

**ORDINANCE NO. 63-2005**

**AUTHORIZING THE ISSUANCE OF CITY OF ABILENE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2005A, IN THE PRINCIPAL AMOUNT OF \$10,930,000 AND OTHER MATTERS RELATED THERETO**

**THE STATE OF TEXAS §**  
**COUNTIES OF TAYLOR AND JONES §**  
**CITY OF ABILENE §**

**WHEREAS**, the City Council deems it advisable to issue Certificates of Obligation in the amount of \$10,930,000 for paying in whole or in part, a portion of the City's contractual obligations for the purpose of paying costs of acquisition and construction of a Public Safety Communications System, which includes a radio communication system, which will preliminarily include the communication towers, radios, antennas, microwave transmitters, programming tools, consoles, servers, and other related equipment and improvements; and a computer aided dispatch/records management system, which will include the cost of software, mobile data computers, servers, and other related equipment for the acquisition and construction of the City's Public Safety Communication System, and for paying legal, fiscal, and engineering fees in connection with such projects; and

**WHEREAS**, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271 of the Local Government Code with a pledge of revenues of the Waterworks and Sewer System pursuant to Chapter 1502 of the Government Code; and

**WHEREAS**, the City Council has heretofore, on the 3rd day of November, 2005, adopted a resolution authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation; and

**WHEREAS**, said notice has been duly published in the Abilene Reporter-News, which is a newspaper of general circulation in said City, in its issues of November 10, 2005 and November 17, 2005; and

**WHEREAS**, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

**WHEREAS**, the meeting was open to the public and public notice of the time, place and purpose of said meeting was given pursuant to Chapter 551, Texas Government Code.

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ABILENE:**

Section 1. AMOUNT AND PURPOSE OF THE CERTIFICATES OF OBLIGATION.

The certificate of obligation or certificates of obligation of the City of Abilene (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$10,930,000 for paying in whole or in part, a portion of the City's contractual obligations for the purpose of paying costs of acquisition and construction of a Public Safety Communications System, which includes a radio communication system, which will preliminarily include the communication towers, radios, antennas, microwave transmitters, programming tools, consoles, servers, and other related equipment and improvements; and a computer aided dispatch/records management system, which will include the cost of software, mobile data computers, servers, and other related equipment for the acquisition and construction of the City's Public Safety Communication System, and for paying legal, fiscal, and engineering fees in connection with such projects; and

Section 2. DESIGNATION OF THE CERTIFICATES OF OBLIGATION.

Each certificate of obligation issued pursuant to this Ordinance shall be designated: CITY OF ABILENE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2005A", and initially there shall be issued, sold, and delivered hereunder a single fully registered certificate of obligation, without interest coupons, payable in installments of principal (the "Initial Certificate of Obligation"), but the Initial Certificate of Obligation may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered certificates of obligation, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Certificates of Obligation" as used in this Ordinance shall mean and include collectively the Initial Certificate of Obligation and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "Certificate of Obligation" shall mean any of the Certificates of Obligation.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL CERTIFICATE OF OBLIGATION.

(a) The Initial Certificate of Obligation is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Certificate of Obligation, without interest coupons, dated December 1, 2005, in the denomination and aggregate principal amount of \$10,930,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: \_\_\_\_\_ or to the registered assignee or assignees of said Certificate of Obligation or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Certificate of Obligation to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL CERTIFICATE OF OBLIGATION set forth in this Ordinance.

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

Section 4. INTEREST. The unpaid principal balance of the Initial Certificate of Obligation shall bear interest from the date of the Initial Certificate of Obligation, and will be calculated on the basis of a 360-day year of twelve 30-day months to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Certificate of Obligation, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL CERTIFICATE OF OBLIGATION set forth in this Ordinance.

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

FORM OF INITIAL CERTIFICATE OF OBLIGATION

NO. R-1

\$10,930,000

UNITED STATES OF AMERICA  
STATE OF TEXAS  
COUNTIES OF TAYLOR AND JONES  
CITY OF ABILENE, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION  
SERIES 2005A

CITY OF ABILENE, in TAYLOR AND JONES COUNTIES (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to

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

TEN MILLION NINE HUNDRED THIRTY THOUSAND DOLLARS

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

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
2008	\$ 915,000	2014	\$ 910,000
2009	915,000	2015	910,000
2010	910,000	2016	910,000
2011	910,000	2017	910,000
2012	910,000	2018	910,000
2013	910,000	2019	910,000

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

maturity 2008, ____%	maturity 2014, ____%
maturity 2009, ____%	maturity 2015, ____%
maturity 2010, ____%	maturity 2016, ____%
maturity 2011, ____%	maturity 2017, ____%
maturity 2012, ____%	maturity 2018, ____%
maturity 2013, ____%	maturity 2019, ____%

with said interest being payable on February 15, 2007 and semiannually on each August 15 and February 15 thereafter while this Certificate of Obligation or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Certificate of Obligation are payable to the registered owner hereof through the services of JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, DALLAS, TEXAS, which is the "Paying Agent/Registrar" for this Certificate of Obligation. Payment of all principal of and interest on this Certificate of Obligation shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate of Obligation (the "Certificate of Obligation Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method acceptable to Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. The Issuer covenants with the registered owner of this Certificate of Obligation that on or before each principal and/or interest payment date for this Certificate of Obligation it will make available to the Paying Agent/ Registrar, from the "Interest and Sinking Fund" created by the Certificate of Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Certificate of Obligation, when due.

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

THIS CERTIFICATE OF OBLIGATION has been authorized in accordance with the Constitution and laws of the State of Texas, in the principal amount of \$10,930,000 for paying in whole or in part, a portion of the City's contractual obligations for the purpose of paying costs of acquisition and construction of a Public Safety Communications System, which includes a radio communication system, which will preliminarily include the communication towers, radios, antennas, microwave transmitters, programming tools, consoles, servers, and other related equipment and improvements; and a computer aided dispatch/records management system, which will include the cost of software, mobile data computers, servers, and other related equipment for the acquisition and construction of the City's Public Safety Communication System, and for paying legal, fiscal, and engineering fees in connection with such projects.

ON FEBRUARY 15, 2015, or any date thereafter, the unpaid installments of principal of this Certificate of Obligation may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

THE BONDS of this Series scheduled to mature on FEBRUARY 1, 20\_\_, FEBRUARY 1, 20\_\_, and FEBRUARY 1, 20\_\_ are subject to mandatory redemption prior to their scheduled maturities, and shall be redeemed by the Issuer, in part, prior to their scheduled maturities, with money from the Mandatory Redemption Account of the Interest and Sinking Fund, with the particular Certificates of Obligation or portion thereof to be redeemed to be selected by the Paying Agent/Registrar, by lot or other customary method (provided that a portion of a Certificate of Obligation may be redeemed only in an integral multiple of \$5,000) at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the dates, and in the principal amounts, respectively, as shown in the following schedules:

<u>February 15, 20__ Maturity</u>	
<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$
February 15, 20__	\$ *payable at maturity

<u>February 15, 20__ Maturity</u>	
<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$
February 15, 20__	\$ *payable at maturity

<u>February 15, 20__ Maturity</u>	
<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$
February 15, 20__	\$ *payable at maturity

The principal amount of the Certificates of Obligation required to be redeemed on each such redemption date pursuant to the foregoing operation of the Mandatory Redemption Account shall

be reduced, at the option of the Issuer, by the principal amount of any Certificates of Obligation, which at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Certificates of Obligation plus accrued interest to the date of purchase, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Certificates of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, if fewer than all of the Certificates of Obligation of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of Obligation of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Certificate of Obligation or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Certificate of Obligation, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Certificate of Obligation or any portion hereof.

THIS CERTIFICATE OF OBLIGATION, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for this Certificate of Obligation, upon the terms and conditions set forth in the Certificate of Obligation Ordinance. Among other requirements for such transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Certificate of Obligation, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate of Obligation or any such portion or portions hereof by the initial registered owner hereof. A new certificate of obligation or certificates of obligation payable to such assignee or assignees (which then will be the new registered owner or owners of such new certificate of obligation or certificates

of obligation) or to the initial registered owner as to any portion of this Certificate of Obligation which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Certificate of Obligation or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Certificate of Obligation or any portion hereof. The registered owner of this Certificate of Obligation shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Certificate of Obligation to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Certificate of Obligation Ordinance, this Certificate of Obligation, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered certificates of obligation, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Certificate of Obligation which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute certificate of obligation issued in exchange for any portion of this Certificate of Obligation shall have a single stated principal maturity date), upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate of Obligation Ordinance. If this Certificate of Obligation or any portion hereof is assigned and transferred or converted each certificate of obligation issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Certificate of Obligation or portion hereof for which the substitute certificate of obligation is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such certificates of obligation, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Certificate of Obligation or portion hereof for which they are being exchanged. No such certificate of obligation shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE CERTIFICATE OF OBLIGATION ORDINANCE, THIS CERTIFICATE OF OBLIGATION IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the certificates of obligation issued and delivered in exchange for this Certificate of Obligation or any portion hereof may be assigned, transferred and converted, subsequently, as provided in the Certificate of Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Certificate of Obligation or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (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 Certificate of Obligation or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

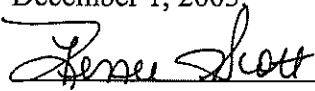
IN THE EVENT any Paying Agent/Registrar for this Certificate of Obligation is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate of Obligation Ordinance that it promptly will appoint a competent and legally qualified substitute

therefor, and promptly will cause written notice thereof to be mailed to the registered owner of this Certificate of Obligation.

IT IS HEREBY certified, recited, and covenanted that this Certificate of Obligation has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate of Obligation, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate of Obligation is additionally secured by and payable from the limited surplus revenues of the Issuer's Waterworks and Sewer System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Waterworks and Sewer System.

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

IN WITNESS WHEREOF, the Issuer has caused this Certificate of Obligation to be signed with the manual or facsimile signature of the Mayor of the Issuer, countersigned with the manual or facsimile signature of the City Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate of Obligation to be dated December 1, 2005.

  
\_\_\_\_\_  
City Secretary

Assistant

  
\_\_\_\_\_  
Mayor

CITY SEAL



FORM OF REGISTRATION CERTIFICATE OF THE  
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE  
REGISTER NO.

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

Witness my signature and seal this

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

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE CERTIFICATES OF OBLIGATION. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of JPMorgan Chase Bank, National Association, Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Certificates of Obligation (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate of Obligation to which payments with respect to the Certificates of Obligation shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Registration of each Certificate of Obligation may be transferred in the Registration Books only upon presentation and surrender of such Certificate of Obligation to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/ Registrar, (I) evidencing the assignment of the Certificate of Obligation, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Certificate of Obligation or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Certificate of Obligation or any portion thereof, a new substitute Certificate of Obligation or Certificates of Obligation shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Certificate of Obligation, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Certificates of Obligation issued

and delivered in conversion of and exchange for the Initial Certificate of Obligation shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Certificate of Obligation shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Certificate of Obligation or any portion thereof is assigned and transferred or converted the Initial Certificate of Obligation must be surrendered to the Paying Agent/Registrar for cancellation, and each Certificate of Obligation issued in exchange for any portion of the Initial Certificate of Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Certificate of Obligation shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Certificate of Obligation is being exchanged; and each such Certificate of Obligation shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Certificate of Obligation is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Certificates of Obligation in exchange for the unassigned balance of the Initial Certificate of Obligation in the same manner as if the initial registered owner were the assignee thereof. If any Certificate of Obligation or portion thereof other than the Initial Certificate of Obligation is assigned and transferred or converted each Certificate of Obligation issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Certificate of Obligation for which it is exchanged. A form of assignment shall be printed or endorsed on each Certificate of Obligation, excepting the Initial Certificate of Obligation, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Certificates of Obligation or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Certificate of Obligation or Certificates of Obligation, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Certificate of Obligation or Certificates of Obligation), or to the previous registered owner in case only a portion of a Certificate of Obligation is being assigned and transferred, all in conversion of and exchange for said assigned Certificate of Obligation or Certificates of Obligation or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Certificates of Obligation by any registered owner of a Certificate of Obligation. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Certificate of Obligation or Certificates of Obligation, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Certificate of Obligation or any portion thereof (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 Certificate of Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

(c) Payment of Certificates of Obligation 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 Certificates of Obligation, and to act as its agent to convert and exchange or replace Certificates of Obligation, 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 Certificates of Obligation, and of all conversions and exchanges of Certificates of Obligation, and all replacements of Certificates of Obligation, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Bondholder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement; Authentication. Each Certificate of Obligation issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Certificate of Obligation at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered certificates of obligation, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION set forth in this Ordinance, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Certificate of Obligation shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Certificate of Obligation or Certificates of Obligation so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Certificate of Obligation is assigned and transferred or converted each substitute Certificate of Obligation issued in exchange for any portion of the Initial Certificate of Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Certificate of Obligation shall have a principal maturity date

corresponding to the due date of the installment of principal or portion thereof for which the substitute Certificate of Obligation is being exchanged; and each such Certificate of Obligation shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Certificate of Obligation (other than the Initial Certificate of Obligation) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Certificate of Obligation or portion thereof (other than the Initial Certificate of Obligation) is assigned and transferred or converted, each Certificate of Obligation issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Certificate of Obligation for which it is being exchanged. Each substitute Certificate of Obligation shall bear a letter and/or number to distinguish it from each other Certificate of Obligation. The Paying Agent/Registrar shall convert and exchange or replace Certificates of Obligation as provided herein, and each fully registered certificate of obligation delivered in conversion of and exchange for or replacement of any Certificate of Obligation or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Certificates of Obligation for all purposes of this Ordinance, and may again be converted and exchanged or replaced. It is specifically provided that any Certificate of Obligation authenticated in conversion of and exchange for or replacement of another Certificate of Obligation on or prior to the first scheduled Record Date for the Initial Certificate of Obligation shall bear interest from the date of the Initial Certificate of Obligation, but each substitute Certificate of Obligation so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Certificate of Obligation was so authenticated, unless such Certificate of Obligation is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Certificate of Obligation the interest on the Certificate of Obligation for which it is being exchanged is due but has not been paid, then such Certificate of Obligation shall bear interest from the date to which such interest has been paid in full. THE INITIAL CERTIFICATE OF OBLIGATION issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate of Obligation issued in conversion of and exchange for or replacement of any Certificate of Obligation or Certificates of Obligation issued under this Ordinance there shall be printed a certificate, in the form substantially as follows:

#### "PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Certificate of Obligation Ordinance described on the face of this Certificate of Obligation; and that this Certificate of Obligation has been issued in conversion of and exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

\_\_\_\_\_  
Paying Agent/Registrar

Dated \_\_\_\_\_

By \_\_\_\_\_  
Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate of Obligation, date and manually sign the above Certificate, and no such Certificate of Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Certificates of Obligation surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Certificate of Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates of Obligation in the manner prescribed herein, and said Certificates of Obligation shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Texas Government Code, the duty of conversion and exchange or replacement of Certificates of Obligation as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Certificate of Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Certificate of Obligation which originally was issued pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Certificate of Obligation or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Certificates of Obligation or any portion thereof (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 Certificate of Obligation or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

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

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Certificates of Obligation that at all times while the Certificates of Obligation are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Certificates of Obligation 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 Certificates of Obligation, 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 Certificates of Obligation, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

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

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

(I) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC and that it is in the best interest of the beneficial owners of the Certificates of Obligation that they be able to obtain certificated Certificates of Obligation, the Issuer or the Paying Agent/Registrar shall (I) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates of Obligation to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates of Obligation and transfer one or more separate Certificates of Obligation to DTC Participants having Certificates of Obligation credited to their DTC accounts. In such event, the Certificates of Obligation 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 Certificate of Obligation holders transferring or exchanging Certificates of Obligation shall designate, in accordance with the provisions of this Ordinance.

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

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

FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION

NO. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
COUNTIES OF TAYLOR AND JONES  
CITY OF ABILENE, TEXAS  
COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION  
SERIES 2005A

INTEREST RATE    MATURITY DATE    DATE OF ORIGINAL ISSUE    CUSIP NO.

December 1, 2005

ON THE MATURITY DATE specified above, the CITY OF ABILENE (the "Issuer") in TAYLOR AND JONES COUNTIES, being a political subdivision of the State of Texas, hereby promises to pay to

\_\_\_\_\_

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

\_\_\_\_\_

and to pay interest thereon from December 1, 2005 to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above with interest being payable on February 15, 2007, and semiannually on each August 15 and February 15 thereafter; except that if the date of authentication of this Certificate of Obligation is later than January 31,



2007, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate of Obligation shall be paid to the registered owner hereof upon presentation and surrender of this Certificate of Obligation at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, DALLAS, TEXAS, which is the "Paying Agent/Registrar" for this Certificate of Obligation. The payment of interest on this Certificate of Obligation shall be made by the Paying Agent/Registrar to the registered owner hereof on the 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 the Certificates of Obligation (the "Certificate of Obligation Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last business day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Any accrued interest due upon the redemption of this Certificate of Obligation prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Certificate of Obligation for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Certificate of Obligation that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate of Obligation, it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate of Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificates of Obligation, when due.

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

THIS CERTIFICATE OF OBLIGATION is one of an issue of Certificates of Obligation initially dated December 1, 2005, authorized in accordance with the Constitution and laws of the State of Texas in the original principal amount of \$10,930,000 for paying in whole or in part, a portion of the City's contractual obligations for the purpose of paying costs of acquisition and

construction of a Public Safety Communications System, which includes a radio communication system, which will preliminarily include the communication towers, radios, antennas, microwave transmitters, programming tools, consoles, servers, and other related equipment and improvements; and a computer aided dispatch/records management system, which will include the cost of software, mobile data computers, servers, and other related equipment for the acquisition and construction of the City's Public Safety Communication System, and for paying legal, fiscal, and engineering fees in connection with such projects.

ON FEBRUARY 15, 2015, or any date thereafter, the unpaid installments of principal of this Certificate of Obligation may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

THE BONDS of this Series scheduled to mature on FEBRUARY 1, 20\_\_, FEBRUARY 1, 20\_\_, and FEBRUARY 1, 20\_\_ are subject to mandatory redemption prior to their scheduled maturities, and shall be redeemed by the Issuer, in part, prior to their scheduled maturities, with money from the Mandatory Redemption Account of the Interest and Sinking Fund, with the particular Certificates of Obligation or portion thereof to be redeemed to be selected by the Paying Agent/Registrar, by lot or other customary method (provided that a portion of a Certificate of Obligation may be redeemed only in an integral multiple of \$5,000) at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the dates, and in the principal amounts, respectively, as shown in the following schedules:

February 15, 20\_\_ Maturity

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$
February 15, 20__	\$ *payable at maturity

February 15, 20\_\_ Maturity

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$
February 15, 20__	\$ *payable at maturity

February 15, 20\_\_ Maturity

<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
February 15, 20__	\$

February 15, 20\_\_

\$  
at maturity

\*payable

The principal amount of the Certificates of Obligation required to be redeemed on each such redemption date pursuant to the foregoing operation of the Mandatory Redemption Account shall be reduced, at the option of the Issuer, by the principal amount of any Certificates of Obligation, which at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Certificates of Obligation plus accrued interest to the date of purchase, or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Certificates of Obligation is determined by a book entry at a securities depository for the Certificates of Obligation, if fewer than all of the Certificates of Obligation of the same maturity and bearing the same interest rate are to be redeemed, the particular Certificates of Obligation of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates of Obligation 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, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Certificate of Obligation to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate of Obligation, and it is hereby specifically provided that the mailing of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Certificates of Obligations or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates of Obligation or portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Certificates of Obligation or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate of Obligation shall be redeemed a substitute Certificate of Obligation or Certificates of Obligation 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 Certificate of Obligation Ordinance.

THIS CERTIFICATE OF OBLIGATION OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Certificates of Obligation, upon the terms and conditions set forth in the Certificate of Obligation Ordinance. Among other requirements for such assignment and transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate of Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Certificate of Obligation shall be executed by the registered owner or its duly authorized attorney or representative to evidence the assignment hereof. A new Certificate of Obligation or Certificates of Obligation payable to such assignee or assignees (which then will be the new registered owner or owners of such new Certificate of Obligation or Certificates of Obligation), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Certificate of Obligation, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Certificate of Obligation, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Certificates of Obligation. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Certificate of Obligation or any portion hereof (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 Certificate of Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Certificate of Obligation shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Certificate of Obligation to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL CERTIFICATES OF OBLIGATION OF THIS SERIES are issuable solely as fully registered certificates of obligation, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificate of Obligation Ordinance, this Certificate of Obligation, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered Certificates of Obligation, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate of Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Certificate of Obligation or any portion

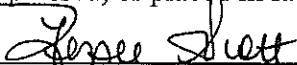
thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (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 Certificate of Obligation or 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 Certificates of Obligation is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate of Obligation Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Certificates of Obligation.

IT IS HEREBY certified, recited, and covenanted that this Certificate of Obligation has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate of Obligation, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate of Obligation is additionally secured by and payable from the limited surplus revenues of the Issuer's Waterworks and Sewer System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Waterworks and Sewer System.

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

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



Assistant City Secretary



Mayor

CITY SEAL

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate of Obligation is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Certificate of Obligation Ordinance described on the face of this Certificate of Obligation; and that this Certificate of Obligation has been issued in conversion of and exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

JPMorgan Chase Bank, National Association  
Paying Agent/Registrar

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

FORM OF ASSIGNMENT:

ASSIGNMENT

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

\_\_\_\_\_

\_\_\_\_\_  
(Assignee's Social Security or Tax  
Payer Identification Number)

\_\_\_\_\_  
(Print or type Assignee's Name and Address Including  
Zip Code)

and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
attorney, to transfer the registration of this Certificate of Obligation on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated \_\_\_\_\_

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

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

Section 8. TAXLEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Certificates of Obligation, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Certificates of Obligation. All ad valorem taxes levied and collected for and on account of the Certificates of Obligation, together with any premium received from the sale of the Certificates of Obligation, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Certificates of Obligation as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificates of Obligation as such principal matures (but never less than 2% of the original principal amount of the Certificates of Obligation as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Certificates of Obligation or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates of Obligation, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

Chapter 1208, Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the taxes granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes 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 Certificates of Obligation 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 9. REVENUES. That said Certificates of Obligation, together with other obligations of the Issuer, are additionally secured by and shall be payable from and secured by the collection of the limited surplus revenues of the Issuer's Waterworks and Sewer System, after payment of all expenses of operation and maintenance thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue certificates of obligation or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Waterworks and Sewer System, with such amount of the revenues from the Waterworks and Sewer System not exceeding \$2,500, constituting "Surplus Revenues". The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to Section 8, to the extent necessary to pay the principal and interest on the Certificates of Obligation. Notwithstanding the requirements of Section 8, if revenues are actually on deposit or

budgeted for deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied pursuant to Section 8 may be reduced to the extent and by the amount of the revenues then on deposit in the Interest and Sinking Fund or budgeted for deposit therein.

Section 10. TRANSFER. That the Mayor and the City Secretary are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

Section 11. DEFEASANCE OF CERTIFICATES OF OBLIGATION. (a) Any Certificate of Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Certificate of Obligation") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate of Obligation, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (I) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar 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 Certificates of Obligation shall have become due and payable. At such time as a Certificate of Obligation shall be deemed to be a Defeased Certificate of Obligation hereunder, as aforesaid, such Certificate of Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied 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 Certificates of Obligation that is made in conjunction with the payment arrangements specified in subsection 11(a)(I) or (ii) 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 Certificates of Obligation for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificate of Obligations 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 also 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 Certificates of Obligation 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 Certificates of Obligation 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 11(a)(I) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates of Obligation, 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 Certificates of Obligation shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificates of Obligation 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 Certificates of Obligation of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates of Obligation by such random method as it deems fair and appropriate.

Section 12. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES OF OBLIGATION. (a) Replacement Certificates of Obligation. In the event any outstanding Certificate of Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate of Obligation, in replacement for such Certificate of Obligation in the manner hereinafter provided.

(b) Application for Replacement Certificates of Obligation. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates of Obligation shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner applying for a replacement certificate of obligation shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate of Obligation, 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 Certificate of Obligation, as the case may be. In every case of

damage or mutilation of a Certificate of Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate of Obligation so damaged or mutilated.

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

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

(e) Authority for Issuing Replacement Certificates of Obligation. In accordance with Chapter 1201, Texas Government Code, this Section 12 of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation 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 certificates of obligation is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates of Obligation in the form and manner and with the effect, as provided in Section 6(d) of this Ordinance for Certificates of Obligation issued in conversion and exchange for other Certificates of Obligation.

Section 13. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES OF OBLIGATION; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED. The Mayor of the Issuer is hereby authorized to have control of the Initial Certificate of Obligation issued hereunder and all necessary records and proceedings pertaining to the Initial Certificate of Obligation pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Certificate of Obligation said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Certificate of Obligation, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Certificate of Obligation. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Certificate of Obligation or on any Certificates of Obligation issued and delivered in conversion of and exchange or replacement of any Certificate of Obligation, but neither shall have

any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates of Obligation. In addition, if bond insurance is obtained, the Certificates of Obligation may bear an appropriate legend as provided by the insurer.

Section 14. COVENANTS REGARDING TAX EXEMPTION. (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 Obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the Bondholder 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); and

(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.

(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) 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 15. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (each such purpose referred to herein and Section 16 hereof as a "Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend sale proceeds or investment earnings thereon more than 60 days after the later of (1) the fifth anniversary of the delivery of the Certificates of Obligation, or (2) the date the Certificates of Obligation are retired, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such expenditure will not adversely affect the tax-exempt status of the Certificates of Obligation.

Section 16. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates of Obligation. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 17. CONTINUING DISCLOSURE. (a) Annual Reports. (I) The Issuer shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year ending in or after 2005, financial information and operating data with respect to the Issuer of the general type included in the final Official Statement authorized by Section 18 of this Ordinance, being the information described in Exhibit A. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit A thereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and audited, if the Issuer commissions an audit of such statements and the audit

is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if the audit report on such statements become available.

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

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates of Obligation;
7. Modifications to rights of holders of the Certificates of Obligation;
8. Certificate of Obligation calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates of Obligation; and
11. Rating changes.

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

(c) Limitations, Disclaimers, and Amendments. (I) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates of Obligation 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 Certificates of Obligation no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Certificates of Obligation, 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 Certificates of Obligation at any future date.

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

(iv) No default by the Issuer in observing or performing its obligations under this Section shall comprise a breach of or default under the Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

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

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

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

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

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

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

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

Section 18. SALE OF CERTIFICATES OF OBLIGATION. The Initial Certificate of Obligation is hereby sold and shall be delivered to \_\_\_\_\_ for cash for the par value thereof and accrued interest thereon to date of delivery plus a premium of \$ \_\_\_\_\_ (accrued interest to be deposited into the Interest and Sinking Fund). It is hereby officially found, determined, and declared that the Initial Certificate of Obligation has been sold at public sale to the bidder offering the lowest interest cost, after receiving sealed bids pursuant to an Official Notice of Sale and Bidding Instructions and Official Statement dated November \_\_, 2005, prepared and distributed in connection with the sale of the Initial Certificate of Obligation. Said Official Notice of Sale and Bidding Instructions and Official Statement, and any addenda, supplement, or amendment thereto have been and are hereby approved by the governing body of the Issuer, and their use in the offer and sale of the Certificates of Obligation is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Notice of Sale and Official Statement are true and correct in all material respects, to the best knowledge and belief of the governing body of the Issuer.

Section 19. INTEREST EARNINGS ON CERTIFICATES OF OBLIGATION PROCEEDS. The earnings derived from the investment of proceeds from the sale of the Certificates of Obligation shall be used along with other Certificates of Obligation proceeds as described in Section 1 hereof; provided that after completion of such project, 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 interest earnings on the Certificates of Obligation proceeds which are required to be rebated to the United States of America pursuant to Section 14 hereof in order to prevent the Certificates of Obligation from being arbitrage Certificate of Obligations shall be so rebated and not considered as interest earnings for the purpose of this Section.

Section 20. PUBLIC NOTICE. It is hereby officially found and determined that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551,



EXHIBIT A

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

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

**I. Annual Financial Statements and Operating Data**

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

Tables 1 through 6 and 8 through 15 and in Appendix B

**Accounting Principles**

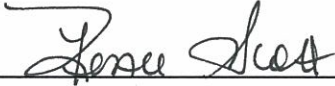
The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

Texas Government Code, and no petition was received from the qualified electors of the Issuer protesting the issuance of such Certificates of Obligation.

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APPROVED AND ADOPTED this 1<sup>st</sup> day of December, 2005.

ATTEST:

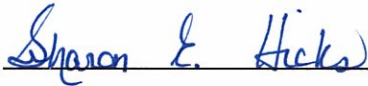


*Assistant* City Secretary



Mayor

APPROVED



City Attorney