

ORDINANCE NO. 2361
AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS

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

WHEREAS, the bonds hereinafter authorized were lawfully and favorably voted at an election duly held in said City on October 23, 1976 and December 1, 1984; and

WHEREAS, out of the bonds voted at said election held on October 23, 1976, for various general obligation purposes, the following previously have been issued and delivered:

\$1,735,000 out of a total of \$3,500,000 for the purpose of constructing permanent drainage and flood control improvements for said City, represented by part of the bonds of Series 1978 and Series 1979;

\$2,190,000 out of a voted total of \$3,500,000 for constructing and permanently equipping public libraries, represented by part of the Series 1978, Series 1979, Series 1985 and Permanent Improvement and Refunding Bonds, Series 1985;

WHEREAS, out of the bonds voted at said election held on December 1, 1984, for various general obligation purposes, the following have been previously issued and delivered:

\$8,605,000 out of a voted total of \$50,000,000 for the purpose of constructing and improving the City's streets and alleys, together with the drainage relating thereto, represented by part of the Bonds of Series 1985 and Permanent Improvement and Refunding Series 1985;

\$1,250,000 out of a voted total of \$2,850,000 for the purpose of constructing, improving and permanently equipping the City's fire stations and a training facility in connection therewith, together with the purchase of the necessary sites, represented by part of the bonds of Series 1985 and Permanent Improvement and Refunding Series 1985;

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- \$ 200,000 out of a voted total of \$2,000,000 for the purpose of constructing and permanently equipping a municipal office building which will be a part of the Mesquite Municipal Complex, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985;
- \$ 250,000 out of a voted total of \$2,500,000 for the purpose of constructing, improving permanently equipping the Mesquite Service Center facility, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985;
- \$ 250,000 out of a voted total of \$2,370,000 for the purpose of equipping and installing of City traffic signal lights and street lights, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985;
- \$1,120,000 out of a voted total of \$2,000,000 for the purpose of improving and extending the Municipal Airport and the acquisition of land therefor, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985 and Series 1986;
- \$ 300,000 out of a voted total of \$3,000,000 for the purpose of constructing and permanently equipping a Municipal Civic Center and acquiring the site therefor, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985;
- \$ 430,000 out of a voted total of \$1,155,000 for the purpose of the construction of improvements to the City's police station at the Mesquite Municipal Building and the construction of a training facility in connection therewith, represented by part of the bonds of the Permanent Improvement and Refunding Series 1985;

WHEREAS, it is necessary and advisable to authorize, issue and deliver an installment or series of bonds voted at the election duly held in said City on October 23, 1976 and December 1, 1984; and

WHEREAS, the bonds hereinafter authorized and designated were voted and are to be issued and delivered pursuant to Art. 823 and 1175, V.A.T.C.S.

THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MESQUITE:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the City of Mesquite (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$6,000,000, for the purpose of providing \$50,000 for constructing and permanently equipping public libraries, \$2,000,000 for constructing and improving the City's streets and alleys, \$250,000 for constructing and permanently equipping a municipal office building which will be a part of the Mesquite Municipal Complex, \$2,250,000 for constructing, improving and permanently equipping the Mesquite Service Center facility, \$250,000 for equipping and installing of City traffic signal lights and street lights, \$775,000 for constructing, improving and permanently equipping the City's fire stations and a training facility in connection therewith, and \$425,000 for the construction of improvements to the City's police station at the Mesquite Municipal Building and the construction of a training facility in connection therewith.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Ordinance shall be designated: "CITY OF MESQUITE, TEXAS GENERAL OBLIGATION BOND, SERIES 1986-A", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in annual installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial and annual maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Ordinance shall mean and include collectively the Initial Bond 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. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND. (a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated November 15, 1986, in the denomination and aggregate principal amount of \$6,000,000, numbered R-1, payable in annual installments of principal to the initial registered

owner thereof, to-wit: MBank Capital Markets
 or to the registered assignee or assignees of said Bond or
 any portion or portions thereof (in each case, the "regis-
 tered owner"), with the annual installments of principal of
 the Initial Bond to be payable on the dates, respectively,
 and in the principal amounts, respectively, stated in the
 FORM OF INITIAL BOND set forth in this Ordinance.

(b) The Initial Bond (i) may be prepaid or redeemed
 prior to the respective scheduled due dates of installments
 of principal thereof, (ii) may be assigned and transferred,
 (iii) may be converted and exchanged for other Bonds, (iv)
 shall have the characteristics, and (v) shall be signed and
 sealed, and the principal of and interest on the Initial
 Bond shall be payable, all as provided, and in the manner
 required or indicated, in the FORM OF INITIAL BOND set forth
 in this Ordinance.

Section 4. INTEREST. The unpaid principal balance of
 the Initial Bond shall bear interest from the date of the
 Initial Bond to the respective scheduled due dates, or to
 the respective dates of prepayment or redemption, of the
 installments of principal of the Initial Bond, and said
 interest shall be payable, all in the manner provided and at
 the rates and on the dates stated in the FORM OF INITIAL
 BOND set forth in this Ordinance.

Section 5. FORM OF INITIAL BOND. The form of the
 Initial Bond, including the form of Registration Certificate
 of the Comptroller of Public Accounts of the State of Texas
 to be printed and endorsed on the Initial Bond, shall be
 substantially as follows:

NO. R-1 FORM OF INITIAL BOND \$6,000,000

UNITED STATES OF AMERICA
 STATE OF TEXAS
 COUNTY OF DALLAS
 CITY OF MESQUITE, TEXAS
 GENERAL OBLIGATION BOND
 SERIES 1986-A

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

Mercansafe Co

or to the registered assignee or assignees of this Bond or
 any portion or portions hereof (in each case, the "regis-
 tered owner") the aggregate principal amount of

SIX MILLION DOLLARS

in annual installments of principal due and payable on February 15 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
1988	\$ 60,000	1997	\$320,000
1989	70,000	1998	350,000
1990	100,000	1999	370,000
1991	200,000	2000	400,000
1992	220,000	2001	430,000
1993	240,000	2002	600,000
1994	260,000	2003	600,000
1995	280,000	2004	600,000
1996	300,000	2005	600,000

and to pay interest, from the date of this Bond hereinafter stated, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

- 9.00 % per annum on the above installment of principal due and payable on February 15, 1988;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1989;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1990;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1991;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1992;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1993;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1994;
- 9.00 % per annum on the above installment of principal due and payable on February 15, 1995;
- 7.70 % per annum on the above installment of principal due and payable on February 15, 1996;
- 6.10 % per annum on the above installment of principal due and payable on February 15, 1997;
- 6.25 % per annum on the above installment of principal due and payable on February 15, 1998;
- 6.40 % per annum on the above installment of principal due and payable on February 15, 1999;
- 6.50 % per annum on the above installment of principal due and payable on February 15, 2000;
- 6.50 % per annum on the above installment of principal due and payable on February 15, 2001;

- 6.00% per annum on the above installment of principal due and payable on February 15, 2002;
- 6.00% per annum on the above installment of principal due and payable on February 15, 2003;
- 6.00% per annum on the above installment of principal due and payable on February 15, 2004;
- 6.00% per annum on the above installment of principal due and payable on February 15, 2005;

with said interest being payable on February 15, 1987, and semiannually on each August 15 and February 15 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBank Dallas, N.A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft 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 principal and/or interest payment date, to the registered owner hereof at the address of the registered owner as it appeared on the last business day prior to each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or 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 this Bond, 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 Paying Agent/Registrar is located are authorized by law or executive order to close, 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; and payment on such

date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$6,000,000, for the purpose of providing \$50,000 for constructing and permanently equipping public libraries, \$2,000,000 for constructing and improving the City's streets and alleys, \$250,000 for constructing and permanently equipping a municipal office building which will be a part of the Mesquite Municipal Complex, \$2,250,000 for constructing, improving and permanently equipping the Mesquite Service Center facility, \$250,000 for equipping and installing of City traffic signal lights and street lights, \$775,000 for constructing, improving and permanently equipping the City's fire stations and a training facility in connection therewith, and \$425,000 for the construction of improvements to the City's police station at the Mesquite Municipal Building and the construction of a training facility in connection therewith.

ON FEBRUARY 15, 1996, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular installment or installments of this Bond and the amounts thereof to be prepaid or redeemed shall be selected and designated by the Issuer (provided that an installment of this Bond may be redeemed only in an integral multiple of \$5,000), at the prepayment or redemption price of the principal amount thereof, plus accrued interest to the date fixed for prepayment or redemption. At least 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds

provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Ordinance. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner 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 transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond may be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Ordinance, this Bond, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute

bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), 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. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND ORDINANCE, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Ordinance. The Issuer shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for converting and exchanging this Bond or any portion hereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not make any such conversion and exchange within 15 days prior to a principal or interest payment date, or within 45 days prior to a prepayment or redemption date.

IN THE EVENT any Paying Agent/Registrar for this Bond 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 promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly voted, 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 general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest and principal come due, have

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been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged irrevocably for such payment, within the limit prescribed by law.

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 the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual signature of the Mayor of the Issuer and countersigned with the manual signature of the City Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated November 15, 1986.

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City Secretary

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Mayor

SEAL

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

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Comptroller of Public Accounts
of the State of Texas

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS.
Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of MBank Dallas, N.A., Dallas, Texas, (the "Paying Agent/Registrar") books or records of the registration and transfer 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 transfers and registrations under such reasonable

regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations 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. 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. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the last assignee or assignees thereof, and (ii) the right of such last assignee or assignees to have the Bond or any such portion thereof registered in the name of such last assignee or assignees, such instruments to include the initial assignment by the last registered owner or the duly authorized attorney or representative thereof, and each subsequent assignment, if any. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the

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installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which may be executed by the registered owner to evidence an assignment thereof, but such method is not exclusive, and any other written instruments of assignment satisfactory to the Paying Agent/Registrar may be used in the assignment and transfer of any substitute Bond or any portion or portions thereof, in any integral multiple of \$5,000, from time to time by the registered owner or any subsequent assignee or assignees of such substitute Bond or any such portion or portions thereof, including all assignments from assignee to assignee prior to the ultimate registration of such substitute Bond in the name of an assignee, at the written request of such assignee. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/ Registrar's reasonable and standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not make transfers of registration of any Bond within 15 days prior to a principal or interest payment date or within 45 days prior to a redemption date.

(b) Ownership of Bonds. The entity in whose name any Bond shall be registered in the Registration Books at any time may be deemed and treated as the absolute owner thereof for all purposes of this Ordinance, whether or not such Bond shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) 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, and to act as its agent to convert and exchange or replace 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, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Ordinance. 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 District. 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 Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by

such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Bonds for all purposes of this Ordinance, and may again be converted and exchanged or replaced. It is specifically provided, however, that any Bond delivered in conversion of and exchange for or replacement of another Bond prior to the first scheduled interest payment date on the Initial Bond shall be dated the same date as the Initial Bond, but each substitute Bond so delivered on or after such first scheduled interest payment date shall be dated as of the interest payment date preceding the date on which such substitute Bond is delivered, unless such Bond is delivered on an interest payment date, in which case it shall be dated as of such date of delivery; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged has not been paid, then such Bond shall be dated as of the date to which such interest has been paid in full. THE INITIAL BOND issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying

converting and exchanging any Bond or portion thereof, but the one requesting any such conversion or exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not make any such conversion and exchange or replacement of Bonds within 15 days prior to a principal or interest payment date, or within 45 days prior to a redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (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, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Ordinance.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Bonds that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds solely to the extent above provided in this Ordinance.

(g) 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. 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 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF SUBSTITUTE BOND

NO. _____

PRINCIPAL
AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
CITY OF MESQUITE, TEXAS
GENERAL OBLIGATION BOND
SERIES 1986-A

INTEREST RATE MATURITY DATE DATE OF ORIGINAL ISSUE CUSIP NO.
November 15, 1986

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

or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of

and to pay interest thereon from November 15, 1986, to the maturity date specified above, or the date of redemption prior to maturity, with interest being payable on February 15, 1987 and semiannually on each August 15 and February 15

thereafter, at the interest rate per annum specified above; except that if the date of authentication of this Bond is later than January 31, 1987, the first scheduled Record Date for the Initial Bond, 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.

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 and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of the 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 drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of the Bonds (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 last business 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 upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. 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 Paying Agent/Registrar is located are authorized by law or executive order to close, 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; 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 authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$6,000,000, for the purpose of providing \$50,000 for constructing and permanently equipping public libraries, \$2,000,000 for constructing and improving the City's streets and alleys, \$250,000 for constructing and permanently equipping a municipal office building which will be a part of the Mesquite Municipal Complex, \$2,250,000 for constructing, improving and permanently equipping the Mesquite Service Center facility, \$250,000 for equipping and installing of City traffic signal lights and street lights, \$775,000 for constructing, improving and permanently equipping the City's fire stations and a training facility in connection therewith, and \$425,000 for the construction of improvements to the City's police station at the Mesquite Municipal Building and the construction of a training facility in connection therewith.

ON FEBRUARY 15, 1996, or 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 maturity or maturities of Bonds and the amounts thereof, to be redeemed shall be selected and designated by the Issuer, and the Issuer shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturities and in such principal amounts, for redemption (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount thereof, plus accrued interest to the date fixed for prepayment or 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 sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, 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. 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, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given 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 plus accrued interest 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 \$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.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions 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 transferred and 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 or any subsequent assignee, including all assignments from assignee to assignee prior to the ultimate registration of such Bond in the name of an assignee. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's reasonable and standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not make transfers of registration of this Bond within 15 days prior to a principal or

interest payment date or within 45 days prior to a redemption date. The registered owner of this Bond may be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be 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 maturity date, and bearing interest at the same rate, in any 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. The Issuer shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for converting and exchanging any Bond or portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not make any such conversion and exchange within 15 days prior to a principal or interest payment date, or within 45 days prior to a 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 promptly will 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 voted, authorized, issued, 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 general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the

payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged irrevocably for such payment, within the limit prescribed by law.

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, 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

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Ordinance described on the face of this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue 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

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
Taxpayer Identification name
Number)

(print or type Assignee's or
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.

Section 8. TAX LEVY. A special Interest and Sinking
Fund (the "Interest and Sinking Fund") is hereby created
solely for the benefit of the Bonds, and the Interest and
Sinking Fund shall be established and maintained by the
Issuer at an official depository bank of the Issuer. The
Interest and Sinking Fund shall be kept separate and apart
from all other funds and accounts of the Issuer, and shall
be used only for paying the interest on and principal of the
Bonds. All ad valorem taxes levied and collected for and on
account of the Bonds shall be deposited, as collected, to
the credit of the Interest and Sinking Fund. During each
year while any of the Bonds or interest thereon are out-
standing and unpaid, the governing body of the Issuer shall
compute and ascertain a rate and amount of ad valorem tax
which will be sufficient to raise and produce the money
required to pay the interest on the Bonds as such interest
comes due, and to provide and maintain a sinking fund

adequate to pay the principal of its Bonds as such principal matures (but never less than 2% of the original principal amount of the Bonds as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment, within the limit prescribed by law.

Section 9. 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 9, 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 times 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 10. 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 10 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 6(d) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

Section 11. 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 Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. 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 Initial Bond or on any Bonds issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 12. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS. (a) With respect to the Bonds and the facilities financed or refinanced with such obligations, either the "Trade or Business Test" or the "Security Interest Test" is not met, or both such tests are not met.

(1) Trade or Business Test. The Trade or Business Test is met if more than 10 percent of the proceeds are to be used (directly or indirectly) for any "private business use" by any person other than a governmental unit.

(2) Security Interest Test. The Security Interest Test is met if the payment of the principal of, or the interest on, more than 10 percent of the proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly-

(A) secured by any interest in (i) property used or to be used for a private business use, or (ii) payments in respect of such property, or

(B) to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use.

The term "private business use" means use (directly or indirectly) in a trade or business carried on by a person other than a governmental unit. For purposes of the preceding sentence, use as a member of the general public shall not be taken into account and any activity carried on by a natural person shall not be taken into account. All activities of section 501(c)(3) organizations, the Federal Government (including its agencies and instrumentalities), and other nongovernmental persons who are not natural persons are treated as trade or business activities.

(b) For purposes of the trade or business test, a person may be a user of bond proceeds and bond-financed property as a result of (1) ownership or (2) actual or beneficial use of property pursuant to a lease, a management or incentive payment contract, or (3) any other arrangement such as a take-or-pay or other output-type contract. Use on the same basis as the general public (including use as an industrial customer) is not taken into account. However, trade or business use by all persons on a basis different from the general public is aggregated in determining if the 10 percent limit is met.

(c) For purposes of the trade or business test, use pursuant to management contracts not exceeding five years

(including renewal options) is not treated as private business use if -

(1) at least 50 percent of the compensation to any manager other than a governmental unit is on a periodic, fixed-fee basis;

(2) no amount of compensation is based on a share of net profits; and

(3) the governmental unit owning the facility may terminate the contract (without penalty) at the end of any three year period.

(d) For purposes of the security interest test, both direct and indirect payments made by any person (other than a governmental unit) who is treated as using the proceeds of the Bonds are counted. Such payments are counted whether or not they are formally pledged as security or are directly used to pay debt service on the Bonds. Similarly, payments to persons other than the Issuer may be considered. Revenues from generally applicable taxes are not treated as payments for purposes of the security interest test; however, special charges imposed on persons satisfying the use test (but not on members of the public generally) are so treated if the charges are in substance fees paid for the use of bond proceeds.

(e) No more than 5 percent of the proceeds of the Bonds will be used for any private business use test that is not related to any governmental use of such proceeds. For this purpose, the term "related" means a use for a facility that is located within or adjacent to any governmental facility to which it is related.

(f) No more than 5 percent of the proceeds of the Bonds will be used for any private business use that is disproportionate to the amount of such proceeds used for a related governmental use. The determination of whether a private use which is related to a government use also being financed with the bond proceeds is disproportionate to the government use to which such private use relates is determined by comparing the amount of bond proceeds used for the related private and government uses. The related private use is disproportionate to the related government use to the extent it exceeds such use in amount. Multiple, related private use facilities for any government use are treated as one facility for purposes of this rule.

(g) The trade or business test and security interest test are deemed to be met where 5 percent or more of the proceeds of the Bonds are used with respect to any output

facility (other than a facility for the furnishing of water) and the amount of proceeds so used exceeds the excess of -

(1) \$15 million, over

(2) the aggregate amount of proceeds with respect to all prior tax-exempt issues 5 percent or more of the proceeds of which are or will be used with respect to such output facility (or any other facility which is part of the same project).

There shall not be taken into account under subparagraph (2) above any bond which is not outstanding at the time of the later issue or which is to be redeemed (other than in an advance refunding) from the net proceeds of the later issue.

(h) The amount of proceeds of the Bonds which are to be used (directly or indirectly) to make or finance loans to persons other than governmental units will not exceed the lesser of (a) 5 percent of such proceeds or (b) \$5 million.

(i) The Issuer will not take any action which would adversely affect the exemption from federal income taxation of the interest paid on the Bonds, including without limitation any action that would permit any of the Bonds to be treated as "private activity bonds" within the meaning of section 141 of the Code, or as "federally guaranteed" within the meaning of section 149(b) of the Code, and will take, or require to be taken, such acts as may be reasonably within its ability and as may from time to time be required under applicable law or regulation to continue to exempt from federal income taxation the interest on the Bonds, including the preparation and filing of any statements or information reports required to be filed by the Issuer in order to maintain the tax-exempt status of the interest on the Bonds.

(j) The Issuer has not taken, has no present intention of taking any action and knows of no action taken or intended which would cause interest on the Bonds to be includable in the gross income of any bondholders for federal income tax purposes.

Section 13. COVENANTS REGARDING ARBITRAGE. (a) A Rebate Fund is hereby established by the Issuer. Such Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the purpose of compliance with section 148 of the Internal Revenue Code of 1986 (the Code").

(b) At the close of each "Bond Year," the Issuer shall compute the amount of "Excess Earnings," if any, for the

period beginning on the date of delivery of the Bonds and ending at the close of such "Bond Year" and transfer an amount equal to the difference, if any, between the amount then in the Rebate Fund and the Excess Earnings so computed. The term "Bond Year" means with respect to the Bonds each one-year period ending on the anniversary of the date of delivery of the Bonds. If, at the close of any Bond Year, the amount in the Rebate Fund exceeds the amount that would be required to be paid to the United States of America under paragraph (d) below if the Bonds had been paid in full, such excess may be transferred from the Rebate Fund and paid to the Issuer.

(c) In general, "Excess Earnings" for any period of time means the sum of

(i) the excess of --

(A) the aggregate amount earned during such period of time on all "Nonpurpose Obligations" (including gains on the disposition of such Obligations) in which "Gross Proceeds" of the issue are invested (other than amounts attributable to an excess described in this subparagraph (c)(i)), over

(B) the amount that would have been earned during such period of time if the "Yield" on such Nonpurpose Obligations (other than amounts attributable to an excess described in this subparagraph (c)(i)) had been equal to the yield on the issue, plus

(ii) any income during such period of time attributable to the excess described in subparagraph (c)(i) above.

"Excess Earnings" will not include amounts, if any, which need not be taken into account under the special rules of section 148(f)(4)(A) and (B) of the Code relating to bona fide debt service funds and the six-month temporary investment period. The terms "Nonpurpose Obligations," "Gross Proceeds" and "Yield" shall have the meanings prescribed by section 148 of the Code and shall be applied in the manner prescribed in such section.

(d) The Issuer shall pay to the United States of America at least once every five-years an amount that ensures that at least 90 percent of the Excess Earnings from the date of delivery of the Bonds to the close of the period for which the payment is being made will have been paid. The Issuer shall pay to the United States of America not later than 60 days after the Bonds have been paid in full

100 percent of the amount then required to be paid under section 148(f) of the Code as a result of Excess Earnings.

(e) The Issuer shall keep such records as will enable the Issuer to fulfill its responsibilities under this section and section 148(f) of the Code and shall retain such records for at least six years following the final payment of principal and interest on the Bonds.

(f) The Issuer will not use any portion of the proceeds of the Bonds directly or indirectly to acquire "higher yielding investments," or to replace funds which were used directly or indirectly to acquire "higher yielding investments." The term higher yielding investments means any investment property (as defined in section 148(b)(2) of the Code) which produces a yield over the term of the issue which is materially higher than the yield on the issuer (as defined above). The foregoing limitation on higher yielding investments shall not apply to --

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund if the gross earnings on such fund are less than \$100,000 in any bond year, and

(3) amounts in any reasonably required reserve or replacement fund which are (a) funded with the proceeds of the Bonds, and (b) not in excess of 10 percent of the proceeds of the Bonds.

(g) The Issuer covenants to restrict the use of Bond proceeds in such manner and to such extent, as may be necessary, so that the Bonds will not constitute arbitrage bonds under section 148 of the Code and, to the extent applicable, section 149(d) of the Code (relating to advance refundings). Any authorized representative of the Issuer having responsibility with respect to the issuance of the Bonds is authorized and directed, alone or in conjunction with any other official, employee or consultant of the Issuer to give an appropriate certificate on behalf of the Issuer, for inclusion in the transcript of proceedings for the Bonds, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to section 148 of the Code and, to the extent applicable, section 149(d) of the Code.

(h) The requirements of this Section are subject to, and shall be interpreted in accordance with section 148 of the Code.

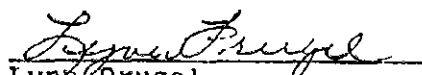
Section 14. DESIGNATION AS QUALIFIED TAX-EXEMPT BONDS. The Issuer hereby designates the Bonds as "qualified tax-exempt bonds" as defined in section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"). In furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in which the Bonds are issued, the Issuer (including any subordinate entities) has not designated nor will designate bonds, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued during the calendar year in which the Bonds are issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in section 12, hereof, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

Section 15. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to MBank Capital Markets for cash for the par value thereof and accrued interest thereon to date of delivery, plus a premium of \$_____. It is hereby officially found, determined, and declared that the Initial Bond has been sold at public sale to the bidder offering the lowest interest cost, after receiving sealed bids pursuant to an Official Notice of Sale and Bidding Instructions and Official Statement dated November 5, 1986, prepared and distributed in connection with the sale of the Initial Bond. Said Official Notice of Sale and Bidding Instructions and Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the governing body of the Issuer, and their use in the offer and sale of the Bonds is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Notice of Sale and Official Statement are true and correct in all material respects, to the best knowledge and belief of the governing body of the Issuer.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas, on the 17th day of November, A.D., 1986.


Mrs. Brunhilde Nyström
Mayor

ATTEST:


Lynn Prugel
City Secretary

APPROVED AS TO FORM:

Elland Archer
City Attorney