and homeowners have been impacted financially by the actions and conduct of school officials in Texas. Many have been put into financial bankruptcy and many have lost their homes in Texas. At this time taxpayers are joining together to file civil lawsuits against school officials that have failed to follow the law and statutes required by the TEA and to hold them personally accountable for financial harm and damages they have suffered. These lawsuits and cases have just started in Texas and taxpayers are now beginning to understand how districts across the state have been conducting business for decades that violate basic rules, laws and commonsense in regard to bonds and bond debt. The attorney with the SEC that prosecuted one of the cases in Texas has now been updated with how widespread the problems are in Texas and what has transpired to date with the Itasca ISD.

At this time there has not been a civil lawsuit brought forth against anyone employed or serving on the board of trustees with the Itasca ISD. There have only been criminal complaints filed to date. There are several ongoing investigations by taxpayers that may warrant additional criminal complaints but is unclear if these will be picked up by the DOJ and SEC and become part of the previous complaints filed. It was never the intention or purpose the criminal complaints or civil lawsuits would be warranted. But due to the facts and evidence gathered and lack of response and cooperation by the district there was no choice left for taxpayers but to take the steps that have been taken to protect them from financial distress and danger of losing their homes. The lawsuits are based on facts and evidence that is now public record and the testimony of taxpayers who have lost their homes.

It is the recommendation of taxpayers in Hill County that legal counsel direct the Itasca ISD and board of trustees to recall the current proposed bond referendum of **\$34,000,000.00** dollars immediately. It is public knowledge and record the district has violated key requirements and safeguards of the Texas Agency Education rules and laws governing school districts in the state of Texas. The superintendent of schools and the board of trustees are to serve both the school district and the taxpayers within their district(s). Part of the responsibility of the district is to treat taxpayers fairly and according to the law. The actions and conduct of the district are public record and cannot be disputed. The district has failed to retire the current bond debt and has failed to accurately determine the financial stability and economic environment in Hill County and the ability of taxpayers to pay property taxes in order to keep their homes. Taxpayers in Texas over the past 12 months have been made aware of how their homes have been used as collateral for bonds issued by school district that violate the laws and rules in the TEA Code.

The proposed bond referendum proposed by the Itasca ISD is based on nothing but speculation and guesswork. During the townhall meeting held on campus school officials violated rules regarding how school official are not allowed to use verbal expressions or pleas to convince taxpayers to vote in favor of any proposed bond referendum. They are simply to present the financial data and facts regarding the cost to taxpayers, in which they were not able to do. The only known value in the proposed bond referendum is the amount of the bond the district is seeking. Everything else is based on fraud and deception and will be presented as so in court. The 25% Cap and limitation on additional bond referendums for school districts with outstanding debt is circuit breaker to prevent school districts from piling on debt that can never be repaid by taxpayers and that has cost thousands of taxpayers in Texas to lose their homes. This limitation has been ignored and violated and taxpayers have paid the ultimate price. This limitation and requirement is to be adhered to by school officials **BEFORE** a bond referendum is put forth. Taxpayers have been the victims of fraud and deception by school officials and the state of Texas for decades that have played the proverbial *"we are doing this for the children"* story while their homes have become collateral for the bond debt without them understanding what has happened. One cannot argue that a child's education is important, but one can argue and win that children living in a home with parents under one roof is more important.

The currently proposed bond referendum put forth and advertised by the district for **\$34,000,000.00** dollars violates the 25% cap rule by a factor of 17-x the allowable amount. The maximum current bond debt allowed for the Itasca ISD per the TEA limitation is **\$2,063,750.00** dollars based on the existing bond debt reported by the district. The amount of existing bond debt is being questioned at this time based on new information made available over the past two months. The actions and conduct by school districts including the Itasca ISD has put tens of thousands of teachers and investors at risk due to the bond fraud and corruption that has gone unchecked until now.

As the districts legal counsel, you have been made aware of everything stated above. This letter is being sent as a good faith effort and due diligence by taxpayers to give the Itasca ISD the opportunity to evaluate the decisions made by the district and to prevent taxpayers from being impacted by additional debt obligations made by the district that violate the rules and laws of the TEA Code. If the district refuses to recall the currently proposed bond referendum immediately it will be taken as a direct and deliberate action by design and intent to defraud the taxpayers of Hill County and living within the taxing authority of the Itasca ISD. A written response by email or letter is expected within 72 hours upon the receipt of this letter of notification with the district's response. A hard copy of this letter is being sent to your office.

Respectfully,

Jeff Mashburn

cc: Texas Education Agency-Board of Governance
Pam Bondi- US Attorney General
Matthew Gulde- Attorney- US Securities and Exchange Commission
Roberto Lopez Jr.- Attorney- US Justice Department
Helen Kerwin- State Representative District 58