

**ORDINANCE NO. 4140**

**AUTHORIZING THE ISSUANCE OF CITY OF MESQUITE, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2011, APPROVING AN OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION OF A PURCHASE AGREEMENT AND ESCROW AGREEMENT, MAKING PROVISIONS FOR THE SECURITY THEREOF, AND ORDAINING OTHER MATTERS RELATING TO THE SUBJECT**

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

WHEREAS, the City of Mesquite, Texas (the "Issuer") has previously issued, and there are presently outstanding, bonds of the Issuer payable from a lien on and pledge of the net revenues of the Issuer's waterworks and sewer system;

WHEREAS, certain of such previously issued and outstanding bonds are intended to be and shall be refunded pursuant to this Ordinance, the bonds to be refunded being described in Schedule I attached hereto and incorporated herein (collectively, the "Refunded Bonds");

WHEREAS, Chapter 1207, Texas Government Code, authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, together with any other available funds or resources, directly with a paying agent for the Refunded Bonds or a trust company or commercial bank that does not act as a depository for the Issuer and is named in these proceedings, and such deposit, if made before the payment dates of the Refunded Bonds, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds;

WHEREAS, Chapter 1207, Texas Government Code, further authorizes the Issuer to enter into an escrow agreement with such paying agent for the Refunded Bonds or trust company or commercial bank with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent or trust company or commercial bank may agree;

WHEREAS, The Bank of New York Trust Company, N.A., is a paying agent for the Refunded Bonds and the Escrow Agreement, wherein The Bank of New York Trust Company, N.A., is the Escrow Agent, hereinafter authorized constitutes an escrow agreement of the kind authorized and permitted by said Chapter 1207;

WHEREAS, the City Council hereby finds and declares a public purpose and it is in the best interests of the Issuer to refund the Refunded Bonds is in order to achieve a debt service savings, to restructure the Issuer's outstanding debt service and to obtain for the use of the City the funds in the reserve fund established for the Bonds and outstanding Bonds, and that such refunding will result in a present value debt service savings of approximately \$583,356 and an actual debt service savings of approximately \$687,312 to the Issuer;

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

WHEREAS, the Issuer has also deemed it advisable to issue its bonds for the public purposes of acquiring, constructing, installing and equipping additions, improvements and extensions to the Issuer's waterworks and sewer system;

WHEREAS, the bonds hereafter authorized are being issued and delivered pursuant to said Chapter 1207 and Chapter 1502, Texas Government Code; and

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Tex. Gov't Code Ann. ch. 551; Now, Therefore

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

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE BONDS. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The bonds of the City of Mesquite, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$14,240,000 to wit: \$6,130,000 for the public purposes of acquiring, constructing, installing and equipping additions, improvements and extensions to the City's waterworks and sewer system providing \$8,110,000 for the purpose of refunding the Refunded Bonds, providing for the additional amount required in the Reserve Fund as a result of the issuance of the Bonds and paying the costs incurred in connection with the issuance of the Bonds (collectively, the "Project").

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES AND INTEREST RATES OF BONDS. Each bond issued pursuant to this Ordinance shall be designated: "CITY OF MESQUITE, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BOND, SERIES 2011," and initially there shall be issued, sold, and delivered hereunder one fully registered bond, without interest coupons, dated May 1, 2011, in the principal amount stated above and in the denominations hereinafter stated, numbered T-1, with bonds issued in replacement thereof being in the denominations and principal amounts hereinafter stated and numbered consecutively from R-1 upward, payable to the respective registered owners thereof (with the initial bond being made payable to the initial purchaser as described in Section 27 hereof), or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"), and said bonds shall mature and be payable serially on March 1 in each of the years and in the principal amounts, respectively, and shall bear interest from the dates set forth in the FORM OF BOND set forth in Section 4 of this Ordinance to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the following schedule:

Years	Principal Amount	Interest Rates	Years	Principal Amount	Interest Rates
2012	\$ 770,000	2.000%	2020	\$ 1,110,000	4.000%
2013	1,215,000	3.000%	2021	1,155,000	4.000%
2014	860,000	4.000%	2022	805,000	4.000%
2015	900,000	4.000%	2023	320,000	3.750%
2016	935,000	4.000%	2024	330,000	4.000%
2017	975,000	5.000%	2025	345,000	4.000%
2018	1,020,000	4.000%	2026	360,000	4.125%
2019	1,070,000	4.000%	2031	2,070,000	4.625%

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

bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds, unless the context clearly indicates otherwise in connection with the use of the term "Bonds" as defined in Section 5.

### Section 3. CHARACTERISTICS OF THE BONDS.

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

(b) Except as provided in Section 3(d) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(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, 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 Issuer. Notice of the past due interest 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 Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(d) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 50 days prior to any such redemption date), (iii) may be converted and exchanged for other Bonds, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bond initially 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 Bond issued in conversion of and exchange for any Bond or Bonds issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(e) 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 entity 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.

(f) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Ordinance, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(g) Book-Entry Only System. The Bonds issued in exchange for the Bond initially issued to the initial 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 The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(h) With respect to Bonds 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 securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. 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 Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. 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 and interest 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 and interest on the Bonds only to or upon the order of the Registered 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 and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Registered Owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the Issuer to make payments of principal and interest 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 words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(i) The previous execution and delivery of the Blanket Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Bonds.

(j) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representations letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A 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 Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate certificated Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds 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 Registered Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

(k) 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 and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representations letter of the Issuer to DTC.

(l) Cancellation of Initial Bond. On the closing date, one initial Bond representing the entire principal amount of the Bonds, payable in stated installments to the purchaser designated in Section 27 or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. Upon payment for the initial Bond, the Paying Agent/Registrar shall cancel the initial Bond and deliver to the Depository Trust Company on behalf of such purchaser one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity.

Section 4. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) Form of Bond.

NO. R-	UNITED STATES OF AMERICA STATE OF TEXAS  CITY OF MESQUITE, TEXAS	PRINCIPAL AMOUNT \$ _____
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BOND SERIES 2011		

Interest Rate	Dated Date	Maturity Date	CUSIP No.
	May 1, 2011	March 1, _____	

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the City of Mesquite, in Dallas County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from May 1, 2011 at the Interest Rate per annum specified above. Interest is payable on March 1, 2012 and semiannually on each September 1 and March 1 thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Bond is required to be authenticated and the date of its

authentication is later than the first Record Date (hereinafter defined), 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 but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation 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 Bank of New York Mellon Trust Company, N.A., Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Bond (the "Bond Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the fifteenth day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 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 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that 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 dated May 1, 2011, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$14,240,000 for the public purposes of acquiring, constructing, installing and equipping additions, improvements and extensions to the City's waterworks and sewer system, refunding certain outstanding bonds of the City secured by a first lien on and pledge of the net revenue of the City's waterworks and sewer system, providing for the reserve fund requirement for the Bonds and paying the costs incurred in connection with the issuance of the Bonds.

ON MARCH 1, 2021, or on any date thereafter, the Bonds of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

THE BOND scheduled to mature on March 1, 2031 (the "Term Bond") are subject to scheduled mandatory redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bond, on the dates and in the respective principal amounts, set forth in the following schedule:

Term Bond	
Maturity: March 1, 2031	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2027	\$375,000
March 1, 2028	395,000
March 1, 2029	415,000
March 1, 2030	430,000
March 1, 2031 (maturity)	455,000

The principal amount of Term Bond of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bond of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bond plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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 close of business on the business day next preceding the date of mailing such notice; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. 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 that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$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.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption

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

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

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly authorized, issued 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 and all of the bonds of the series of which it is a part constitute special obligations of the Issuer, and, together with certain Outstanding Bonds defined and described in the Ordinance, are payable and secured by a first lien on and pledge of the Net Revenues of the Issuer's combined Waterworks and Sewer System. Reference is hereby made to the Ordinance for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one.

THE ISSUER EXPRESSLY RESERVES the right to issue further and additional special revenue obligations equally secured by a lien on and pledge of the net revenues of the Issuer's combined Waterworks and Sewer System on a parity with the Bonds of this issue; provided, however, that any and all such additional parity obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Bond Ordinance, to which reference is hereby made for more complete and full particulars.

THE HOLDER HEREOF shall never have the right to demand payment of this Bond or the interest thereon out of any funds raised or to be raised by taxation, or from any sources whatsoever other than those described in the Bond Ordinance.

THE ISSUER HAS RESERVED THE RIGHT to amend the Bond Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds.

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 manual or facsimile signature of the Mayor of the Issuer (or in the Mayor's absence, by the Mayor Pro-Tem) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

\_\_\_\_\_  
(signature)  
City Secretary

\_\_\_\_\_  
(signature)  
Mayor

(SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

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

It is hereby certified that this Bond has been issued under the provisions of the Bond Ordinance described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a Bond, Bonds, or a portion of a Bond or Bonds of a series that 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: \_\_\_\_\_.

The Bank of New York Mellon Trust Company, N.A.  
Dallas, Texas  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT  
(Please print or type clearly)

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

Transferee's Social Security or Taxpayer Identification Number: \_\_\_\_\_

Transferee's name and address, including zip code: \_\_\_\_\_

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

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

Witness my signature and seal this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

(e) Initial Bond Insertions.

(i) The initial Bond shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Bond, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF MESQUITE, TEXAS, in Dallas County, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on March 1 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
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(Information from Section 2 to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from May 1, 2011 at the respective Interest Rate per annum specified above. Interest is payable on March 1, 2012, and semiannually on each September 1 and March 1 thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), 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 but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full."

C. The Initial Bond shall be numbered "T-1."

Section 5. DEFINITIONS. For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues therefor, the following definitions are provided:

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

(b) The term "Bonds" shall mean the City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2002, City of Mesquite, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2004, City of Mesquite, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2005, City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2006, City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2007, City of Mesquite, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2008, City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2009, City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2010, and City of Mesquite, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2011, authorized by this Ordinance.

(c) The term "Ordinance" shall mean the Ordinance under which the Bonds are authorized.

(d) The term "Outstanding", when used in this Ordinance with respect to Bonds, shall mean, as of the date of determination, all Bonds theretofore issued and delivered under this Ordinance, except (i) those Bonds theretofore canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation; (ii) those Bonds for which payment has been duly provided by the Issuer of the irrevocable deposit with the Paying Agent/Registrar of money in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; (iii) those Bonds that have been mutilated, destroyed, lost or stolen and replacement bonds have been registered and delivered in lieu thereof as; provided in Section 24 hereof; and (iv) those Bonds for which the payment of the principal of, premium, if any, and interest on has been fully provided for by the Issuer in accordance with law.

(e) The term "Additional Bonds" shall mean the additional parity revenue bonds which the Issuer reserves the right to issue and deliver in the future, as provided by this Ordinance.

(f) The term "Net Revenues" shall mean all income, revenues and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the special funds created by this Ordinance) after deducting and paying, and making provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the Issuer and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining "Net Revenues". Payments made by the Issuer for water supply or treatment of sewage which (i) under the law and (ii) pursuant to the terms of the contract therefor, are to be, operation and maintenance expenses shall be

considered herein as expenses incurred in the operation and maintenance of the System. Depreciation shall never be considered as an expense of operation and maintenance.

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

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

(i) The term "Credit Facility" shall mean a policy of municipal bond insurance, a surety bond or a letter or line of credit issued by a Credit Facility Provider in support of any Bonds or Additional Bonds.

(j) The term "Investment" shall mean cash, investments, any Credit Facility, or any combination of the foregoing.

(k) The term "Credit Facility Provider" shall mean (i) with respect to any Credit Facility consisting of a policy of municipal bond insurance or a surety bond, an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations such as the Bonds or Additional Bonds, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds fully insured by a standard policy issued by the issuer in its highest generic rating category for such obligations; and (ii) with respect to any Credit Facility consisting of a letter or line of credit, any financial institution, provided that a Rating Agency having an outstanding rating on the Bonds or Additional Bonds would rate the Bonds or Additional Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the series of Bonds or Additional Bonds and the interest thereon.

(l) The term "Rating Agency" shall mean any nationally recognized municipal securities rating service.

Section 6. PLEDGE OF REVENUES. The Issuer covenants and agrees that the Net Revenues of the System, to the extent required, are irrevocably pledged for the payment and security of the principal of and interest on the Bonds and Additional Bonds.

Section 7. RATES AND CHARGES. For the benefit of the original purchasers as well as the ultimate owners of the Bonds and Additional Bonds, and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, it is expressly stipulated that the Issuer shall, at all times, while any of the Bonds or Additional Bonds are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System, as required by Section 1502.057 and Chapter 1502, Texas Government Code, which will provide revenues sufficient at all times to:

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

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

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

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

Section 8. REVENUE FUND. The Issuer covenants that it will deposit, as collected, all revenues of every nature derived from the operation of the System, into a separate account known as the City of Mesquite, Texas Waterworks and Sewer System Revenue Fund (herein called the "Revenue Fund") established in the Ordinance, which shall be kept separate and apart from all other funds of the Issuer, and, further, that said Revenue Fund shall be pledged and appropriated to the following uses and in order of precedence shown:

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

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

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

Section 9. INTEREST AND SINKING FUND. The following provisions shall govern the establishment, maintenance and use of the City of Mesquite, Texas Waterworks and Sewer System Interest and Sinking Fund (the "Interest and Sinking Fund"):

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

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Registered Owners of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 10. RESERVE FUND. The following provisions shall govern the establishment, maintenance and use of the City of Mesquite, Texas Waterworks and Sewer System Reserve Fund (the "Reserve Fund"):

(a) There shall be established and maintained a Reserve Fund for the purposes of (i) finally retiring the last of the Bonds or Additional Bonds and (ii) paying principal of and interest on the Bonds or Additional Bonds in the event moneys on hand in the Interest and Sinking Fund are insufficient for such purpose.

(b) The amount to be accumulated and maintained in the Reserve Fund shall be equal to the average annual debt service requirements on all outstanding Bonds and Additional Bonds (the "Required Reserve Fund"), which amount after the issuance of the Bonds and the refunding of the Refunded Bonds is hereby determined to be \$5,012,847. In connection with the issuance of the Bonds, the City Council has determined to fund the additional amount required in the Reserve Fund as a result of the issuance of the Bonds by the deposit of proceeds of the Bonds in such additional amount.

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

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

(e) The Issuer may replace or substitute a Credit Facility for cash or investments in the Reserve Fund.

(f) Upon such replacement or substitution, cash or investments on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve Fund may be withdrawn by the Issuer, at its option, and transferred to the Revenue Fund; provided that the face amount of any Credit Facility may be reduced at the option of the Issuer in lieu of such transfer; and further provided that any such surplus funds that are withdrawn from the Reserve Fund and that consist of proceeds of Bonds or interest thereon shall only be used for purposes for which such Bonds were issued or deposited to the Interest and Sinking Fund.

(g) If the Issuer is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the Issuer shall promptly notify any applicable Credit Facility Provider of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency.

(h) In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient amounts, all in an aggregate amount at least equal to the Required Reserve Fund, then the Issuer shall satisfy the Required Reserve Fund by depositing into the Reserve Fund in monthly installments of not less than 1/60 of the Required Reserve Fund made on or before the 10th day of each month following such termination or expiration.

(i) In the event of the redemption or defeasance of any Bonds, any amounts on deposit in the Reserve Fund in excess of the Required Reserve Fund may be withdrawn and transferred, at the option of the Issuer, to the Revenue Fund, as a result of (i) the redemption of any Bonds, or (ii) funds for the payment of any Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any ordinance authorizing the issuance of Bonds, the result of such deposit being that such Bonds no longer



are deemed to be outstanding under the terms of any such ordinance; provided that any such surplus funds that are withdrawn from the Reserve Fund and that consist of proceeds of Bonds or interest thereon shall only be used for purposes for which such Bonds were issued or deposited to the Interest and Sinking Fund.

(j) In the event there is a draw upon the Credit Facility, the Issuer shall reimburse the Credit Facility Provider for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bonds or Additional Bonds.

#### Section 11. INVESTMENT OF CERTAIN FUNDS.

(a) The Interest and Sinking Fund may be invested in such securities or in such manner as may be lawful investments for an Interest and Sinking Fund. All moneys resulting from the investment of said Fund shall be transferred to the Revenue Fund as received.

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

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

Section 12. FURTHER COVENANTS. The Issuer further covenants and agrees by and through the Ordinance as follows:

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

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

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

### Section 13. ISSUANCE OF ADDITIONAL BONDS.

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

(i) The Issuer is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of the outstanding Bonds or Additional Bonds;

(ii) Each of the special Funds created for the payment and security of the Bonds and Additional Bonds contain the amount of money then required to be on deposit therein;

(iii) The Issuer has secured from a certified public accountant a certificate showing that the Net Earnings for either the completed Fiscal Year next preceding the date of the Additional Bonds or a consecutive twelve-month period out of the last fifteen months next preceding the date of the Additional Bonds is equal to at least 1.50 times the average annual principal and interest requirements (calculated on a Fiscal Year basis at the time of issuance of Additional Bonds) of all Bonds and Additional Bonds which will be outstanding after the issuance of the proposed Additional Bonds. However, should the certificate of the accountant certify that the Net Earnings of the System for the period covered thereby were less than required above, and a change in the rates and charges for services afforded by the System became effective at least 60 day's prior to the last day of the period covered by the accountant's certificate and an independent engineer or engineering firm having a favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the Net Earnings covered by the accountant's certificate would have been, in his or their opinion, equal to at least 1.50 times the average annual principal and interest requirements (calculated on a fiscal year basis at the time of issuance of Additional Bonds) of the outstanding Bonds and Additional Bonds after giving effect to the issuance of the proposed Additional Bonds, then, in such event, the coverage specified in the first sentence of this paragraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The ordinance authorizing the Additional Bonds requires that deposits shall be made into the Interest and Sinking Fund in amounts adequate to pay the principal and interest requirements of the Additional Bonds as the same become due; and provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be an amount equal to the Required Reserve Fund for all outstanding Bonds and the amount equal to the amount required by any ordinance authorizing the issuance of any Additional Bonds theretofore issued and to be outstanding after the

issuance of said Additional Bonds. Such additional amount shall be so accumulated in not more than sixty months in equal monthly installments from the date of the Additional Bonds; and

(v) The Additional Bonds are scheduled to mature only on March 1 or September 1 or both.

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

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

Section 14. MAINTENANCE AND OPERATION; INSURANCE. The Issuer shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Bonds or Additional Bonds are outstanding, the Issuer agrees to maintain insurance for the benefit of the Registered Owners thereof on the System of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in the Ordinance shall be construed as requiring the Issuer to expend any funds derived from sources other than the operation of the System, but nothing therein shall be construed as preventing the Issuer from doing so. No free service of the System shall be allowed, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the Issuer out of funds from sources other than the revenues and income of the System.

#### Section 15. RECORDS, ACCOUNTS; ACCOUNTING REPORTS.

(a) The Issuer covenants and agrees that so long as any Bonds, or any interest thereon, remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of its System separate and apart from all other records and accounts; complete and correct entries shall be made of all transactions relating to the System, as provided by Chapter 1502, Texas Government Code, and that the Registered Owners of any Bonds or any duly authorized agent or agents of such Registered Owners shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The Issuer further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

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

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

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

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

Section 16. EXCESS REVENUES. As provided in Section 8 hereof, all revenues in excess of those required to establish and maintain the Interest and Sinking Fund and the Reserve Fund as required may be used for any proper purpose now or hereafter permitted by law.

Section 17. SECURITY FOR FUNDS. All funds created by the Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds and the funds created by the ordinance shall be used only for the purposes therein specified.

Section 18. REMEDY IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas and subject to the provisions of paragraph 3(a) of Exhibit B attached hereto, the Issuer covenants and agrees particularly that in the event the Issuer (a) defaults in payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance (each an "Event of Default"), the Registered Owner or owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the Issuer and its officers to observe and perform any covenant, condition or obligation prescribed in the ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

Section 19. BONDS ARE SPECIAL OBLIGATIONS. The Bonds are and shall be special obligations of the Issuer payable from the pledged Net Revenues, and the Registered Owner or owners thereof shall never have the right to demand payment of said obligations out of funds raised or to be raised by taxation.

Section 20. BONDS ARE NEGOTIABLE INSTRUMENTS. Each of the Bonds authorized shall be deemed and construed to be a "security", and as such a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

Section 21. COMPETITION, SALE OF SYSTEM. So far as it legally may, the Issuer covenants and agrees, for the protection and security of the Bonds, and the Registered Owner or owners thereof from time to time, that it will not grant a franchise for the operation of any competing system in the Issuer until all Bonds shall have been retired. Neither the System, nor a substantial part thereof, shall be sold while the Bonds are outstanding, but nothing in the Ordinance shall prevent the sale or disposal of properties constituting a part of the System which are no longer needed or useful in connection with the operation thereof.

Section 22. ORDINANCE TO CONSTITUTE CONTRACT; AMENDMENTS. The provisions of the ordinance shall constitute a contract between the Issuer and the Registered Owner or owners from time to time of the Bonds and no change, variation or alteration of any kind of the provisions of the Ordinance may be made, except as permitted in this Section. The Issuer, may, without the consent of or notice to any Registered Owner or owners, from time to time, and at any time, amend this Ordinance in any manner not detrimental to the interests of the Registered Owner or owners of the Bonds or the insurer of the Bonds,

including the curing of any ambiguity, in consistency or formal defect or omission therein. In addition and subject to paragraph 3(b) of Exhibit B attached hereto, with the written consent of the Registered Owner or owners holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Registered Owners of outstanding Bonds, no such amendment, addition or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) given any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

### Section 23. 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, when payment of the principal of such Bond, 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 in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that 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 Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that 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. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America., (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(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.

(e) In the event that the Issuer elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

#### Section 24. 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 that 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 Sec. 1206.022, Government Code, this Section 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 3(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

**Section 25. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL.**

(a) The Mayor of the Issuer is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such 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 Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Bonds is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Bonds to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Bonds is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor, and the Mayor is hereby authorized to execute such engagement letter.

**Section 26. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.**

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code (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:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) 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 or 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 Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds 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" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount that is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (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;

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

(A) proceeds of the Bonds 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,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) 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 Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds 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);

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) 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 Bonds 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; and

(9) to assure that the proceeds of the Bonds issued for improvements to the City's waterworks and sewer system will be used solely for new money projects.



(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), 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 purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), 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 Bonds. 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 that modify or expand provisions of the Code, as applicable to the Bonds, 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 Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, 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 Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) 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 construction and acquisition of 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 proceeds of the sale of the Bonds or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the status, for federal income tax purposes, of the Bonds or the interest thereon. 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.

(e) Disposition of Project. The Issuer covenants that 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 Bonds. 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 a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### Section 27. SALE OF BONDS AND APPROVAL OF OFFICIAL STATEMENT; FURTHER PROCEDURES.

(a) The Bonds are hereby sold and shall be delivered to Raymond James & Associates, Inc., Morgan Keegan & Company, Inc. and Southwest Securities, Inc. (the "Underwriters") for the purchase price of \$14,802,302.22 (representing the par amount of the Bonds of \$14,240,000.00 plus net reoffering premium of

\$650,073.70 and less an Underwriter's discount on the Bonds of \$87,771.48) plus accrued interest (accrued interest to be deposited into the Interest and Sinking Fund) thereon to date of delivery pursuant to the terms and provisions of a Purchase Agreement with the Underwriters. It is hereby officially found, determined, and declared that the Bonds have been sold pursuant to the terms and provisions of a Purchase Agreement in substantially the form presented at this meeting, 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 Bond shall be registered in the name of Raymond James & Associates, Inc., or its designee.

(b) The Issuer hereby approves the form and content of the Official Statement relating to the Bonds and any addenda, supplement or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Bonds by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The distribution and use of the Preliminary Official Statement posted and disseminated June 21, 2011, prior to the date hereof is hereby ratified and confirmed.

(c) The Mayor and Mayor Pro-Tem, the City Manager and City Secretary and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the sale of the Bonds and the Official Statement. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 28. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other Bond proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Bond proceeds that are required to be rebated to the United States of America pursuant to Section 26 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

#### Section 29. CONSTRUCTION FUND.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2011 Waterworks and Sewer System Revenue Bond Construction Fund" for use by the Issuer for payment of all lawful costs associated with the System improvements described in Section 1 and to pay the costs of issuance of the Bonds. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 9 of this Ordinance.

(b) The Issuer may place proceeds of the Bonds (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

Section 30. COMPLIANCE WITH RULE 15c2-12.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

(b) Annual Reports.

(i) The Issuer shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each fiscal year ending in or after 2011, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 27 of this Ordinance, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) 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 unaudited financial statements by the required time, and shall provide audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available.

(ii) If the Issuer changes its fiscal year, it will notify the MSRB 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 that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of Bondholders;

3. Bond calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;

5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;

6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of an obligated person

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

(d) 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 Bonds 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 Bonds no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the Registered Owners and beneficial owners of the Bonds, 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 Bonds at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER 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 this 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) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Bonds in accordance with the Rule as amended. 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 Bonds in the primary offering of the Bonds 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 Registered Owners 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 Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Registered Owners and beneficial owners of the Bonds. 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 Bonds in the primary offering of the Bonds. 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

(b) 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.

Section 31. APPROVAL OF ESCROW AGREEMENT AND TRANSFER OF FUNDS. The Mayor of the Issuer is hereby authorized and directed to execute and deliver and the City Secretary of the Issuer is hereby authorized and directed to attest an Escrow Agreement between the Issuer and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent, substantially in the form presented at the meeting at which this Ordinance was adopted. In addition, the Mayor or other officer of the Issuer is authorized to purchase such securities, to execute subscriptions for the purchase of U. S. Treasury Securities, State and Local Government Series, and to authorize such contributions as may be necessary for the Escrow Fund.

Section 32. REDEMPTION OF REFUNDED BONDS.

(a) The Issuer hereby directs that the Refunded Bonds be called for redemption on the dates set forth in Schedule I attached hereto. Each of such Refunded Bonds shall be redeemed at the redemption price of par plus accrued interest. The Mayor is hereby authorized and directed to issue or cause to be issued the Notice of Redemption of the Refunded Bonds in substantially the form set forth in Exhibit B attached hereto to the paying agent for the Refunded Bonds.

(b) In addition, the paying agent for the Refunded Bonds is hereby directed to provide the appropriate notice of redemption and defeasance as specified by the ordinance authorizing the issuance of the Refunded Bonds and is hereby directed to make appropriate arrangements so that the Refunded Bonds may be redeemed on their redemption date. The Refunded Bonds shall be presented for redemption at the paying agent therefor, and shall not bear interest after the date fixed for redemption.

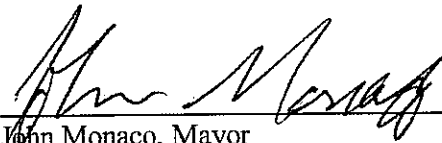
(c) The source of funds for payment of the principal of and interest on the Refunded Bonds on their redemption date shall be from the funds deposited with the Escrow Agent, pursuant to the Escrow Agreement approved in Section 31 of this Ordinance.

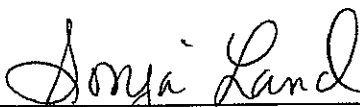
Section 33. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

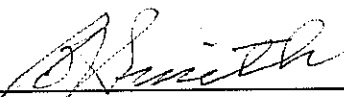
Section 34. EFFECTIVE DATE. In accordance with the provisions of V.T.C.A., Government Code, Section 1201.028, this Ordinance shall be effective immediately upon its adoption by the City Council.

(Execution Page Follows)

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas, on the 2<sup>ND</sup> day of May, 2011.

  
\_\_\_\_\_  
John Monaco, Mayor

  
\_\_\_\_\_  
Sonja Land, City Secretary

  
\_\_\_\_\_  
B.J. Smith, City Attorney

[CITY SEAL]

SCHEDULE I  
SCHEDULE OF REFUNDED BONDS

Description	Maturities	Principal Amount Outstanding	Principal Amount Refunded
Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001	3/1/2012	\$ 740,000	\$ 740,000
	3/1/2013	635,000	635,000
	3/1/2014	270,000	270,000
	3/1/2015	285,000	285,000
	3/1/2016	295,000	295,000
	3/1/2017	310,000	310,000
	3/1/2018	325,000	325,000
	3/1/2019	345,000	345,000
	3/1/2020	360,000	360,000
	3/1/2021	380,000	380,000
Total		<u>\$ 3,945,000</u>	<u>\$ 3,945,000</u>

Called for redemption on July 7, 2011, at par plus accrued interest.

Description	Maturities	Principal Amount Outstanding	Principal Amount Refunded
Waterworks and Sewer System Revenue Bonds, Series 2002	3/1/2013	\$ 370,000	\$ 370,000
	3/1/2014	385,000	385,000
	3/1/2015	400,000	400,000
	3/1/2016	420,000	420,000
	3/1/2017	440,000	440,000
	3/1/2018	460,000	460,000
	3/1/2019	480,000	480,000
	3/1/2020	505,000	505,000
	3/1/2021	530,000	530,000
	3/1/2022	555,000	555,000
Total		<u>\$ 4,545,000</u>	<u>\$ 4,545,000</u>

Called for redemption on March 1, 2012, at par plus accrued interest.



EXHIBIT A

**Annual Financial Statements and Operating Data**

The following information is referred to in Section 30(b) of this Ordinance:

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 referred to) below:

-- APPENDIX A - Tables 1 through 12, inclusive

-- APPENDIX C (FINANCIAL STATEMENTS FOR THE LAST COMPLETED FISCAL YEAR WHICH WILL BE UNAUDITED, UNLESS AN AUDIT IS PERFORMED IN WHICH EVENT THE AUDITED FINANCIAL STATEMENTS WILL BE MADE AVAILABLE)

**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 above.

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EXHIBIT B

NOTICE OF REDEMPTION

CITY OF MESQUITE, TEXAS  
CUSIP Prefix 590774

NOTICE IS HEREBY GIVEN that the City of Mesquite, Texas (the "City") has called for redemption on the date and at the redemption price specified, the below listed outstanding bonds (the "Refunded Bonds") of the City as follows:

**City of Mesquite, Texas Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2001**, dated November 1, 2001, maturing March 1, 2012, through March 1, 2021, in the aggregate principal amount of \$3,945,000 (the "Series 2001 Bonds"), at the redemption price of the principal amount of the Series 2001 Bonds called for redemption plus accrued interest thereon to the date fixed for redemption at The Bank of New York Trust Company, N.A., as set forth below. Redemption date: July 7, 2011.

<u>Maturity Date</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount To Be Refunded</u>	<u>CUSIP Suffix</u>
3/1/2012	\$ 740,000	\$ 740,000	XJ 9
3/1/2013	635,000	635,000	XK 6
3/1/2014	270,000	270,000	XL 4
3/1/2015	285,000	285,000	XM 2
3/1/2016	295,000	295,000	XN 0
3/1/2017	310,000	310,000	XP 5
3/1/2018	325,000	325,000	XQ 3
3/1/2019	345,000	345,000	XR 1
3/1/2020	360,000	360,000	XS 9
3/1/2021	380,000	380,000	XT 7
	<u>\$ 3,945,000</u>	<u>\$ 3,945,000</u>	

On July 7, 2011, interest on the Series 2001 Bonds so called for redemption shall cease to accrued and be payable.

**City of Mesquite, Texas Waterworks and Sewer System Revenue Bonds, Series 2002**, dated December 15, 2002, maturing March 1, 2013, through March 1, 2022, in the aggregate principal amount of \$4,545,000 (the "Series 2002 Bonds"), at the redemption price of the principal amount of Series 2002 Bonds called for redemption plus accrued interest thereon to the date fixed for redemption at The Bank of New York Trust Company, N.A., as set forth below. Redemption date: March 1, 2012.

<u>Maturity Date</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount To Be Refunded</u>	<u>CUSIP Suffix</u>
3/1/2013	\$ 370,000	\$ 370,000	YE 9
3/1/2014	385,000	385,000	YF 6
3/1/2015	400,000	400,000	YG 4
3/1/2016	420,000	420,000	YH 2
3/1/2017	440,000	440,000	YJ 8
3/1/2018	460,000	460,000	TK 5
3/1/2019	480,000	480,000	YL 3
3/1/2020	505,000	505,000	YM 1
3/1/2021	530,000	530,000	YN 9
3/1/2022	555,000	555,000	YP 4
	<u>\$ 4,545,000</u>	<u>\$ 4,545,000</u>	

On March 1, 2012, interest on the Series 2002 Bonds so called for redemption shall cease to accrued and be payable.

THE REFUNDED BONDS shall be redeemed at The Bank of New York Trust company, N.A., as the Paying Agent/Registrar for said Refunded Bonds. Upon presentation of the Refunded Bonds at the Paying Agent/Registrar on the aforementioned redemption date, the registered owner thereof shall be entitled to receive the redemption price equal to par and accrued interest to the redemption date.

NOTICE IS FURTHER GIVEN that due and proper arrangements have been made for providing the place of payment of the Refunded Bonds called for redemption with funds sufficient to pay the principal amount of the Refunded Bonds and the interest thereon to the redemption date. In the event the Refunded Bonds are not presented for redemption by the respective date fixed for their redemption, they shall not thereafter bear interest.

UNDER THE PROVISIONS of Section 3406 of The Internal Revenue Code of 1986, as amended (the " Act"), paying agents making payments of interest and principal on municipal securities may be obligated to withhold a tax from remittance to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Bondholders who wish to avoid the imposition of the tax should submit certified taxpayer identification numbers (via form W-9) when presenting the Refunded Bonds for payment.

THIS NOTICE is issued and given pursuant to the redemption provisions in the proceedings authorizing the issuance of the Refunded Bonds and in accordance with the recitals and provisions of each of the Refunded Bonds, respectively.

NOTICE IS FURTHER GIVEN that the Refunded Bonds should be submitted to either of the following addresses:

First Class/Registered/  
Certified Mail

The Bank of New York Mellon  
Trust Company, N.A.  
Global Corporate Trust  
P.O. Box 396  
East Syracuse, New York 13057

Express Delivery

The Bank of New York Mellon  
Trust Company, N.A.  
Global Corporate Trust  
111 Sanders Creek Parkway  
East Syracuse, New York 13057

Hand Delivery

The Bank of New York Mellon  
Trust Company, N.A.  
Global Corporate Trust  
Corporate Trust Window  
101 Barclay Street  
1<sup>ST</sup> Floor East  
New York, New York 10286

CITY OF MESQUITE, TEXAS