

ORDINANCE NO. 2261

ORDINANCE AUTHORIZING THE ISSUANCE OF WATERWORKS AND SEWER SYSTEM REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 1985, AUTHORIZING THE EXECUTION OF A BOND PURCHASE CONTRACT, APPROVING AN OFFICIAL STATEMENT, THE EXECUTION OF AN ESCROW AGREEMENT

THE STATE OF TEXAS §
COUNTY OF DALLAS §
CITY OF MESQUITE §

WHEREAS, there are presently outstanding the following bonds of the following series of bonds of the City of Mesquite (the "Issuer") which are secured in whole or in part by the full faith and credit of the Issuer and a pledge by the Issuer to levy ad valorem taxes sufficient to pay principal of and interest on the bonds as they become due:

Water and Sewer Refunding and Improvement Revenue Bonds, Series 1957, dated March 1, 1957, maturities 3/1/86 through 3/1/87, in the aggregate principal amount of \$167,000 (the "Series 1957 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1959, dated March 1, 1959, maturities 3/1/86 through 3/1/87, in the aggregate principal amount of \$40,000 (the "Series 1959 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1960, dated March 1, 1960, maturities 3/1/86 through 3/1/90, in the aggregate principal amount of \$315,000 (the "Series 1960 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1961, dated October 1, 1961, maturities 3/1/86 through 3/1/95, in the aggregate principal amount of \$1,115,000 (the "Series 1961 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1963, dated March 1, 1963, maturities 3/1/86 through 3/1/96, in the aggregate principal amount of \$600,000 (the "Series 1963 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1964, dated March 1, 1964, maturities 3/1/86 through 3/1/88, in the aggregate principal amount of \$40,000 (the "Series 1964 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1965, dated June 1, 1965, maturities 3/1/86 through 3/1/88, in the aggregate principal amount of \$90,000 (the "Series 1965 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1966, dated May 1, 1966, maturities 3/1/86 through 3/1/88, in the aggregate principal amount of \$90,000 (the "Series 1966 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1971, dated May 1, 1971, maturities 3/1/86 through 3/1/91, in the aggregate principal amount of \$300,000 (the "Series 1971 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1973, dated June 1, 1973, maturities 3/1/86 through 3/1/91, in the aggregate principal amount of \$450,000 (the "Series 1973 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1974, dated June 1, 1974, maturities 3/1/86 through 3/1/91, in the aggregate principal amount of \$450,000 (the "Series 1974 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1977, dated September 1, 1977, maturities 3/1/86 through 3/1/96, in the aggregate principal amount of \$675,000 (the "Series 1977 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1978, dated November 1, 1978, maturities 3/1/86 through 3/1/99, in the aggregate principal amount of \$1,200,000 (the "Series 1978 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1979, dated August 1, 1979, maturities 3/1/86 through 3/1/00, in the aggregate principal amount of \$825,000 (the "Series 1979 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1981, dated November 1, 1981, maturities 3/1/86 through 3/1/00, in the aggregate principal amount of \$1,850,000 (the "Series 1981 Bonds");

Waterworks and Sewer System Revenue Bonds, Series 1982, dated November 1, 1982, maturities 3/1/86 through 3/1/97, in the aggregate principal amount of \$900,000 (the "Series 1982 Bonds");

WHEREAS, the Issuer now desires to refund all of said Outstanding Bonds (the "Refunded Bonds"); and

WHEREAS, Article 717k, V.A.T.C.S. authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof together with any other available funds or resources, directly with a place of payment (paying agent) for

the Refunded Bonds, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

WHEREAS, Article 717k, V.A.T.C.S. further authorizes the Issuer to enter into an escrow agreement with any paying agent for the Refunded Bonds with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested and reinvested including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which shall mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or prepayment of the Refunded Bonds; and

WHEREAS, the City Council of the Issuer deems it advisable to refund the Refunded Bonds in order to lower the annual debt service requirements of the Issuer and to restructure the Issuer's cash flow, and to change the provisions for the issuance of Additional Bonds; and

WHEREAS, MBank Dallas, N.A., Dallas, Texas is the paying agent for the Refunded Bonds, and the Escrow Agreement hereinafter authorized constitutes an escrow agreement of the kind authorized and permitted by said Article 717k; and

WHEREAS, all the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized.

WHEREAS, out of the \$7,000,000 Waterworks System revenue bonds voted on August 9, 1980, the following previously have been issued and delivered:

\$1,355,000 for the purpose of improving and extending the City's Waterworks System, represented by part of the bonds of Series 1981 and Series 1982; and

WHEREAS, it is necessary and advisable to authorize, issue and deliver an installment or series of said bonds; and

WHEREAS, the bonds in the amount of \$3,000,000 hereinafter authorized are to be issued and delivered pursuant to Articles 1111 through 1118, V.A.T.C.S.

THEREFORE, BE IT ORDERED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bonds of City of Mesquite (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$10,985,000, FOR THE PURPOSE OF PROVIDING \$7,985,000 TO REFUND ALL OF THE ISSUER'S OUTSTANDING WATERWORKS AND SEWER SYSTEM REVENUE BONDS AND PROVIDING \$3,000,000 FOR IMPROVING AND EXTENDING THE ISSUER'S WATERWORKS SYSTEM (all as described in the preamble hereto).

Section 2. DESIGNATION, DATE DENOMINATIONS, NUMBERS AND MATURITIES OF BONDS. Each bond issued pursuant to this Ordinance shall be designated: "CITY OF MESQUITE, TEXAS WATERWORKS AND SEWER SYSTEM REFUNDING AND IMPROVEMENT REVENUE BOND, SERIES 1985", and initially there shall be issued, sold and delivered hereunder fully registered bonds, without interest coupons, dated November 1, 1985, in the respective denominations and principal amounts hereinafter stated, numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof (as designated in Section 27 hereof), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"), and said bonds shall mature and be payable serially on March 1 in each of the years and in the principal amounts, respectively as set forth in the following schedule:

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1987	\$590,000	1995	\$890,000
1988	780,000	1996	845,000
1999	820,000	1997	665,000
1990	840,000	1998	625,000
1991	865,000	1999	640,000
1992	740,000	2000	535,000
1993	760,000	2001	280,000
1994	810,000	2002	300,000

The term "Bonds" as used in this Ordinance shall mean and include collectively the bonds initially issued and delivered pursuant to this Ordinance and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INTEREST. The Bonds scheduled to mature during the years, respectively, set forth below shall bear interest from the dates specified in the FORM OF BOND set forth in this Ordinance to their respective dates of maturity at the following rates per annum:

maturity 1987, 6.00%	maturity 1995, 8.00%
maturity 1988, 6.50%	maturity 1996, 8.15%
maturity 1989, 6.75%	maturity 1997, 8.30%

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maturity 1990, 7.00%	maturity 1998, 8.40%
maturity 1991, 7.25%	maturity 1999, 8.50%
maturity 1992, 7.50%	maturity 2000, 8.60%
maturity 1993, 7.75%	maturity 2001, 8.70%
maturity 1994, 7.90%	maturity 2002, 8.75%

Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Ordinance.

Section 4. CHARACTERISTICS OF THE BONDS. Registration, Transfer, Conversion and Exchange; Authentication. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of the MBank Dallas, N.A., Dallas, Texas, (the "Paying Agent/Registrar") books or records for the registration of the transfer conversion and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BOND set forth in this Ordinance. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's

Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the special Record Date by United States mail, first class postage prepaid, to the address of each Bondholder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 50 days prior to any such redemption date), (iii) transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and

authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bonds initially issued and delivered pursuant to this Ordinance are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

Section 5. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of

Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF BOND

No. R-

PRINCIPAL
AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
CITY OF MESQUITE, TEXAS
WATERWORKS AND SEWER SYSTEM
REFUNDING AND IMPROVEMENT REVENUE BOND
SERIES 1985

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>CUSIP NO.</u>
_____ %	_____	November 1, 1985	

ON THE MATURITY DATE specified above, CITY OF MESQUITE, in Dallas County (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to

(hereinafter called the "registered owner") the principal amount of

and to pay interest thereon from November 1, 1985, on September 1, 1986 and semiannually on each March 1 and September 1 thereafter to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than August 15, 1986, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation

surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBank Dallas, N.A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Bond (the "Bond Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of a Series of Bonds dated November 1, 1985, authorized in accordance with the Constitution and laws

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of the State of Texas in the principal amount of \$10,985,000, FOR THE PURPOSE OF PROVIDING \$7,985,000 TO REFUND ALL OF THE ISSUER'S OUTSTANDING WATERWORKS AND SEWER SYSTEM REVENUE BONDS, AND PROVIDING \$3,000,000 FOR THE PURPOSE OF IMPROVING AND EXTENDING THE ISSUER'S WATERWORKS SYSTEM.

ON MARCH 1, 1995, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected by the Paying Agent/Registrar by lot within a maturity, and approved by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal or reporter of general circulation among securities dealers in the City of New York, New York or in the State of Texas. Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the bonds or portions thereof which are to be so redeemed. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of

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\$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Ordinance.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Ordinance, this Bond, may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The conversion and exchange of a portion of a Bond which has been redeemed prior to maturity, as provided herein, and in the case of the conversion and/or exchange of an assigned and transferred Bond or Bonds or any portion or portions thereof, such fees and charges of the Paying Agent/Registrar will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a special obligation; and that the interest on and principal of this Bond, are payable from and secured by a first lien on and pledge of the Net Revenues of the System, as defined in the Ordinance authorizing this Series of Bonds, and which include the Net Revenues of said Issuer's combined Waterworks and Sewer System.

SAID ISSUER has reserved the right, subject to the restrictions stated, and adopted by reference, in the Ordinance authorizing this Series of Bonds, to issue additional parity revenue bonds which also may be made payable from, and secured by a first lien on and pledge of the aforesaid Net Revenues.

THE HOLDER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Bond Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the facsimile signature of the Mayor of the Issuer and countersigned with the facsimile signature of the City Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(facsimile signature)
City Secretary

(facsimile signature)
Mayor

(SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Bond is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued
under the provisions of the Bond Ordinance described in the
text of this Bond; and that this Bond has been issued in
conversion or replacement of, or in exchange for, a bond,
bonds, or a portion of a bond or bonds of a Series which
originally was approved by the Attorney General of the State of
Texas and registered by the Comptroller of Public Accounts of
the State of Texas.

Dated MBANK DALLAS, N.A.
Paying Agent/Registrar

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of
this Bond, or duly authorized representative or attorney
thereof, hereby assigns this Bond to _____

(Assignee's Social Security Number) (print or type Assignee's name
or Taxpayer Identification Number) and address, including zip code)

and hereby irrevocably constitutes and appoints

_____ attorney to transfer the registration of this Bond on the Paying Agent
Registrar's Registration Books with full power of substitution
in the premises.

Dated _____

Signature Guaranteed:

NOTICE: This signature must be guaranteed by a member
of the New York Stock Exchange or a commercial bank or trust
company.

Registered Owner

NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond in every particular without alteration or enlargement or any change whatsoever.

FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. DEFINITIONS. That for all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

(a) The term "Additional Bonds" shall mean the additional parity revenue bonds which the Issuer reserves the right to issue in the Ordinance.

(b) The term "Bonds" shall mean the waterworks and sewer system refunding revenue bonds authorized by the Ordinance and designated as "City of Mesquite, Texas, Waterworks and Sewer System Refunding Revenue Bonds, Series 1985".

(c) The term "Escrow Agent" means MBank Dallas, N.A., Dallas, Texas.

(d) The term "Escrow Agreement" means the escrow agreement, dated November 1, 1985 by and between the Issuer and the Escrow Agent.

(e) The term "Fiscal Year" shall mean the twelve months' period ending September 30 of each year, unless otherwise designated by the Issuer.

(f) The term "Net Revenues" means all income, revenues and receipts of every nature derived from and received by

virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the special Funds created by the Ordinance) after deducting and paying, and make provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the Issuer and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining "Net Revenues". Payments made by the Issuer for water supply or treatment of sewage which (i) under the law constitute and (ii) pursuant to the terms of the contract therefor, are to be, operation and maintenance expenses shall be considered herein as expenses incurred in the operation and maintenance of the System. Depreciation shall never be considered as an expense of operation and maintenance.

(g) The term "Ordinance" means the Ordinance, under which the Bonds are authorized.

(h) The term "System" means the Issuer's existing combined waterworks and sanitary sewer systems, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained, and vested in, the Issuer for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of water-carried wastes, together with all future additions, extension, replacements and improvements thereto.

(i) The term "Subordinate Debt" means any obligation of the Issuer heretofore or hereafter issued which is payable (i) in whole or in part from Net Revenues and (ii) secured by a lien on and pledge of Net Revenues which is not, by its terms, a first lien on and pledge of such Net Revenues.

Section 7. PLEDGE OF REVENUES. The Issuer covenants and agrees that the Net Revenues of the System, to the extent required, are irrevocably pledged for the payment and security of the principal of and interest on the Bonds and Additional Bonds.

Section 8. RATES AND CHARGES. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and Additional Bond and in addition to all provisions and covenants in the law of the State of Texas and in the Ordinance, it is expressly stipulated that the Issuer shall, at

all times while any of the Bonds or Additional Bonds are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Article 1113, V.A.T.C.S., which will provide revenues sufficient at all times to:

(a) Pay for all maintenance operation, debt service, depreciation, replacement and betterment charges of the System;

(b) Establish and maintain the Interest and Sinking Fund and the Reserve Fund as provided for in the Ordinance;

(c) Produce Net Revenues each year in an amount reasonably anticipated to be not less than 1.50 times the average annual principal and interest requirements of the Bonds and Additional Bonds from time to time outstanding; and

(d) Pay all outstanding indebtedness against the System, other than the Bonds and Additional Bonds as and when the same become due.

Section 9. REVENUE FUND. The Issuer covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System into a separate account known as the City of Mesquite, Texas, Waterworks and Sewer System Revenue Fund (herein called the "Revenue Fund") established in the Ordinance, which shall be kept separate and apart from all other funds of the Issuer, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

First: To the payment of all necessary and reasonable maintenance and operation expenses of the System as said expenses are defined by law.

Second: To the "Interest and Sinking Fund" and the "Reserve Fund" for the payment of principal of and interest on the Bonds and Additional Bonds, when and as the same fall due and mature.

Third: To any other purpose of the Issuer now or hereafter permitted by law, including the payment of Subordinated Debt, to the extent provided in the ordinance authorizing the issuance of such Subordinate Debt.

Section 10. INTEREST AND SINKING FUND. The following provisions shall govern the establishment, maintenance and use of the City of Mesquite, Texas, Waterworks and Sewer System Interest and Sinking Fund (the Interest and Sinking Fund): The Issuer covenants that from the funds in the Revenue Fund, the Issuer shall pay into the Interest and Sinking Fund during

each year in which any of the Bonds are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal, sinking fund and interest payments falling due on or before the next maturity or redemption date of the Bonds, such payment to be made in equal monthly installments. If the revenues of the System in any month, after deductions for maintenance and operation expenses, are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in the City's depository bank, and said depository bank shall, not later than any principal or interest payment date, transfer the amount then to become due to the paying agent/registrar. Said moneys not invested shall be continuously secured by a valid pledge to the Issuer of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to such uninvested moneys in the Interest and Sinking Fund.

Section 11. RESERVE FUND. The following provisions shall govern the establishment, maintenance and use of the City of Mesquite, Texas, Waterworks and Sewer System Reserve Fund (the "Reserve Fund"): There shall be established and maintained a Reserve Fund for the purposes of (i) finally retiring the last of the Bonds or Additional Bonds and (ii) paying principal of and interest on the Bonds or Additional Bonds in the event moneys on hand in the Interest and Sinking Fund are insufficient for such purpose.

The amount to be accumulated in the Reserve Fund shall be equal to the average annual debt service requirements on all outstanding Bonds and Additional Bonds (the "Required Reserve Fund Amount"). The Issuer shall on or before delivery of the Bonds deposit \$1,022,058 into the Reserve Fund from funds on hand and lawfully available for such purpose, and \$1,796 shall be deposited on the 25th day of each month hereafter, commencing January 15, 1986 until the Fund shall contain \$1,129,827.

In the event money in the said Reserve Fund is used for the purpose for which the same is established, then the amount required to make up the deficiency so that the Required Reserve Fund Amount is on deposit in such Fund shall be paid into such Fund in not less than 60 months, in equal monthly installments.

The depository bank of the Issuer is designated as the custodian of the Reserve Fund and the deposits above prescribed shall be transmitted to said Fund in said bank.

Section 12. INVESTMENT OF CERTAIN FUNDS. The Interest and Sinking Fund may be invested in such securities or in such manner as may be lawful investments for an interest and sinking fund. All moneys resulting from the investment of said fund shall be transferred to the Revenue Fund as received.

The Reserve Fund may be invested or reinvested from time to time in direct obligations of or obligations, the principal and interest of which are guaranteed by the United States of America or invested in direct obligations of or participation certificates guaranteed by the Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Federal Home Loan Banks, Banks for Cooperatives, and in certificates of deposit of any bank or trust company, the deposits of which are fully secured by a pledge of securities of any of the kinds hereinabove specified, such obligations or securities to mature in not more than ten years from the date investment or not later than the final maturity of the Bonds outstanding for which the Reserve Fund is established, whichever is shorter. Any obligations in which money is so invested shall be kept in escrow with the custodian of the Reserve Fund, and shall be promptly sold and the proceeds of sale applied in the making of payments required to be made from the Reserve Fund, whenever such payments are necessary to be made under the provisions of the Ordinance. All moneys resulting from the investment of the Reserve Fund shall be transferred to the Revenue Fund as the same are received.

The Issuer's depository bank shall invest the Interest and Sinking Fund and Reserve Fund as directed by the Issuer's Director of Finance or such other appropriate representative of the Issuer. If it becomes necessary to sell or dispose of investments in order to utilize the funds for such purposes for which such funds were created, the depository bank shall sell or dispose of such investments and give the Director of Finance notice thereof.

Section 13 FURTHER COVENANTS. The Issuer further covenants and agrees by and through the Ordinance as follows:

(a) That the Bonds shall be special obligations of the Issuer, and the registered owners thereof shall never have the right to demand payment out of any funds raised or to be raised by taxation.

(b) That it has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued under the Ordinance shall be ratably secured in such manner that no one Bond shall have preference over any other Bond or Bonds.

(c) That other than for the payment of the Bonds and Additional Bonds, the Net Revenues have not been in any manner pledged to the payment of any debt or obligation of the Issuer or the System, other than heretofore made for the payment of Subordinate Debt.

Section 14. ISSUANCE OF ADDITIONAL BONDS. (A) That, in addition to the right to issue bonds of inferior lien as authorized by law, the Issuer reserves the right to issue Additional Bonds, under and in accordance with the Ordinance for the purpose of improving, extending, equipping and repairing the System and for the purpose of refunding in any lawful manner, any part or all of the Bonds, any Additional Bonds or Subordinate Debt then outstanding. The Additional Bonds shall be secured by and payable from a first lien on and pledge of the Net Revenues in the same manner and to the same extent as any then outstanding Bonds, and the Additional Bonds then proposed to be issued shall in all respects be on a parity and of equal dignity as to lien and right. Additional Bonds may be issued under the Ordinance in one or more installments; provided, however, that none of the Additional Bonds shall be issued unless and until the following conditions have been met, to-wit:

- (i) The Issuer is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the outstanding Bonds or additional Bonds;
- (ii) Each of the special Funds created for the payment and security of the Bonds and Additional Bonds contain the amount of money then required to be on deposit therein;
- (iii) The Issuer has secured from a Certified Public Accountant a certificate showing that the Net Earnings for either the completed fiscal year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.50 times the average annual principal and interest requirements (calculated on a fiscal year basis at the time of issuance of Additional Bonds) of all Bonds and Additional Bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, (A) should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for services afforded by the System became effective at least

60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.50 times the average annual principal and interest requirements (calculated on a fiscal year basis at the time of issuance of Additional Bonds) of the outstanding Bonds and Additional Bonds after giving effect to the issuance of the proposed Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

- (iv) The ordinance authorizing the Additional Bonds (A) requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and (B) provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve Fund Amount for all outstanding Bonds and the amount equal to the amount required by any ordinance authorizing the issuance of any Additional Bonds theretofore issued and to be outstanding after the issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months from the date of the Additional Bonds; and
- (v) The Additional Bonds are scheduled to mature only on March 1 or September 1 or both.

(b) The term "Net Earnings", as used in the Ordinance shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested moneys in the special Funds created therein for the payment and security of the Bonds and Additional Bonds, after deduction of maintenance and operating expenses but not deducting depreciation, and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting from the

ownership of the System (grants, meter deposits and gifts) shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings".

(c) Wherever, in the Ordinance, the Issuer reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the Net Revenues.

Section 15. MAINTENANCE AND OPERATION AND INSURANCE. The Issuer shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds or Additional Bonds are outstanding, the Issuer agrees to maintain insurance for the benefit of the registered owners thereof on the System of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in the Ordinance shall be construed as requiring the Issuer to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the Issuer from doing so.

Section 16. RECORDS, ACCOUNTS, AND ACCOUNTING REPORTS. The Issuer covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, as provided by Article 1113, V.A.T.C.S., and that the registered owners of any Bonds or any duly authorized agent or agents of such registered owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The Issuer further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year.

(b) A balance sheet as of the end of such Fiscal Year.

(c) The Accountant's comments regarding the manner in which the Issuer has carried out the requirements of the Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

(d) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

Expenses incurred in making the audits referred to hereinabove are to be regarded as maintenance and operation expenses and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon request, to the original purchaser or any subsequent owner of the Bonds.

Section 17. EXCESS REVENUES. As provided in Section 9 hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund and the Reserve Fund as required may be used for any proper Issuer purpose now or hereafter permitted by law.

Section 18. SECURITY FOR FUNDS. All funds created by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and created by the Ordinance shall be used only for the purposes therein specified.

Section 19. REMEDY IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, the Issuer covenants and agrees particularly that in the event the Issuer (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the registered owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the Issuer and its officers to observe and perform any covenant, condition or obligation prescribed in the Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided shall be cumulative of all other existing remedies and the specifications of such remedy shall not be deemed to be exclusive.

Section 20. BONDS ARE SPECIAL OBLIGATIONS.. The Bonds are and shall be special obligations of the Issuer payable from the pledged Net Revenues, and the registered owner or owners thereof shall never have the right to demand payment of said obligations out of funds raised or to be raised by taxation.

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Section 21. BONDS ARE NEGOTIABLE INSTRUMENTS. Each of the Bonds authorized shall be deemed and construed to be a "Security", and as such a negotiable instrument, within the meaning of Article 9 of the Texas Uniform Commercial Code.

Section 22. COMPETITION, SALE OF SYSTEM. So far as it legally may, the Issuer covenants and agrees, for the protection and benefit of the Bonds, and the registered owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the Issuer until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in this Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer needed or useful in connection with the operation thereof.

Section 23. ORDINANCE TO CONSTITUTE CONTRACT-AMENDMENTS. The provisions of the Ordinance shall constitute a contract between the Issuer and the registered owner or owners from time to time of the Bonds and no change, variation or alteration of any kind of the provisions of the Ordinance may be made, except as permitted in this Section. The Issuer, may, without the consent of or notice to any registered owner or owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the registered owner or owners holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or repeal any of the provisions of this Ordinance provided that, without the consent of all registered owners of outstanding Bonds, no such amendment, addition or repeal shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) given any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or repeal.

The term "Outstanding" when used in this Ordinance with respect to Bonds means, as of the date of determination, all Bonds then outstanding issued and delivered under this Ordinance, except:

- (1) Those Bonds theretofore cancelled by the Paying Agent/Paymaster or delivered to the Paying Agent/Paymaster for cancellation;
- (2) Those Bonds for which payment has been duly provided by the Issuer of the Irrevocable deposit with

the Paying Agent/Registrar of money in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived;

(3) those Bonds that have been mutilated, destroyed, lost or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof; and

(4) those Bonds for which the payment of the principal of, premium, if any, and interest on has been duly provided for by the Issuer in accordance with law.

Section 24. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section 24, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Government Obligations, maturing in the amounts and as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so

deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer.

(c) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

Section 25. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section 25 of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/ Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

Section 26. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Mayor of the Issuer is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 27. NO ARBITRAGE. The Issuer covenants to and with the registered owners of the Bonds that it will make no use of the proceeds of the Bonds at any time throughout the term of this issue of Bonds which, if such use had been reasonably expected on the date of delivery of the Bonds to and payment for the Bonds by the purchasers, would have caused the

Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Issuer is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Issuer further covenants that the proceeds of the Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 28. SALE OF BONDS. The Bonds are hereby sold and shall be delivered to Dean Witter Reynolds, Inc. and Kidder, Peabody Co., (the "Underwriters") at a price of \$10,815,940.85 and accrued interest thereon to date of delivery, pursuant to the terms and provisions of a Bond Purchase Contract in substantially the form attached hereto as Exhibit A which the Mayor of the Issuer is hereby authorized and directed to execute and deliver and which the City Secretary of the Issuer is hereby authorized and directed to attest. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall initially be registered in the name of Dean Witter Reynolds, Inc.

Section 29. APPROVAL OF OFFICIAL STATEMENT. The Issuer hereby approves the form and content of the final Official Statement dated November 25, 1985, relating to the Bonds, and any addenda, supplement or amendment thereto and approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof.

Section 30. APPROVAL OF SPECIAL ESCROW AGREEMENT AND TRANSFER OF FUNDS. The Mayor of the Issuer is hereby authorized and directed to execute and deliver and the Issuer Secretary is hereby authorized and directed to attest a Special Escrow Agreement in substantially the form attached hereto as Exhibit B. In addition, the Mayor or City Manager are authorized to execute such subscriptions for the purchase of United States Treasury Securities, State and Local Government Series, as may be necessary for the Escrow Fund, and that the Issuer may also purchase from First Southwest Company for investment in the Escrow Fund of such obligations of the United States of America or any of its agencies, or such obligations fully guaranteed by the United States of America that will be appropriate open market investments for such Escrow Fund.

Section 31. PURPOSE OF REFUNDING BONDS. The Issuer hereby finds that it is necessary to refund the Refunded Bonds

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in order to reduce the annual debt service requirements of the Issuer and to restructure the Issuer's cash flow and to change the provisions for the issuance of Additional Bonds.

Section 32. NOTICE OF REDEMPTION. There is attached to this Ordinance as Exhibit C, and made a part hereof for all purposes, a notice of prior redemption of bonds for the Series 1981 Bonds to be redeemed prior to stated maturity and such Series 1981 Bonds described in said notice of prior redemption are hereby called for redemption and shall be redeemed prior to maturity on the date, place, and at the price as set forth herein.

EXHIBIT C


NOTICE OF PRIOR REDEMPTION

CITY OF MESQUITE, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 1981

NOTICE IS HEREBY GIVEN that the City of Mesquite, Texas has called for redemption the following outstanding bonds at the redemption price of the principal thereof plus accrued interest to the date of redemption:

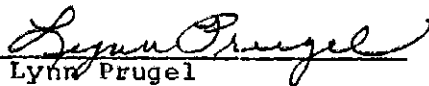
City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 1981, dated November 1, 1981, maturing March 1, 1993 through March 1, 2000, inclusive, in the aggregate principal amount of \$1,300,000. Call date for redemption on March 1, 1992, payable at MBank Dallas, N.A., Dallas, Texas.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas on the 25th day of November, 1985.


Mrs. Brunhilde Nystrom
Mayor

ATTEST:

APPROVED AS TO FORM:


Lynn Prugel
City Secretary

Elland Archer
City Attorney

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