

ORDINANCE NO. 3242

AUTHORIZING THE ISSUANCE OF CITY OF MESQUITE, TEXAS, PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATIONS, SERIES 1998, IN THE PRINCIPAL AMOUNT OF \$1,145,000, APPROVING AN OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION OF A PURCHASE AGREEMENT, MAKING PROVISIONS FOR THE SECURITY THEREOF, AND ORDAINING OTHER MATTERS RELATING TO THE SUBJECT

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

WHEREAS, the Public Property Finance Act, Section 271.001 et seq. of the Local Government Code, authorizes the Issuer to execute, perform, and make payments under contracts with any person for the use, acquisition or purchase of personal property as described in said Act; and

WHEREAS, the Act permits the governing body of the Issuer to execute contracts in any form deemed appropriate by said governing body in connection with the use, acquisition or purchase of personal property; and

WHEREAS, the governing body of the Issuer desires to acquire or purchase personal property, all as described in Exhibit A attached hereto, or such other personal property, appliances, equipment, facilities, furnishings or interests therein, whether movable or fixed, deemed by the governing body of the Issuer to be necessary, useful and/or appropriate for the purposes of the Issuer (the "Property"); and

WHEREAS, the governing body of the Issuer deems it appropriate to adopt this Ordinance and issue the "Contractual Obligations" herein authorized as permitted by the Act.

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

Section 1. AMOUNT AND PURPOSE OF THE CONTRACTUAL OBLIGATIONS. The contractual obligation or contractual obligations of the City of Mesquite (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$1,145,000, FOR THE PURPOSE OF PAYING ALL OR A PORTION OF THE ISSUER'S CONTRACTUAL OBLIGATIONS TO BE INCURRED IN CONNECTION WITH THE ACQUISITION OR PURCHASE OF PERSONAL PROPERTY, IN ACCORDANCE WITH THE PROVISIONS OF THE PUBLIC PROPERTY FINANCE ACT, SECTION 271.001 ET SEQ. OF THE LOCAL GOVERNMENT CODE.

Section 2. DESIGNATION OF THE CONTRACTUAL OBLIGATIONS. Each contractual obligation issued pursuant to this Ordinance shall be designated: "CITY OF MESQUITE, TEXAS PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATION, SERIES 1998", and initially there shall be issued, sold, and delivered hereunder a single fully registered contractual obligation, without interest coupons, payable in installments of principal (the "Initial Contractual Obligation"), but the Initial Contractual Obligation may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered contractual obligations, without interest coupons, having serial 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 "Contractual Obligations" as used in this Ordinance shall mean and include collectively the Initial Contractual Obligation and all substitute contractual obligations exchanged therefor, as well as all other substitute contractual obligations and replacement contractual obligations issued pursuant hereto, and the term "Contractual Obligation" shall mean any of the Contractual Obligations.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL CONTRACTUAL OBLIGATION. (a) The Initial Contractual Obligation is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Contractual Obligation, without interest coupons, dated August 1, 1998, in the denomination and aggregate principal amount of \$1,145,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: First Southwest Company, or to the registered assignee or assignees of said Contractual Obligation or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Contractual Obligation to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL CONTRACTUAL OBLIGATION set forth in this Ordinance.

(b) The Initial Contractual Obligation (i) may be assigned and transferred, (ii) may be converted and exchanged for other Contractual Obligations, (iii) shall have the characteristics, and (iv) shall be signed and sealed, and the principal of and interest on the Initial Contractual Obligation shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL CONTRACTUAL OBLIGATION set forth in this Ordinance.

Section 4. INTEREST. The unpaid principal balance of the Initial Contractual Obligation shall bear interest from the date of the Initial Contractual Obligation, and will be calculated on the basis of a 360-day year of twelve 30-day months to the respective scheduled due dates, of the installments of principal of the Initial Contractual Obligation, 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 CONTRACTUAL OBLIGATION set forth in this Ordinance.

Section 5. FORM OF INITIAL CONTRACTUAL OBLIGATION. The form of the Initial Contractual Obligation, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Contractual Obligation, shall be substantially as follows:

FORM OF INITIAL CONTRACTUAL OBLIGATION

NO. R-1

\$1,145,000

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
CITY OF MESQUITE, TEXAS
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATION
SERIES 1998

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

FIRST SOUTHWEST COMPANY

or to the registered assignee or assignees of this Contractual Obligation or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of

ONE MILLION ONE HUNDRED FORTY FIVE THOUSAND 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>
1999	\$210,000
2000	215,000
2001	230,000
2002	240,000
2003	250,000

and to pay interest, from the date of this Contractual Obligation, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the following rates per annum:

- maturity 1999, 3.75%
- maturity 2000, 3.95%
- maturity 2001, 4.05%
- maturity 2002, 4.15%
- maturity 2003, 4.20%

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with said interest being payable on February 15, 1999 and semiannually on each August 15 and February 15 thereafter while this Contractual Obligation or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Contractual Obligation 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 Contractual Obligation are payable to the registered owner hereof through the services of Chase Bank of Texas, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this Contractual Obligation. Payment of all principal of and interest on this Contractual Obligation shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check, wire or draft, dated as of such 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 Contractual Obligation (the "Contractual Obligation 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 of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of the registered owner. The Issuer covenants with the registered owner of this Contractual Obligation that on or before each principal and/or interest payment date for this Contractual Obligation it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Contractual Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Contractual Obligation, when due.

IF THE DATE for the payment of the principal of or interest on this Contractual Obligation 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 CONTRACTUAL OBLIGATION has been authorized in accordance with the Constitution and laws of the State of Texas FOR THE PURPOSE OF PAYING ALL OR A PORTION OF THE ISSUER'S CONTRACTUAL OBLIGATIONS TO BE INCURRED IN CONNECTION WITH THE ACQUISITION OR PURCHASE OF PERSONAL PROPERTY, IN ACCORDANCE WITH THE PROVISIONS OF THE PUBLIC PROPERTY FINANCE ACT, SECTION 271.001 ET SEQ. OF THE LOCAL GOVERNMENT CODE.

THIS CONTRACTUAL OBLIGATION, to the extent of the unpaid principal balance hereof, or any unpaid 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 this Contractual Obligation, upon the terms and conditions set forth in the Contractual Obligation Ordinance. Among other requirements for such transfer, this Contractual Obligation 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 Contractual Obligation, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Contractual Obligation 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 Contractual Obligation or any such portion or portions hereof by the initial registered owner hereof. A new contractual obligation or contractual obligations payable to such assignee or assignees (which then will be the new registered owner or owners of such new contractual obligation or contractual obligations) or to the initial registered owner as to any portion of this Contractual Obligation 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 Contractual Obligation 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 Contractual Obligation or any portion hereof. The registered owner of this Contractual Obligation shall 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 Contractual Obligation 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 Contractual Obligation Ordinance, this Contractual Obligation, to the extent of the unpaid principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered contractual obligations, 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 Contractual Obligation 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 contractual obligation issued in exchange for any portion of this Contractual Obligation shall have a single stated principal maturity date), upon surrender of this Contractual Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Contractual Obligation Ordinance. If this Contractual Obligation or any portion hereof is assigned and transferred or converted each contractual obligation 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 Contractual Obligation or portion hereof for which the substitute contractual obligation is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. No such contractual obligation shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE CONTRACTUAL OBLIGATION ORDINANCE, THIS CONTRACTUAL OBLIGATION IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the

contractual obligations issued and delivered in exchange for this Contractual Obligation or any portion hereof may be assigned, transferred and converted, subsequently, as provided in the Contractual Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Contractual Obligation or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange 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.

IN THE EVENT any Paying Agent/Registrar for this Contractual Obligation is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Contractual Obligation 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 Contractual Obligation.

IT IS HEREBY certified, recited, and covenanted that this Contractual Obligation 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 Contractual Obligation have been performed, existed, and been done in accordance with law; that this Contractual Obligation 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 Contractual Obligation, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law.

BY BECOMING the registered owner of this Contractual Obligation, the registered owner thereby acknowledges all of the terms and provisions of the Contractual Obligation Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Contractual Obligation 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 Contractual Obligation and the Contractual Obligation Ordinance constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Contractual Obligation to be signed with the manual signature of the Mayor of the Issuer, countersigned with the manual signature of the City Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed on this Contractual Obligation to be dated August 1, 1998.

City Secretary

Mayor

CITY SEAL

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Contractual Obligation has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Contractual Obligation 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. ADDITIONAL CHARACTERISTICS OF THE CONTRACTUAL OBLIGATIONS. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of Chase Bank of Texas, National Association, Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Contractual Obligations (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 Contractual Obligation to which payments with respect to the Contractual Obligations 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 Contractual Obligation may be transferred in the Registration Books only upon presentation and surrender of such Contractual Obligation 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 Contractual Obligation, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Contractual Obligation or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Contractual Obligation or any portion thereof, a new substitute Contractual Obligation or Contractual Obligations shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Contractual Obligation, to the extent of the

unpaid or 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 Contractual Obligations issued and delivered in conversion of and exchange for the Initial Contractual Obligation shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Contractual Obligation shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE CONTRACTUAL OBLIGATION set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Contractual Obligation or any portion thereof is assigned and transferred or converted the Initial Contractual Obligation must be surrendered to the Paying Agent/Registrar for cancellation, and each Contractual Obligation issued in exchange for any portion of the Initial Contractual Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Contractual Obligation shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Contractual Obligation is being exchanged; and each such Contractual Obligation 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 Contractual Obligation is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Contractual Obligations in exchange for the unassigned balance of the Initial Contractual Obligation in the same manner as if the initial registered owner were the assignee thereof. If any Contractual Obligation or portion thereof other than the Initial Contractual Obligation is assigned and transferred or converted each Contractual Obligation issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Contractual Obligation for which it is exchanged. A form of assignment shall be printed or endorsed on each Contractual Obligation, excepting the Initial Contractual Obligation, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Contractual Obligations 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 Contractual Obligation or Contractual Obligations, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Contractual Obligation or Contractual Obligations), or to the previous registered owner in case only a portion of a Contractual Obligation is being assigned and transferred, all in conversion of and exchange for said assigned Contractual Obligation or Contractual Obligations 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 Contractual Obligations by any registered owner of a Contractual Obligation. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Contractual Obligation or Contractual Obligations, 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 be required to make transfers of registration of any Contractual Obligation or any portion thereof 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.

(b) Ownership of Contractual Obligations. The entity in whose name any Contractual Obligation shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Ordinance, whether or not such Contractual Obligation 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 Contractual Obligation shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Contractual Obligation to the extent of the sum or sums so paid.

(c) Payment of Contractual Obligations 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 Contractual Obligations, and to act as its agent to convert and exchange or replace Contractual Obligations, 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 Contractual Obligations, and of all conversions and exchanges of Contractual Obligations, and all replacements of Contractual Obligations, 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 Issuer. Notice of the Special Record Date and of the scheduled payment date 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 fifteenth day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement; Authentication. Each Contractual Obligation issued and delivered pursuant to this Ordinance, to the extent of the unpaid principal balance or principal amount thereof, may, upon surrender of such Contractual Obligation 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 contractual obligations, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE CONTRACTUAL OBLIGATION 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 Contractual Obligation 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 Contractual Obligation or Contractual Obligations so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Contractual Obligation is assigned and transferred or converted each substitute Contractual Obligation issued in exchange for any portion of the Initial Contractual Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Contractual Obligation shall have a principal

maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Contractual Obligation is being exchanged; and each such Contractual Obligation 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 any Contractual Obligation or portion thereof (other than the Initial Contractual Obligation) is assigned and transferred or converted, each Contractual Obligation issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Contractual Obligation for which it is being exchanged. Each substitute Contractual Obligation shall bear a letter and/or number to distinguish it from each other Contractual Obligation. The Paying Agent/Registrar shall convert and exchange or replace Contractual Obligations as provided herein, and each fully registered contractual obligation delivered in conversion of and exchange for or replacement of any Contractual Obligation or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Contractual Obligations for all purposes of this Ordinance, and may again be converted and exchanged or replaced. It is specifically provided that any Contractual Obligation authenticated in conversion of and exchange for or replacement of another Contractual Obligation on or prior to the first scheduled Record Date for the Initial Contractual Obligation shall bear interest from the date of the Initial Contractual Obligation, but each substitute Contractual Obligation so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Contractual Obligation was so authenticated, unless such Contractual Obligation is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Contractual Obligation the interest on the Contractual Obligation for which it is being exchanged is due but has not been paid, then such Contractual Obligation shall bear interest from the date to which such interest has been paid in full. THE INITIAL CONTRACTUAL OBLIGATION issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Contractual Obligation issued in conversion of and exchange for or replacement of any Contractual Obligation or Contractual Obligations issued under this Ordinance there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Contractual Obligation has been issued under the provisions of the Contractual Obligation Ordinance described on the face of this Contractual Obligation; and that this Contractual Obligation has been issued in conversion of and exchange for or replacement of a contractual obligation, contractual obligations, or a portion of a contractual obligation or contractual obligations 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"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Contractual Obligation, date and manually sign the above Certificate, and no such Contractual Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Contractual Obligations surrendered for conversion and exchange or replacement. 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 or replacement of any Contractual Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Contractual Obligations in the manner prescribed herein, and said Contractual Obligations 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 or replacement of Contractual Obligations as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Contractual Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Contractual Obligation which originally was issued pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Contractual Obligation or any portion thereof, but the one requesting any such transfer, 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 be required to make any such conversion and exchange or replacement of Contractual Obligations or any portion thereof 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.

(e) In General. All Contractual Obligations issued in conversion and exchange or replacement of any other Contractual Obligation or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Contractual Obligations to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Contractual Obligations, (iv) shall have the characteristics, (v) shall be signed and sealed, and (vi) the principal of and interest on the Contractual Obligations shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE CONTRACTUAL OBLIGATION set forth in this Ordinance.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Contractual Obligations that it will (i) pay the 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 Contractual Obligations, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Contractual Obligations, and with respect to the conversion and exchange of Contractual Obligations solely to the extent above provided in this Ordinance.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Contractual Obligations that at all times while the Contractual Obligations 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 Contractual Obligations 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 Contractual Obligations, 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 Contractual Obligations, 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.

(h) Book-Entry Only System. The Contractual Obligations issued in exchange for the Contractual Obligations initially issued to the purchaser specified herein shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of Depository Trust Company of New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Contractual Obligations shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Contractual Obligations registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Contractual Obligations. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Contractual Obligations, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Contractual Obligations, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on, as the case may be, the Contractual Obligations. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each

Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, as the case may be, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Contractual Obligations only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on, or as the case may be, the Contractual Obligations to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, as the case may be, pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(i) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC and that it is in the best interest of the beneficial owners of the Contractual Obligations that they be able to obtain certificated Contractual Obligations, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Contractual Obligations to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Contractual Obligations and transfer one or more separate Contractual Obligations to DTC Participants having Contractual Obligations credited to their DTC accounts. In such event, the Contractual Obligations shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Contractual Obligations shall designate, in accordance with the provisions of this Ordinance.

(j) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on, or as the case may be, such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

Section 7. FORM OF SUBSTITUTE CONTRACTUAL OBLIGATIONS. The form of all Contractual Obligations issued in conversion and exchange or replacement of any other Contractual

Obligation or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Contractual Obligations, and the Form of Assignment to be printed on each of the Contractual Obligations, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

FORM OF SUBSTITUTE CONTRACTUAL OBLIGATION

NO. _____

PRINCIPAL AMOUNT
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF DALLAS
CITY OF MESQUITE, TEXAS
PUBLIC PROPERTY FINANCE CONTRACTUAL OBLIGATION
SERIES 1998

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Cusip No.</u>
		August 1, 1998	

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 August 1, 1998 to the maturity date specified above, at the interest rate per annum specified above with interest being payable on February 15, 1999 and semiannually on each August 15 and February 15 thereafter; except that if the date of authentication of this Contractual Obligation is later than January 31, 1999, 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 Contractual Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Contractual Obligation shall be paid to the registered owner hereof upon presentation and surrender of this Contractual Obligation at maturity, at the principal corporate trust office of Chase Bank of Texas, National Association, Dallas, Texas, which is the "Paying Agent/Registrar" for this

Contractual Obligation. The payment of interest on this Contractual Obligation shall be made by the Paying Agent/Registrar to the registered owner hereof on the interest payment date by check, wire 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 the Contractual Obligations (the "Contractual Obligation 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 the address of the registered owner, as it appeared on the last business day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of the registered owner. The Issuer covenants with the registered owner of this Contractual Obligation that on or before each principal payment date and interest payment date for this Contractual Obligation, it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Contractual Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Contractual Obligations, when due.

IF THE DATE for the payment of the principal of or interest on this Contractual Obligation 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 CONTRACTUAL OBLIGATION is one of an issue of Contractual Obligations initially dated August 1, 1998, authorized in accordance with the Constitution and laws of the State of Texas in the original principal amount of \$1,145,000 FOR THE PURPOSE OF PAYING ALL OR A PORTION OF THE ISSUER'S CONTRACTUAL OBLIGATIONS TO BE INCURRED IN CONNECTION WITH THE ACQUISITION OR PURCHASE OF PERSONAL PROPERTY, IN ACCORDANCE WITH THE PROVISIONS OF THE PUBLIC PROPERTY FINANCE ACT, SECTION 271.001 ET SEQ. OF THE LOCAL GOVERNMENT CODE.

THIS CONTRACTUAL OBLIGATION 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 Contractual Obligations, upon the terms and conditions set forth in the Contractual Obligation Ordinance. Among other requirements for such assignment and transfer, this Contractual Obligation 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 Contractual Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Contractual Obligation or any such portion or portions hereof is or are to be transferred and

registered. The form of Assignment printed or endorsed on this Contractual Obligation shall be executed by the registered owner or its duly authorized attorney or representative to evidence the assignment hereof. A new Contractual Obligation or Contractual Obligations payable to such assignee or assignees (which then will be the new registered owner or owners of such new Contractual Obligation or Contractual Obligations), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Contractual Obligation, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Contractual Obligation, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Contractual Obligations. The Issuer shall pay the Paying Agent/Registrar's 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 be required to make transfers of registration of this Contractual Obligation or any portion hereof 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. The registered owner of this Contractual Obligation shall 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 Contractual Obligation 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 CONTRACTUAL OBLIGATIONS OF THIS SERIES are issuable solely as fully registered contractual obligations, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Contractual Obligation Ordinance, this Contractual Obligation, 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 Contractual Obligations, 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 Contractual Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Contractual Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Contractual Obligation or any portion thereof, but the one requesting such transfer, 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 be required to make any such conversion and exchange 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.

IN THE EVENT any Paying Agent/Registrar for the Contractual Obligations is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Contractual Obligation 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 Contractual Obligations.

IT IS HEREBY certified, recited, and covenanted that this Contractual Obligation has been duly and validly 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 Contractual Obligation have been performed, existed, and been done in accordance with law; that this Contractual Obligation 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 Contractual Obligation, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law.

BY BECOMING the registered owner of this Contractual Obligation, the registered owner thereby acknowledges all of the terms and provisions of the Contractual Obligation Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Contractual Obligation 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 Contractual Obligation and the Contractual Obligation Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Contractual Obligation to be signed with the manual or facsimile signature of the Mayor of the Issuer and countersigned with the manual or 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 Contractual Obligation.

City Secretary

Mayor

CITY SEAL

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Contractual Obligation 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 Contractual Obligation has been issued under the provisions of the Contractual Obligation Ordinance described on the face of this Contractual Obligation; and that this Contractual Obligation has been issued in conversion of and exchange for or replacement of a contractual obligation, contractual obligations, or a portion of a contractual obligation or contractual obligations 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: Chase Bank of Texas, National Association
Dallas, Texas

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

(Assignee's Social Security
or Taxpayer Identification Number)

(print or type Assignee's name
and address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this Contractual Obligation 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 Contractual Obligation in every particular without alteration or enlargement or any change whatsoever.

Section 8. DEFINITIONS. That the terms defined in this Section for all purposes of this Ordinance, except where the context by clear implication shall otherwise require, shall have the respective meanings as follows, to-wit:

(a) The terms "Contractual Obligation", "Contractual Obligations" shall mean City of Mesquite, Texas Public Property Finance Contractual Obligations, Series 1998 authorized to be issued and delivered by this Ordinance.

Section 9. INTEREST AND SINKING FUND. City of Mesquite, Texas Public Property Finance Contractual Obligations, Series 1998 Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund" is hereby authorized and shall be established and maintained in a depository bank of the Issuer, so long as the Contractual Obligations, or interest thereon, are outstanding and unpaid.

Section 10. TAX LEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Contractual Obligations, 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 Contractual Obligations. All ad valorem taxes levied and collected for and on account of said Contractual Obligations shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of said Contractual Obligations are outstanding and unpaid, the governing body of said 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 said Contractual Obligations as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of such Contractual Obligations as such principal matures (but never less than 2% of the original principal amount of said Contractual Obligations as a Sinking Fund each year); and said tax shall be based on the latest approved tax rolls of said 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 said Issuer for each year while any of said Contractual Obligations 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 said Contractual Obligations, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law. In addition, until expended for the herein authorized purposes, the proceeds of the Contractual Obligations are pledged to the payment of the principal and interest on the Contractual Obligations.

Section 11. DEFEASANCE OF CONTRACTUAL OBLIGATIONS. (a) Any Contractual Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Contractual Obligation") within the meaning of this Ordinance, except to the extent provided in Subsection (d) of this Section, when payment of the principal of such Contractual Obligation, plus interest thereon to the due date (whether such due date be by reason of maturity or

otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, 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, or 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 Contractual Obligations shall have become due and payable. At such time as a Contractual Obligation shall be deemed to be a Defeased Contractual Obligation hereunder, as aforesaid, such Contractual Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied 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 Contractual Obligations 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 Contractual Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Contractual Obligations 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 12. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CONTRACTUAL OBLIGATIONS. (a) Replacement Contractual Obligations. In the event any outstanding Contractual Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new contractual obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Contractual Obligation, in replacement for such Contractual Obligation in the manner hereinafter provided.

(b) Application for Replacement Contractual Obligations. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Contractual Obligations shall be made by the registered owner thereof to the Paying Agent/ Registrar. In every case of loss, theft, or destruction of a Contractual Obligation, the registered owner applying for a replacement contractual obligation 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 Contractual Obligation, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to proof of ownership and their satisfaction of the loss, theft, or destruction of such Contractual Obligation, as the case may be. In every case of damage or mutilation of a Contractual Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Contractual Obligation so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Contractual Obligation 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 this Contractual Obligation, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Contractual Obligation) instead of issuing a replacement contractual obligation, provided security or indemnity is furnished as above provided in this Section 12.

(d) Charge for Issuing Replacement Contractual Obligations. Prior to the issuance of any replacement contractual obligation, the Paying Agent/Registrar shall charge the registered owner of such Contractual Obligation with all legal, printing, and other expenses in connection therewith. Every replacement contractual obligation issued pursuant to the provisions of this Section by virtue of the fact that any Contractual Obligation is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Contractual Obligation 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 Contractual Obligations duly issued under this Ordinance.

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

Section 13. CUSTODY, APPROVAL, AND REGISTRATION OF CONTRACTUAL OBLIGATIONS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The Mayor of the Issuer is hereby authorized to have control of the Contractual Obligations initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Contractual Obligations 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 Certificates 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

Contractual Obligations, 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 Contractual Obligation or any Contractual Obligation issued and delivered in conversion of and exchange or replacement of any Contractual Obligation, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Contractual Obligations. In addition, if bond insurance is obtained, the Contractual Obligations may bear an appropriate legend as provided by the insurer.

Section 14. CONTRACTUAL UNDERTAKING WITH REGISTERED OWNER. The Issuer hereby, and by the acceptance of each of the Contractual Obligations, contractually obligates and commits itself to utilize the net proceeds available from the issuance and delivery of the Contractual Obligations, after payment of costs of issuance related thereto, for the acquisition or purchase of the Property in accordance with this Ordinance and the Issuer's plan of acquisition therefor.

Section 15. REMEDIES IN EVENT OF DEFAULT. In addition to all of the rights and remedies provided by the laws of the State of Texas, the Issuer covenants and agrees that in the event of default in payment of principal or interest on any of the Contractual Obligations when due, or, in the event it fails to make the payments required to be made into the Interest and Sinking Fund or defaults in the observance of performance of any other of the contracts, covenants, conditions or obligations set forth in this Ordinance or in the Contractual Obligations, the following remedies shall be available:

(a) the registered owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the Issuer and the officials thereof to observe and perform the contracts, covenants, obligations or conditions prescribed in this Ordinance; and

(b) any delay or omission to exercise any right or power accruing upon any default shall not impair any such right or power nor 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.

Section 16. COVENANTS REGARDING TAX EXEMPTION. The Issuer covenants to refrain from taking any action which would adversely affect, and to take any required action to ensure, the treatment of the Contractual Obligations as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Contractual Obligations or the projects financed therewith (less amounts deposited to a reserve fund, if any) or the projects financed therewith are used for any "private business use," as defined in

Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the projects financed therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance, or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Contractual Obligations, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Contractual Obligations or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of Section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Contractual Obligations (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Contractual Obligations being treated as "private activity bonds" within the meaning of Section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Contractual Obligations being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Contractual Obligations, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Contractual Obligations, other than investment property acquired with --

(1) proceeds of the Contractual Obligations invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days 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, within the meaning of Section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Contractual Obligations;

(g) to otherwise restrict the use of the proceeds of the Contractual Obligations or amounts treated as proceeds of the Contractual Obligations, as may be necessary, so that the Contractual Obligations do not otherwise contravene the requirements of Section 148 of the Code (relating to

arbitrage) and, to the extent applicable, Section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Contractual Obligations) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of Section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Contractual Obligations have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under Section 148(f) of the Code.

For the purposes of the foregoing (a) and (b), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Contractual Obligations. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Contractual Obligations, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Contractual Obligations under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Contractual Obligations, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Contractual Obligations under Section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor of the Issuer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Contractual Obligations.

In order to facilitate compliance with the above covenant (h), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purposes of compliance with Section 148 of the Code.

Section 16. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend sale proceeds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Contractual Obligations, or (2) the date the Contractual Obligations are retired, unless the Issuer obtains an opinion of nationally-recognized

bond counsel that such expenditure will not adversely affect the tax-exempt status of the Contractual Obligations. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 17. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Contractual Obligations. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 18. CONTINUING DISCLOSURE. (a) Annual Reports. (i) The Issuer shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 1998, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 20 of this Ordinance, being the information described in Exhibit B. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit A thereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(b) Material Event Notices. The Issuer shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Contractual Obligations, if such event is material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Contractual Obligations;
7. Modifications to rights of holders of the Contractual Obligations;
8. Certificate of Obligation calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates of Obligation; and
11. Rating changes.

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

(c) Limitations, Disclaimers, and Amendments. (i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Contractual Obligations within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes Contractual Obligations no longer to be outstanding.

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

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

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under the Ordinance for purposes of any other provision of this

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

(v) The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Contractual Obligations in the primary offering of the Contractual Obligations in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Contractual Obligations consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Contractual Obligations. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Contractual Obligations in the primary offering of the Contractual Obligations.

(d) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"*MSRB*" means the Municipal Securities Rulemaking Board.

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

"*Rule*" means SEC Rule 15c2-12, as amended from time to time.

"*SEC*" means the United States Securities and Exchange Commission.

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

Section 19. SALE OF CONTRACTUAL OBLIGATIONS. The Contractual Obligations are hereby sold and shall be delivered to FIRST SOUTHWEST COMPANY (the "Underwriter") for cash for the price of \$1,145,000.00 (representing the par amount of the Contractual Obligations of \$1,145,000.00) plus accrued interest thereon to date of delivery pursuant to the terms and provisions of a Purchase Agreement with the Underwriter. It is hereby officially found, determined, and declared that the Contractual Obligations have been sold pursuant to the terms and provisions of a Purchase Agreement in substantially the form attached hereto as Exhibit B, which the Mayor of the Issuer is hereby authorized and directed to execute. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Initial Contractual Obligation shall be registered in the name of First Southwest Company.

Section 20. APPROVAL OF OFFICIAL STATEMENT. The Issuer hereby approves the form and content of the Official Statement relating to the Contractual Obligations and any addenda, supplement or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Contractual Obligations by the Underwriter 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 21. INSURANCE. The Issuer approves the insurance of the Contractual Obligations by Financial Security Assurance, Inc. and the payment of such premium and complies with all of the terms of the insurance commitment.

Section 22. APPROPRIATION. There is hereby appropriated for transfer into the Interest and Sinking Fund, from available funds of the Issuer, moneys sufficient to pay the principal and interest coming due on the Certificates of Obligation on February 1, 1999.

Section 23. PUBLIC NOTICE. It is hereby officially found and determined that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas, on the 3rd day of August, 1998.



Mike Anderson
Mayor



Ellen Williams
City Secretary



B. J. Smith
City Attorney

Exhibit AVehicles

<u>Department</u>	<u>Number of Vehicles</u>
Finance	1
Fire	1
Police	24
Community Development	10
Parks	9

\$1,007,214

Computer Equipment

<u>Department</u>	<u>Description of Equipment</u>
City Attorney's office and City Secretary's office	laser printers, PC's and related equipment
Finance	laser printers, PC's and related equipment
Budget	laser printers and related equipment
Police	laser printers, PC's and related equipment
Community Development	laser printers, PC's
Library	PC's and related equipment
	\$ 134,514
	TOTAL \$1,141,728

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 18 of this Ordinance.

I. Annual Financial Statements and Operating Data

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

**Appendix A - Financial Information regarding the City of Mesquite
(Tables 1-27) and Appendix D**

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.
