

CITY OF DE LEON, TEXAS

**COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION**

SERIES 2009

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ORDINANCE # 006-09

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF DE LEON, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2009; PRESCRIBING THE TERMS AND FORM THEREOF; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL THEREOF; MAKING OTHER PROVISIONS REGARDING SUCH CERTIFICATES, INCLUDING USE OF THE PROCEEDS THEREOF, AND MATTERS INCIDENT THERETO, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DE LEON:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.1: Findings and Determinations. The City Council hereby officially finds and determines that:

(a) The City of De Leon, Texas (the "City"), acting through its City Council, is authorized pursuant to and in accordance with the provisions of Texas Local Government Code, Chapter 271, Subchapter C, as amended (the "Act"), to issue certificates of obligation to provide all or part of the funds to pay contractual obligations to be incurred for the construction of public works and the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes and for the payment of contractual obligations for professional services, to wit (i) improvements to the City's water and sewer utility system and (ii) professional services rendered in connection with the above listed projects.

(b) The City Council authorized the publication of a notice of intention to issue Combination Tax and Revenue Certificates of Obligation, Series 2009 (the "Certificates") to the effect that the City Council was tentatively scheduled to meet at 6:00 p.m. on May 14, 2009 at its regular meeting place to adopt an ordinance authorizing the issuance of the Certificates to be payable from (i) an ad valorem tax levied, within the limits prescribed by law, on the taxable property located within the City, and (ii) the surplus revenues to be derived from the City's water and sewer system (the "System") after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), to the extent that ad valorem taxes are ever insufficient or unavailable for such purposes, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates.

(c) Such notice was published at the times and in the manner required by the Act.

(d) No petition signed by at least five percent (5%) of the qualified voters of the City has been filed with or presented to any official of the City protesting the issuance of such Certificates on or before May 14, 2009, or the date of passage of this Ordinance.

(e) The Certificates herein authorized for issuance are to be delivered to the Texas Water Development Board (the “Board” or the “Purchaser”) in evidence of a loan commitment received in the aggregate amount of the Certificates.

(f) The City has determined that it is in the best interests of the City and that it is otherwise desirable to issue the Certificates to provide all or part of the funds to pay contractual obligations to be incurred for the purposes authorized by the Act.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. As used herein, the following terms shall have the meanings specified, unless the context clearly indicates otherwise:

“Act” shall mean Texas Local Government Code, Chapter 271, Subchapter C, as amended.

“Attorney General” shall mean the Attorney General of the State of Texas.

“Certificate” or “Certificates” shall mean any or all of the City of De Leon, Texas Combination Tax and Revenue Certificates of Obligation, Series 2009, authorized by this Ordinance.

“City” shall mean the City of De Leon, Texas and, where appropriate, its City Council.

“City Council” shall mean the governing body of the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Comptroller” shall mean the Comptroller of Public Accounts of the State of Texas.

“DTC” shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

“DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Fiscal Year” shall mean the City’s then designated fiscal year, which currently is the twelve-month period beginning on the first day of October of a calendar year and ending on the last day of September of the next succeeding calendar year and each such period may be designated with the number of the calendar year in which such period ends.

“Issuance Date” shall mean the date on which the Certificates are delivered to and paid for by the Purchaser.

“Ordinance” shall mean this Ordinance and all amendments hereof and supplements hereto.

“Outstanding”, when used with reference to the Certificates, shall mean, as of a particular date, all Certificates theretofore and thereupon delivered pursuant to this Ordinance except: (a) any Certificates canceled by or on behalf of the City at or before such date; (b) any Certificates defeased pursuant to the defeasance provisions of this Ordinance or otherwise defeased as permitted by applicable law; and (c) any Certificates in lieu of or in substitution for which a replacement Certificate shall have been delivered pursuant to this Ordinance.

“Paying Agent/Registrar” shall mean U.S. Bank National Association, Dallas, Texas, and its successors in that capacity.

“Purchaser” shall mean the initial purchaser or purchasers of the Certificates specified in Section 7.1 hereof.

“Record Date” shall mean the close of business on the last business day of the calendar month immediately preceding the applicable Maturity Date.

“Register” shall mean the registration books for the Certificates kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts registered to, each Registered Owner of Certificates.

“Registered Owner” shall mean the person or entity in whose name any Certificate is registered in the Register.

Section 2.2: Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Certificates and the validity of the levy of ad valorem taxes to pay the principal of the Certificates.

ARTICLE III

TERMS OF THE CERTIFICATES

Section 3.1: Amount, Purpose and Authorization. (a) The Certificates shall be issued in fully registered form, without coupons, under and pursuant to the authority of the Act in the total authorized aggregate principal amount of TWO MILLION THREE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$2,350,000) for the purpose of providing all or part of the funds to pay contractual obligations to be incurred for the purposes described in paragraph 1.1(a) hereof.

Section 3.2: Designation and Date. The Certificates shall be designated as the “City of De Leon, Texas Combination Tax and Revenue Certificates of Obligation, Series 2009,” and shall be dated May 1, 2009. The Certificates shall not bear interest.

Section 3.3: Numbers, Denomination and Maturities. The Certificates shall be issued bearing the numbers and in the principal amounts set forth in the following schedule, and may be transferred and exchanged as set out in this Ordinance. The Certificates shall mature on February 15 in each of the years and in the amounts set out in such schedule. Certificates delivered in transfer of or in exchange for other Certificates shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the denomination of \$5,000 or integral multiples thereof and shall mature on the same date as the Certificate or Certificates in lieu of which they are delivered.

<u>Certificate Number</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>
R-1	2010	\$120,000
R-2	2011	120,000
R-3	2012	120,000
R-4	2013	120,000
R-5	2014	120,000
R-6	2015	120,000
R-7	2016	120,000
R-8	2017	120,000
R-9	2018	120,000
R-10	2019	120,000
R-11	2020	115,000
R-12	2021	115,000
R-13	2022	115,000
R-14	2023	115,000
R-15	2024	115,000
R-16	2025	115,000
R-17	2026	115,000
R-18	2027	115,000
R-19	2028	115,000
R-20	2029	115,000

Section 3.4: Redemption Prior to Maturity. (a) Optional Redemption. The Certificates maturing on and after February 15, 2021 are subject to redemption prior to maturity, at the option of the City, in the inverse order of maturity in whole or in part, on February 15, 2020, or any date thereafter, at par.

(b) Certificates may be redeemed in part only in integral multiples of \$5,000. If a Certificate subject to redemption is in a denomination larger than \$5,000, a portion of such Certificate may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Certificates for redemption, each Certificate shall be treated as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such

Certificate by \$5,000. Upon presentation and surrender of any Certificate for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of this Ordinance, shall authenticate and deliver in exchange therefor a Certificate or Certificates of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

(c) Notice of any redemption, identifying the Certificates or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the Register, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Certificates called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being Outstanding except for the purpose of being paid with the funds so provided for such payment.

Section 3.5: Manner of Payment, Characteristics, Execution and Authentication. The Paying Agent/Registrar is hereby appointed the paying agent for the Certificates. The Certificates shall be payable, shall have the characteristics and shall be executed, sealed, registered and authenticated, all as provided and in the manner indicated in the FORM OF CERTIFICATES set forth in Exhibit A to this Ordinance. If any officer of the City whose manual or facsimile signature shall appear on the Certificates shall cease to be such officer before the authentication of the Certificates or before the delivery of the Certificates, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

The approving legal opinion of Andrews Kurth LLP, Austin, Texas, Bond Counsel, may be printed on the back of the Certificates over the certification of the City Secretary, which may be executed in facsimile. CUSIP numbers also may be printed on the Certificates, but errors or omissions in the printing of either the opinion or the numbers shall have no effect on the validity of the Certificates.

Section 3.6: Authentication. Except for the Certificates to be initially issued, which need not be authenticated by the Registrar, only such Certificates as shall bear thereon a certificate of authentication, substantially in the form provided in Article IV of this Ordinance, manually executed by an authorized representative of the Paying Agent/Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Certificate so authenticated was delivered by the Paying Agent/Registrar hereunder.

Section 3.7: Ownership. The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of the principal thereof and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Registered Owner of any Certificate in accordance with this

Section shall be valid and effective and shall discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

Section 3.8: Registration, Transfer and Exchange. The Paying Agent/Registrar is hereby appointed the registrar for the Certificates. So long as any Certificate remains Outstanding, the Paying Agent/Registrar shall keep the Register at the City Administrator's office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Certificates in accordance with the terms of this Ordinance.

Each Certificate shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar, accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Certificate for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours after such presentation, a new Certificate or Certificates, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Certificate or Certificates so presented and surrendered.

All Certificates shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for a Certificate or Certificates, maturity and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Certificate or Certificates presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Certificates in accordance with the provisions of this Section. Each Certificate delivered by the Paying Agent/Registrar in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such Certificate is delivered.

All Certificates issued in transfer or exchange shall be delivered to the Registered Owners thereof at the principal corporate trust office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid.

The City or the Paying Agent/Registrar may require the Registered Owner of any Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Certificate. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificate called for redemption in whole or in part during the forty-five (45) day period immediately prior to the date fixed for redemption; provided, however, that this restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of a Certificate called for redemption in part.

Section 3.9: Book-Entry Only System. The definitive Certificates shall be initially issued in the form of a separate single fully registered Certificate for each of the maturities

thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the Outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the Owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Certificates. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates, (b) the delivery to any DTC Participant or any other person, other than a Certificateholder, as shown on the Register, of any notice with respect to the Certificates, including any notice of redemption or (c) the payment to any DTC Participant or any other person, other than a Certificateholder as shown in the Register, of any amount with respect to principal of Certificates, premium, if any, or interest on the Certificates.

Except as provided in Section 3.10 of this Ordinance, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate is registered in the Register as the absolute owner of such Certificate for the purpose of payment of principal of, premium, if any, and interest on Certificates, for the purpose of giving notices of redemption and other matters with respect to such Certificate, for the purpose of registering transfer with respect to such Certificate, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of Certificates, premium, if any, and interest on the Certificates only to or upon the order of the respective owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the Certificates to the extent of the sum or sums so paid. No person other than an owner shall receive a Certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance.

Section 3.10: Payments and Notices to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, as long as any Certificates are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on the Certificates, and all notices with respect to such Certificates shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

Section 3.11: Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC, and that it is in the best interest of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the City or the Paying Agent/Registrar shall (a) appoint a successor securities depository, qualified to act as such under Section 17(a) of the

Securities and Exchange Act of 1934, as amended, notify DTC of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (b) notify DTC of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Certificateholders transferring or exchanging Certificates shall designate, in accordance with the provisions of this Ordinance.

Section 3.12: Replacement Certificates. Upon the presentation and surrender to the Paying Agent/Registrar of a damaged or mutilated Certificate, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Certificate, of the same maturity and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Registered Owner of such Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar and the City.

If any Certificate is lost, apparently destroyed or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and ordinances of the City, and in the absence of notice or knowledge that such Certificate has been acquired by a bona fide purchaser, shall execute, and the Paying Agent/Registrar shall authenticate and deliver, a replacement Certificate of the same maturity and principal amount, bearing a number not contemporaneously outstanding, provided that the Registered Owner thereof shall have:

- (a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Certificate;
- (b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save and hold them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of such replacement Certificate, a bona fide purchaser of the original Certificate in lieu of which such replacement Certificate was issued presents for payment such original Certificate, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Certificate from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Certificate, authorize the Paying Agent/Registrar to pay such Certificate.

Each replacement Certificate delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such replacement Certificate is delivered.

Section 3.13: Cancellation. All Certificates paid or redeemed in accordance with this Ordinance, and all Certificates in lieu of which exchange Certificates or replacement Certificates are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment or redemption. The Paying Agent/Registrar shall periodically furnish the City with certificates of destruction of such Certificates.

ARTICLE IV

FORM OF CERTIFICATES

The Certificates, including the Form of Comptroller's Registration Certificate, Form of Paying Agent/Registrar Authentication Certificate and Form of Assignment, shall be in substantially the form set forth in Exhibit A hereto, with such omissions, insertions and variations as may be necessary or desirable, and not prohibited by this Ordinance.

ARTICLE V

SECURITY FOR THE CERTIFICATES

Section 5.1: Pledge and Levy of Taxes and Revenues. (a) To provide for the payment of principal of the Certificates, there is hereby levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the Certificates or any part of the principal thereof remain outstanding and unpaid, an ad valorem tax upon all taxable property within the City sufficient to create and provide a sinking fund of not less than 2% of the principal amount of the Certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of the Certificates by deposit to the Debt Service Fund (as hereinafter defined) and to no other purpose.

(b) The City hereby declares its purpose and intent to provide and levy a tax legally sufficient to pay the principal of the Certificates, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax. As long as any Certificates remain outstanding, all moneys on deposit in, or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for cities in the State of Texas.

(c) In addition, pursuant to the authority of Chapter 1502, Texas Government Code, as amended, the City also hereby pledges the surplus revenues to be derived from the City's water and sewer system, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), to the payment of the principal of the Certificates, provided that the

pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates. The City also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates. The City hereby covenants and agrees with the Registered Owners of the Certificates that rates and charges for utility services afforded by the System will be established and maintained to provide revenues sufficient at all times for the payment of System operations and debt service.

(d) If Net Revenues are actually on deposit in the Debt Service Fund prior to the annual tax levy, the City shall reduce the amount of the tax levy by the amount of Net Revenues on deposit in the Debt Service Fund (as hereinafter defined) on such date. However, if the determination of Net Revenues to be deposited in the Debt Service Fund is based on budgeted amounts, (i) the City shall transfer and deposit in the Debt Service Fund each month an amount not less than 1/12th of the annual debt service on the Certificates until the amount on deposit in the Debt Service Fund equals the amount required for annual debt service on the Certificates; (ii) the City shall not transfer any pledged Net Revenues to any fund other than the Debt Service Funds until such time as an amount equal to the annual debt service on the Certificate for the then current fiscal year has been deposited in the Debt Service Fund; (iii) each year that the Certificates are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient Net Revenues, ad valorem tax revenues or other legally available funds, or a combination thereof, into the Debt Service Fund for the repayment of the Certificates; and (iv) the City will either maintain and collect sufficient rates and charges to produce revenues in an amount not less than 1.10 times debt service requirements for all outstanding obligations of the City secured by Net Revenues, or shall provide documentation evidencing the levy and collection of an ad valorem tax rate sufficient to provide for the payment of annual debt service requirements.

Section 5.2: Debt Service Fund. The Combination Tax and Revenue Certificates of Obligation, Series 2009 Debt Service Fund (the “Debt Service Fund”) is hereby created as a special fund solely for the benefit of the Certificates. The City shall establish and maintain such fund at an official City depository and shall keep such fund separate and apart from all other funds and accounts of the City. Any amount on deposit in the Debt Service Fund shall be maintained by the City in trust for the Registered Owners of the Certificates. Such amount, plus any other amounts deposited by the City into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of the Certificates.

Section 5.3: Investment of Funds. Money in the Debt Service Fund and the Construction Fund (hereinafter defined) may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities of the United States of America or as otherwise permitted by state law,

including the Public Funds Investment Act; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. If necessary, such investments shall be promptly sold to prevent any default.

Section 5.4: Further Proceedings. After the Certificates to be initially issued have been executed, it shall be the duty of the Mayor to deliver the Certificates to be initially issued and all pertinent records and proceedings to the Attorney General for examination and approval. After the Certificates to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller for registration. Upon registration of the Certificates to be initially issued, the Comptroller (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be affixed or attached to the Certificates to be initially issued, and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

ARTICLE VI

CONCERNING THE PAYING AGENT/REGISTRAR

Section 6.1: Acceptance. U.S. Bank National Association, Dallas, Texas, is hereby appointed as the initial Paying Agent/Registrar for the Certificates pursuant to the terms and provisions of the Paying Agent/Registrar Agreement by and between the City and the Paying Agent/Registrar. The Paying Agent/Registrar Agreement shall be substantially in the form attached hereto as Exhibit B, the terms and provisions of which are hereby approved, and the Mayor is hereby authorized to execute and deliver such Paying Agent/Registrar Agreement on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest thereto and affix the City's seal. Such initial Paying Agent/Registrar and any successor Paying Agent/Registrar, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder, and in consideration of the payment of any fees pursuant to the terms of any contract between the Paying Agent/Registrar and the City and/or the deposits of money pursuant to this Ordinance, shall be deemed to accept and agree to abide by the terms of this Ordinance.

Section 6.2: Trust Funds. All money transferred to the Paying Agent/Registrar in its capacity as Paying Agent/Registrar for the Certificates under this Ordinance (except any sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City and shall be disbursed in accordance with this Ordinance.

Section 6.3: Certificates Presented. Subject to the provisions of Section 6.4, all matured Certificates presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Certificates shall be canceled as provided herein.

Section 6.4: Unclaimed Funds Held by the Paying Agent/Registrar. Funds held by the Paying Agent/Registrar that represent principal of the Certificates remaining unclaimed by the Registered Owner thereof after the expiration of three years from the date such funds have become due and payable (a) shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent

such provisions are applicable to such funds, or (b) to the extent such provisions do not apply to the funds, such funds shall be paid by the Paying Agent/Registrar to the City upon receipt by the Paying Agent/Registrar of a written request therefor from the City.

The Paying Agent/Registrar shall have no liability to the Registered Owners of the Certificates by virtue of actions taken in compliance with this Section.

Section 6.5: Paying Agent/Registrar May Own Certificates. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Certificates with the same rights it would have if it were not the Paying Agent/Registrar.

Section 6.6: Successor Paying Agents/Registrars. The City covenants that at all times while any Certificates are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar for the Certificates. The City reserves the right to change the Paying Agent/Registrar for the Certificates on not less than sixty (60) days' written notice to the Paying Agent/Registrar, as long as any such notice is effective not less than 60 days prior to the next succeeding principal payment date on the Certificates. Promptly upon the appointment of any successor Paying Agent/Registrar, the previous Paying Agent/Registrar shall deliver the Register or a copy thereof to the new Paying Agent/Registrar, and the new Paying Agent/Registrar shall notify each Registered Owner, by United States mail, first class, postage prepaid, of such change and of the address of the new Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Ordinance.

ARTICLE VII

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF CERTIFICATES

Section 7.1: Sale of Certificates. The sale of the Certificates to the Texas Water Development Board (the "Purchaser") at a price of the par value thereof, is hereby approved. It is hereby officially found, determined and declared that the above price and terms of sale of the Certificates are the most advantageous reasonable obtainable by the City.

Section 7.2: Approval, Registration and Delivery. The Mayor is hereby authorized to have control and custody of the Certificates and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor and other officers and employees of the City are hereby authorized and directed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of the Certificates and to assure the investigation, examination and approval thereof by the Attorney General and the registration of the initial Certificates by the Comptroller. Upon registration of the Certificates, the Comptroller (or the Comptroller's certificates clerk or an assistant certificates clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificates prescribed herein to be attached or affixed to each Certificates initially delivered and the seal of the Comptroller shall be impressed or printed or lithographed thereon.

Section 7.3: Application of Proceeds of Certificates. The proceeds from the sale of the Certificates shall be deposited to the Construction Fund established pursuant to Section 9.2(b) of this Ordinance and used only for the purposes set forth in Section 3.1 of this Ordinance and to pay all expenses arising in connection with the issuance of the Certificates. Any proceeds of the Certificates, together with earnings from the investment thereof, remaining after making all such deposits and payments shall be deposited into the Debt Service Fund and, to the extent applicable, applied to pay or redeem Certificates as provided in Section 9.2(d) of this Ordinance.

Notwithstanding the above and foregoing, immediately following the delivery of the Certificates and prior to the deposit of the proceeds from the sale of such Certificates in the Construction Fund established at an official depository of the City pursuant to Section 9.2 hereof, such proceeds shall be held in trust and in escrow pursuant to the written escrow agreement described below at an official depository of the City pending written authorization to release said proceeds. A "Special Escrow Deposit Agreement" by and between the City and the official depository, attached hereto as Exhibit C and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby approved as to form and content, and the Mayor and the City Secretary of the City are hereby authorized and directed to execute such Agreement in substantially the same form and content herein approved.

Section 7.4: Tax Exemption. The City intends that the interest on the Certificates shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Certificates. For this purpose, the City covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Certificates (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Certificates) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Certificates to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Certificates for federal income tax purposes. Without limiting the generality of the foregoing, the City shall comply with each of the following covenants:

(a) The City will use all of the proceeds of the Certificates to (i) provide funds to pay contractual obligations to be incurred for the purposes set forth in Section 3.1 hereof, which will be owned and operated by the City and (ii) to pay the costs of issuing the Certificates. The City will not use any portion of the proceeds of the Certificates to pay the principal of or interest or redemption premium on, any other obligation of the City or a related person.

(b) The City will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Certificates to constitute "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Certificates will be paid solely from both ad valorem taxes and pledged revenues collected by the City, investment earnings on such collections, and as available, proceeds of the Certificates.

(d) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Certificates are delivered, the City reasonably expects that the proceeds of the Certificates will not be used in a manner that would cause the Certificates or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(e) At all times while the Certificates are outstanding, the City will identify and properly account for all amounts constituting gross proceeds of the Certificates in accordance with the Regulations. The City will monitor the yield on the investments of the proceeds of the Certificates and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Certificates. To the extent necessary to prevent the Certificates from constituting “arbitrage bonds,” the City will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Certificates to be less than the yield that is materially higher than the yield on the Certificates.

(f) The City will not take any action or knowingly omit to take any action that, if taken or omitted, would cause the Certificates to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(g) The City represents that not more than fifty percent (50%) of the proceeds of the Certificates will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the City reasonably expects that at least eighty-five percent (85%) of the spendable proceeds of the Certificates will be used to carry out the governmental purpose of the Certificates within the three-year period beginning on the date of issue of the Certificates.

(h) The City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the gross proceeds of the Certificates, if any, be rebated to the federal government. Specifically, the City will (i) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Certificates as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the City allocable to other obligations of the City or moneys which do not represent gross proceeds of any obligations of the City and retain such records for at least six years after the day on which the last outstanding Certificate is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Certificates and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the City will exercise reasonable diligence to assure that no errors are made in the calculations required by the preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, interest thereon and any penalty.

(i) The City will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Certificates that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the Certificates not been relevant to either party.

(j) The City will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Certificates on such form and in such place as the Secretary may prescribe.

(k) The City will not issue or use the Certificates as part of an "abusive arbitrage device" (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, the Certificates are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the City to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(l) Proper officers of the City charged with the responsibility for issuing the Certificates are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of the Certificates and stating whether there are facts, estimates or circumstances that would materially change the City's expectations. On or after the date of issuance of the Certificates, the City will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(m) The covenants and representations made or required by this Section are for the benefit of the Certificate holders and any subsequent Certificate holder, and may be relied upon by the Certificate holders and any subsequent Certificate holder and bond counsel to the City.

In complying with the foregoing covenants, the City may rely upon an unqualified opinion issued to the City by nationally recognized bond counsel that any action by the City or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Certificates to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Ordinance, the City's representations and obligations under the covenants and provisions of this Section 7.5 all survive the defeasance and discharge of the Certificates for as long as such matters are relevant to the exclusion of interest on the Certificates from the gross income of the owners for federal income tax purposes.

Section 7.5: Related Matters. In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, the Mayor, City Secretary and all other appropriate officers, agents, representatives and employees of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance and delivery of the

Certificates, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, notices, and other documents as may be reasonably necessary to satisfy the City's obligations under this Ordinance and to direct the transfer and application of funds of the City consistent with the provisions of this Ordinance.

ARTICLE VIII

CONTINUING DISCLOSURE UNDERTAKING

Section 8.1: Annual Reports. The City shall provide to any person, upon request, financial information and operating data with respect to the City, being the information described in Exhibit D hereto, and is customarily prepared by the City and publicly available, unless the City has provided such information to the SID in the preceding 12 months. Regardless of whether such information has been provided to the SID, such information shall be provided to the Purchasers as long as the Purchasers hold any of the Certificates. Any such information and data provided will be the information and data included in the latest annual update of such information and data that is available at the time any such request is made. Additionally, upon the filing of these financial statements and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552. Thereafter, any person may obtain copies of these documents upon submission of a written request to the City Administrator, P.O. Box 318, De Leon, Texas 76444, and upon paying the reasonable copying, handling, and delivery charges for providing this information.

If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

Section 8.2: Material Event Notices. The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Certificates, if such event is material within the meaning of the federal securities laws:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Certificates;

- (g) Modifications to rights of holders of the Certificates;
 - (h) Certificate calls;
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the Certificates;
- and
- (k) Rating changes.

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 8.1 of this Ordinance by the time required by such Section.

Section 8.3: Limitations, Disclaimers and Amendments. The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by Section 8.2 of any Certificate calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the holders and beneficial owners of the Certificates, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article shall constitute a breach of or default under the Ordinance for purposes of any other provision of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Article may be amended by the City from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holder and beneficial owners of the Certificates. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 8.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

Section 8.4: Definitions. As used in this Article, the following terms have the meanings ascribed to such terms below:

“MSRB” means the Municipal Securities Rulemaking Board.

“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“SID” means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

ARTICLE IX

MISCELLANEOUS

Section 9.1: Defeasance. Subject to Section 10.8 hereof, the City may defease the provisions of this Ordinance and discharge its obligations to the Registered Owners of any or all of the Certificates to pay the principal thereof in any manner permitted by law, including by

depositing with the Paying Agent/Registrar or with the Comptroller of Public Accounts of the State of Texas either:

(a) cash in an amount equal to the principal amount of such Certificates; or

(b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form, and the principal thereof which will, when due or redeemable at the option of the holder, without further investment or reinvestment of the principal amount thereof, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal thereof;

provided, however, that if any of the Certificates are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

Section 9.2: Compliance with the Texas Water Development Board's Rules and Regulations. The City will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchaser with respect to the issuance of the Certificates. In addition, in compliance with the Purchaser's Clean Water State Revolving Fund Loan Program Rules, the City agrees and covenants:

(a) to keep and maintain full and complete records and accounts pertaining to the construction of the project financed with the proceeds of sale of the Certificates, including the construction fund account created below, in accordance with the standards set forth by the Government Accounting Standard Board;

(b) to create and establish at the Depository a "City of De Leon Clean Water State Revolving Fund Program Loan Construction Fund" (the "Construction Fund") for the receipt and disbursement of all proceeds from the sale of the Certificates and all other funds acquired by the City in connection with the planning and construction of the projects financed, in whole or in part, by the Purchaser pursuant to the loan evidenced by the Certificates and all funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of such projects as approved by

the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15 or 17 of the Texas Water Code, as amended;

(c) to provide the Purchaser with copies of “as built plans” pertaining to the projects financed, in whole or in part, with any funds of the Purchaser;

(d) upon completion of the construction of the projects financed, in whole or in part, by the loan evidenced by the Certificates, to provide a final accounting to the Purchaser of the total costs of the projects. If the projects as finally completed are built at a total cost less than the amount of available funds for building the projects, or if the Executive Administrator of the Purchaser disapproves construction of any portion of such projects as not being in accordance with the plans and specifications, the City agrees to immediately, with filing of the final accounting, return to the Purchaser the amount of any such excess and/or the cost determined by the Executive Administrator of the Purchaser relating to the parts of such projects not built in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Certificates, upon the surrender and cancellation of a like amount of the appropriate series of such Certificates held by the Purchaser in inverse order of their maturities. In determining the amount of available funds for building the project, the City agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Purchaser, all other funds available from the projects as described in the project engineer’s or fiscal representative’s sufficiency of funds statement and all interest earned by the City on money in the Construction Fund;

(e) to maintain adequate insurance coverage on the projects financed with the proceeds of the Certificates in amounts adequate to protect the Purchaser’s interest;

(f) to maintain current, accurate, and complete records and accounts necessary to demonstrate compliance with financial assistance related legal and contractual provisions;

(g) to implement any water conservation program required by the Purchaser until all financial obligations to the Purchaser have been discharged;

(h) to comply with any special conditions specified by the Purchaser’s environmental determination until all financial obligations to the Purchaser have been discharged;

(i) so long as any Certificates are held by the TWDB, to provide to the TWDB’s Development Fund Manager, within 120 days of the end of the City’s fiscal year, a copy of each of its annual audited financial statements, to be submitted without charge; and

(j) to abide by the Purchaser’s rules and relevant state statutes, including, but not limited to, the Purchaser’s pre-design funding procedures.

Section 9.3: Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Registered Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Registered Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency,

or formal defect or omission herein. In addition, the City may, with the consent of Registered Owners who own in the aggregate 51% of the principal amount of the Certificates then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Registered Owners of Outstanding Certificates, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of the Certificates, reduce the principal amount thereof or the redemption price, or in any other way modify the terms of payment of the principal of the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Registered Owners for consent to any such amendment, addition, or rescission.

Section 9.4: Legal Holidays. In any case where the date principal of the Certificates matures or the date fixed for redemption of any Certificates or a Record Date shall be in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close, then payment of principal need not be made on such date, or the Record Date shall not occur on such date, but payment may be made or the Record Date shall occur on the next succeeding day which is not in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized by law to close with the same force and effect as if (i) made on the date of maturity or the date fixed for redemption and no interest shall accrue for the period from the date of maturity or redemption to the date of actual payment or (ii) the Record Date had occurred on the fifteenth day of that calendar month.

Section 9.5: No Recourse Against City Officials. No recourse shall be had for the payment of principal of any Certificates or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificates.

Section 9.6: Further Proceedings. The Mayor, Mayor Pro-Tem, City Secretary and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 9.7: Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 9.8: Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at City Hall for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 9.9: Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 9.10: Emergency. It is hereby officially found and determined that this Ordinance relates to an immediate public emergency affecting life, health, property and the public peace, and that such emergency exists, the specific emergency being that the proceeds from the sale of the Certificates are required as soon as possible for necessary and urgently needed improvements, and that this Ordinance be passed and approved on the date of its introduction.

Section 9.11: Effective Date. This Ordinance shall be in force and effect from and after its passage on the date shown below.

PASSED AND APPROVED this May 14, 2009.

CITY OF DE LEON, TEXAS

Mayor

ATTEST

City Secretary

(SEAL)

- Exhibit A – Form of Certificate
- Exhibit B - Paying Agent/Registrar Agreement
- Exhibit C – Escrow Deposit Agreement
- Exhibit D - Description of Annual Financial Information

EXHIBIT A

FORM OF CERTIFICATE

UNITED STATES OF AMERICA
STATE OF TEXAS

NUMBER
R-¹
REGISTERED

PRINCIPAL AMOUNT
\$ _____
REGISTERED

CITY OF DE LEON, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATE OF OBLIGATION
SERIES 2009

DATED DATE:
May 1, 2009

MATURITY DATE:
February 15, ____

CUSIP:²

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

THE CITY OF DE LEON, TEXAS, a municipal corporation of the State of Texas (the "City"), for value received, hereby promises to pay to the Registered Owner identified above or its registered assigns, on the maturity date specified above (or on earlier redemption as herein provided), upon presentation and surrender of this Certificate at the principal corporate trust office of U.S. Bank National Association, Dallas, Texas, or its successor (the "Paying Agent/Registrar"), the principal amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) payable in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due to the United States of America. This Certificate bears no interest. So long as the Purchaser is the holder of this Certificate, payment of the principal on this Certificate shall be made to the Purchaser by federal funds wire transfer, at no cost to the Purchaser, to an account at a financial institution located in the United States designated by the Purchaser.

THIS CERTIFICATE IS ONE OF A DULY AUTHORIZED SERIES OF CERTIFICATES (the "Certificates") in the aggregate principal amount of \$2,350,000 issued pursuant to an ordinance adopted by the City Council of the City on May 14, 2009 (the "Ordinance") for the purpose of providing all or part of the funds to pay contractual obligations to be incurred for the construction of public works and the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes and for the payment of contractual obligations for professional services, to wit (i) improvements to

¹ The number of the initial Certificates shall be preceded by the letter "I"; the number of Certificates issued in exchange or transfer for other Certificates shall be preceded by the letter "R".

² Delete from Initial Certificate.

the City's water and sewer utility systems and (ii) professional services rendered in connection with the above listed projects.

THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate either (i) is registered by the Comptroller of Public Accounts of the State of Texas by due execution of the registration certificate endorsed hereon or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

THE CITY RESERVES THE RIGHT, at its option, to redeem, prior to their maturity, Certificates maturing on and after February 15, 2021, in inverse order of maturity, in whole or in part, on February 15, 2028, or any date thereafter, at par.

CERTIFICATES MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Certificate subject to redemption is in a denomination larger than \$5,000, a portion of such Certificate may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Certificates for redemption, each Certificate shall be treated as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate by \$5,000. Upon surrender of any Certificate for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a Certificate or Certificates of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

NOTICE OF ANY SUCH REDEMPTION, identifying the Certificates or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Certificates called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.

THIS CERTIFICATE IS TRANSFERABLE only upon presentation and surrender at the principal corporate trust office of the Paying Agent/Registrar, accompanied by an assignment duly executed by the Registered Owner or its authorized representative, subject to the terms and conditions of the Ordinance.

THIS CERTIFICATE IS EXCHANGEABLE at the principal corporate trust office of the Paying Agent/Registrar for a Certificate or Certificates of the same maturity and interest rate and in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE PAYING AGENT/REGISTRAR is not required to accept for transfer or exchange any Certificate called for redemption, in whole or in part, during the forty-five (45) day period

immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Registered Owner of an unredeemed portion of a Certificate called for redemption in part.

THE CITY OR PAYING AGENT/REGISTRAR may require the Registered Owner of any Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of a Certificate. Any fee or charge of the Paying Agent/Registrar for a transfer or exchange shall be paid by the City.

THE REGISTERED OWNER of this Certificate by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Ordinance.

IT IS HEREBY DECLARED AND REPRESENTED that this Certificate has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, exist and to be done precedent to or in the issuance and delivery of this Certificate have been performed, exist and have been done in accordance with law; that the Certificates do not exceed any constitutional or statutory limitation; and that annual ad valorem taxes sufficient to provide for the payment of the principal of this Certificate, as such principal matures, have been levied and ordered to be levied, within the limits prescribed by law, against all taxable property in the City and have been irrevocably pledged for such payment.

IT IS FURTHER DECLARED AND REPRESENTED that the surplus revenues to be derived from the City's water and sewer system, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), are pledged to the payment of the principal of the Certificates, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates. The City also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is filed with the Paying Agent/Registrar, for the full provisions thereof, to all of which the Registered Owners of the Certificates assent by acceptance of the Certificates.

THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate either (i) is registered by the Comptroller of Public Accounts of the State of Texas by due execution of the registration certificate endorsed hereon or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed or placed in facsimile hereon and this Certificate to be signed by the Mayor, countersigned by the City Secretary by their manual, lithographed or printed facsimile signatures.

CITY OF DE LEON, TEXAS

Mayor

(SEAL)

COUNTERSIGNED:

City Secretary

* * *

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

The following form of Comptroller's Registration Certificate shall be attached or affixed to each of the Certificates initially delivered:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that this certificate has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

* * *

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

The following form of authentication certificate shall be printed on the face of each of the Certificates other than those initially delivered:

AUTHENTICATION CERTIFICATE

It is hereby certified that this certificate has been delivered pursuant to the Order described in the text of this certificate, in exchange for or in replacement of a certificate, certificates or a portion of a certificate or certificates of an issue of certificates which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas

U.S. BANK NATIONAL ASSOCIATION

By: _____

Authorized Signature

Date of Authentication:

* * *

FORM OF ASSIGNMENT

The following form of assignment shall be printed on the back of each of the Certificates:

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

(Please print or type name, address, and zip code of Transferee)

(Please insert Social Security or Taxpayer Identification Number of Transferee)
the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer such certificate on the
books kept for registration thereof, with full power of substitution in the premises.

DATED: _____	_____
Signature Guaranteed: _____ _____	_____ Registered Owner
NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.	NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this certificate in every particular, without any alteration, enlargement or change whatsoever.

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

See Tab No. 7

EXHIBIT C
ESCROW DEPOSIT AGREEMENT

See Tab No. 5

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 8 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Application referred to) below:

The City's audited financial statements for the most recently concluded fiscal year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the City referenced in the Application, but for the most recently concluded fiscal year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.