

**CERTIFICATE FOR ORDINANCE**

**STATE OF TEXAS  
COUNTY OF MCLENNAN  
CITY OF RIESEL**



We, the undersigned officers and members of the City Council of the City of Riesel, Texas (the "City"), hereby certify as follows:

1. The City Council of the City convened in REGULAR MEETING ON THE 3<sup>RD</sup> DAY OF MARCH, 2009, at the City Hall (the "Meeting"), and the roll was called of the duly constituted officers and members of the City, to-wit:

- Dave Ross
- Katherine Bode
- Rodney Dieterich
- Denise Krumnow
- Gary Bennett

and all of the persons were present, except the following absentees: None, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**ORDINANCE AUTHORIZING THE ISSUANCE OF \$637,000 CITY OF RIESEL, TEXAS, UTILITY SYSTEM REVENUE BONDS, SERIES 2009 AND ORDAINING OTHER MATTERS RELATING TO THE ISSUANCE OF THE BONDS**

was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Ordinance be passed; and, after due discussion, said motion carrying with it the passage of the Ordinance, prevailed and carried by the following vote:

AYES: 4

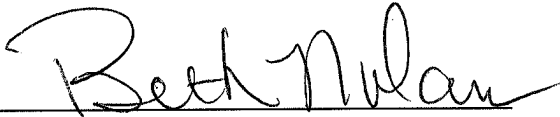
NOES: 0

2. A true, full and correct copy of the Ordinance passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Ordinance has been duly recorded in the City Council's minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of the Meeting pertaining to the passage of the Ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Ordinance would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the

holding of the Meeting for such purpose, and that the Meeting was open to the public and public notice of the time, place and purpose of the meeting was given, all as required by Chapter 551, *Texas Government Code*.

3. The Mayor Pro Tem of the City has approved and hereby approves the Ordinance; that the Mayor Pro Tem and the City Secretary of the City have duly signed the Ordinance; and that the Mayor Pro Tem and the City Secretary of the City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of the Ordinance for all purposes.

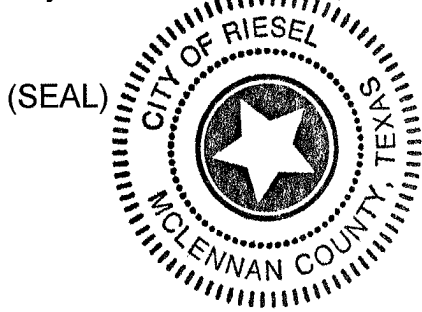
**SIGNED AND SEALED** the 3<sup>rd</sup> day of March, 2009.



City Secretary  
City of Riesel, Texas



Mayor Pro Tem  
City of Riesel, Texas



ORDINANCE AUTHORIZING THE ISSUANCE OF \$637,000 CITY OF RIESEL, TEXAS, UTILITY SYSTEM REVENUE BONDS, SERIES 2009; AND ORDAINING OTHER MATTERS RELATING TO THE ISSUANCE OF THE BONDS

STATE OF TEXAS |  
COUNTY OF MCLENNAN |  
CITY OF RIESEL |

WHEREAS, the City Council of the City of Riesel, Texas (the "City"), desires to adopt an Ordinance and to take such other actions which may be necessary to authorize the issuance of Utility System Revenue Bonds (the "Bonds"), payable from a pledge of the revenues of the Utility system of the City, for the purpose of evidencing the indebtedness of the City for all or any part of the cost of water system improvements, including construction of a new water well and treatment plant and related storage and transmission facilities, and the costs of professional services incurring in connection therewith (the "Project");

WHEREAS the Bonds are being issued pursuant to the authority of Chapter 1502, *Texas Government Code*.

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

**Section 1. RECITALS, AMOUNT AND PURPOSE OF THE BONDS.** The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this section. The bond or bonds of the City of Riesel, Texas (the "City"), are hereby authorized to be issued and delivered in the aggregate principal amount of \$637,000, for the purpose of providing funds to pay the costs of acquisition and construction of the Project and to pay the costs of issuance in connection with the Bonds.

**Section 2. DEFINITIONS.**

(a) The term "Additional Bonds" shall mean revenue bonds, certificates of obligation, or other evidences of indebtedness hereafter issued under and pursuant to the laws of the State of Texas and payable from and secured by a parity lien on and pledge of the Net Revenues of the System of equal rank and dignity with the lien and pledge securing the payment of the Bonds.

(b) The term "Gross Revenues" for any period means all revenue during such period in respect or on account of the operation or ownership of the System, excluding refundable meter deposits, restricted gifts, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account created and established from Gross Revenues.

(c) The term "Maintenance and Operating Expenses" shall mean all current expenses of operating and maintaining the System as allowed by Section 1502.056 of the *Texas Government Code*.

(d) The term "Net Revenues" for any period means the Gross Revenues of the System less Maintenance and Operating Expenses of the System.

(e) The term "Project" shall mean water system improvements, including construction of a new water well and related storage and transmission facilities.

(f) The Term "Series 1983 Revenue Bonds" means the City's Water System Junior Lien Revenue Bonds, Series 1983.

(g) The term "Series 1999 Certificates of Obligation" means the City's Sewer System Junior Lien Certificates of Obligation, Series 1999.

(h) The term "System" shall mean all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment, transmission and distribution of treated potable water and the collection, treatment and disposal of waterborne wastes, together with all future extensions, improvements and additions thereto and replacements thereof, including the Project.

**Section 3. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF BONDS.** Each bond issued pursuant to this Ordinance shall be designated: "**CITY OF RIESEL, TEXAS, UTILITY SYSTEM REVENUE BOND, SERIES 2009**" and initially there shall be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, dated March 1, 2009, in the respective denominations and principal amounts hereinafter stated, numbered consecutively from R-1 upward (except the initial Bond submitted to the Attorney General of the State of Texas which will be numbered T-1), payable to the respective initial registered owners thereof (as designated in Section 17 hereof), or to the registered assignee or assignees of the Bonds or any portion or portions thereof (in each case, the "Registered Owner"), and the Bonds shall mature and be payable serially on March 1 in each of the years and in the principal amounts, respectively, as set forth in the following schedule:

<u>YEAR</u> <u>(March 1)</u>	<u>AMOUNT</u>
2010	\$7,000
2011	\$7,000
2012	\$7,000
2013	\$7,000
2014	\$8,000
2015	\$8,000
2016	\$8,000
2017	\$9,000
2018	\$9,000
2019	\$9,000
2020	\$10,000
2021	\$10,000

<u>YEAR</u> (March 1)	<u>AMOUNT</u>
2022	\$11,000
2023	\$11,000
2024	\$11,000
2025	\$12,000
2026	\$12,000
2027	\$13,000
2028	\$13,000
2029	\$14,000
2030	\$15,000
2031	\$15,000
2032	\$16,000
2033	\$16,000
2034	\$17,000
2035	\$18,000
2036	\$19,000
2037	\$19,000
2038	\$20,000
2039	\$21,000
2040	\$22,000
2041	\$23,000
2042	\$24,000
2043	\$25,000
2044	\$26,000
2045	\$27,000
2046	\$28,000
2047	\$29,000
2048	\$30,000
2049	\$31,000

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

**Section 4. INTEREST.** The Bonds scheduled to mature during the years, respectively, set forth in Section 3 above, shall bear interest from the date of delivery to their respective dates of maturity or redemption prior to maturity at the lower of (a) 4.125% per annum or (b) that rate of interest offered by the United States of America on the date the Bonds (or any maturities thereof), are first delivered. Interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Ordinance. In no event shall the rate of interest applicable to the Bonds exceed the maximum rate allowed by law.

**Section 5. CHARACTERISTICS OF THE BONDS.**

(a) Registration, Transfer, Conversion and Exchange; Authentication. The City shall keep or cause to be kept at Texas First State Bank (the “Paying

Agent/Registrar”), books or records for the registration of the transfer, conversion and exchange of the Bonds (the “Registration Books”), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The City shall pay the Paying Agent/Registrar’s standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. Any tax or governmental charges required to be paid with respect to any registration, exchange, or transfer of Bonds shall be paid by the person requesting such transfer.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and the Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Section 1203.021 of the *Texas Government Code*, as amended, and particularly Section 6 thereof, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Bond, the converted and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Ordinance. However, in the event of a

nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

Notwithstanding the foregoing, in the case of Bonds held by the United States of America the City shall make all payments directly to the United States of America and not through the Paying Agent.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bonds initially issued and delivered pursuant to this Ordinance are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) Substitute Paying Agent/Registrar. The City covenants with the Registered Owners of the Bonds that at all times while the Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other agency duly qualified and legally authorized to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity. The Paying Agent/Registrar shall have the right to resign. Further, the City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days' written notice to the Paying Agent/Registrar, to be effective at such time which will not disrupt or delay payment on 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 City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the

new Paying Agent/Registrar to each Registered Owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

**Section 6. FORM OF BONDS.** The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance including any reproduction of an opinion of counsel and information regarding the issuance of any bond insurance policy.

**FORM OF BOND**

<b>NO. R-</b>	<b>UNITED STATES OF AMERICA STATE OF TEXAS MCLENNAN COUNTY</b>	<b>PRINCIPAL AMOUNT \$ _____</b>
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**CITY OF RIESEL, TEXAS,  
UTILITY SYSTEM REVENUE BONDS  
SERIES 2009  
March 1, 2009**

<b><u>DELIVERY</u> <u>DATE OF BONDS</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>MATURITY DATE</u></b>
_____, 2009		March 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

**ON THE MATURITY DATE** specified above, **CITY OF RIESEL, TEXAS**, in McLennan County, Texas (the "City"), being a municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon from the date of delivery hereof, on September 1, 2009, and semiannually thereafter on each March 1 and September 1 to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above calculated on the basis of a 365 or 366-day year as the case may be.

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



surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at Texas First State Bank (the "Paying Agent/Registrar"), at their office for payment in Riesel, Texas (the "Designated Payment/Transfer Office"). The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the ordinance authorizing the issuance of this Bond (the "Bond Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the 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. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

Notwithstanding any other provision hereof, so long as this Bond is held by the United States of America all payments due hereunder shall be made directly by the City to the United States of America at its designated offices, initially in Hillsboro, Texas, and not through the Paying Agent. Presentation of this Bond shall not be a prerequisite to payment so long as the Bond is held by the United States of America.

In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

Interest shall be payable hereon from the date of delivery and not from the dated date of this Bond (unless the same is the date of delivery). In no event shall the rate of interest hereunder exceed the maximum rate allowed by law.

**ANY ACCRUED INTEREST** due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, (or directly to the United States of America, in the case of Bonds held by the United States of America), from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

**IF THE DATE** for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City

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

**THIS BOND** is one of a series of Bonds dated March 1, 2009, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$637,000 FOR THE PURPOSE OF WATER SYSTEM IMPROVEMENTS, INCLUDING CONSTRUCTION OF A NEW WATER WELL AND TREATMENT PLANT AND RELATED STORAGE AND TRANSMISSION FACILITIES (THE "PROJECT"), AND TO PAY THE COST OF ISSUANCE IN CONNECTION WITH THE BONDS.**

This Bond may be redeemed prior to its scheduled maturities, at the option of the City, with funds derived from any available and lawful source, at par plus accrued interest to the date fixed for redemption, as a whole or in part. The particular maturities to be redeemed shall be in inverse order of maturity, and if less than all of a maturity is to be redeemed, the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

**NO LESS THAN** 45 days prior to the date fixed for any such redemption, the City shall send notice by Certified United States mail, first-class postage prepaid to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the mailing of such notice. Said notice shall state the principal amounts of each stated maturity to be redeemed. The failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Bondholder; provided, however, in the case of notice sent to The United States of America, notice shall be sufficiently given only upon receipt of such notice by the agency holding the Bonds. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations, 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 City, all as provided in the Bond Ordinance.

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in any denomination chosen by the City. As provided in the

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

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

**IT IS HEREBY** certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is secured by and payable from the "Net Revenues" (as such term is defined in the Bond Ordinance) of the City's combined Utility system. The lien and pledge securing this Bond is on a parity with that lien and pledge securing the City's Outstanding Water System Junior Lien Revenue Bonds, Series 1983, and the City's Sewer System Junior Lien Certificates of Obligation, Series 1999.

THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION.

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

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

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

\_\_\_\_\_  
Mayor Pro Tem

[CITY SEAL]

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

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

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

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

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

BY: \_\_\_\_\_  
Authorized Representative

**FORM OF ASSIGNMENT**

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)  
\_\_\_\_\_  
(Please print or typewrite name and address, including zip code, of Transferee)

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

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

Signature Guaranteed:

**FORM OF REGISTRATION CERTIFICATE OF  
THE COMPTROLLER OF PUBLIC ACCOUNTS:**

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

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

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

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

[COMPTROLLER'S SEAL]

The form of initial Bond No. T-1, to be submitted to the Attorney General of Texas, is attached as Exhibit "A" hereto.

**Section 7. INTEREST AND SINKING FUND.** For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption and retirement of the Bonds, an interest and sinking fund or account shall be created and maintained on the books and records of the City, which fund or account shall be maintained at a depository of City funds and be known as the "SPECIAL 2009 CITY OF RIESEL, TEXAS, UTILITY SYSTEM REVENUE BONDS INTEREST AND SINKING FUND", (the "Interest and Sinking Fund"). The Interest and Sinking Fund shall be a special fund or account maintained solely for the payment of the Bonds. Proper officers of the City are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Bonds, (provided, such moneys shall be transferred directly to the United States of America in the case of Bonds held by the United States of America) from funds on deposit in the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Bonds as the same accrues or matures or comes due by reason of redemption prior to maturity; such transfers of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of business on the last business day next preceding each interest and/or principal payment date for the Bonds.

Pending the transfer of funds to the Paying Agent/Registrar, money in the Interest and Sinking Fund may, at the option of the City, be invested in obligations identified in, and in accordance with the provisions of the "Public Funds Investment Act of 1987" relating to the investment of "bond proceeds;" provided that all such investments shall be made in such a manner that the money required to be expended from said Fund will be available at the proper time or times. All interest and income derived from deposits and investments in said Interest and Sinking Fund shall be credited to, and any losses debited to, the said Interest and Sinking Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds. Said investments are further subject to the provisions of Section 16 hereof (regarding arbitrage bonds).

**Section 8.** [This Section deleted.]

**Section 9. PLEDGE OF REVENUES.** The City hereby covenants and agrees that the Net Revenues of the System are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Bonds and Additional Bonds, if issued, as herein provided, and the pledge of the Net Revenues of the System herein made for the payment of the Bonds shall constitute a lien on the Net Revenues of the System in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City. The lien securing the Bonds is on a parity with that lien securing the City's Series 1983 Revenue Bonds, and Series 1999 Certificates of Obligation.

**Section 10. SYSTEM FUND.** The City hereby covenants and agrees that, while the Bonds remain Outstanding, all revenues derived from the operation of the System shall be kept separate and apart from all other funds and moneys of the City, and such revenues shall be deposited from day to day as collected into a fund maintained at an official depository of the City known as the "City of Riesel Utility System Fund" (hereinafter called the "System Fund"). All moneys deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown, to wit:

First: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the System as defined herein or required by statute to be a first charge on and claim against the revenues thereof.

Second: To the payment of the principal and interest on the Bonds, the Series 1983 Revenue Bonds, and the Series 1999 Certificates of Obligation, as the same become due, *pari passu*.

Third: To make deposits into the Reserve Fund for the Bonds or the Series 1983 Revenue Bonds (there being no Reserve Fund established for the Series 1999 Certificates of Obligation).

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for prepayment of the Bonds, the Series 1983 Bonds or the Series 1999 Certificates of Obligation, or for improvements to the System.

**Section 11. DEPOSITS TO INTEREST AND SINKING FUND.** The City hereby covenants and agrees to cause to be deposited in the Interest and Sinking Fund prior to each interest and principal payment date from the Net Revenues of the System, an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest and principal payments then due and payable on the Bonds, such deposits to pay accruing interest and maturing principal on the Bonds to be made on or before the 15th day of each month next preceding each principal and/or interest payment day for the Bonds.

The deposits to the Interest and Sinking Fund, as herein above provided, shall be made until such time as such Fund contains an amount equal to pay the principal of and interest on the Bonds to maturity or redemption, as the case may be. Earnings received from investments held for the account of the Interest and Sinking Fund may be taken into consideration and reduce the amount of the deposits otherwise required to be deposited in the Interest and Sinking Fund from the Net Revenues of the System. In addition, any surplus proceeds from the sale of the Bonds not expended for authorized purposes shall be deposited in the Interest and Sinking Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said Fund from the Net Revenues of the System.

(a) **RESERVE FUND.** The City hereby agrees to create as a separate fund, to be held by a depository bank of the City, a "SERIES 2009 BONDS RESERVE FUND" (the "Reserve Fund"). On the 10<sup>th</sup> of each month, beginning on the first month after the Bonds are first delivered, in whole or in part, and ending 120 months later, and the City shall deposit into the Reserve Fund an amount equal to \$273.00 (being 1/120th of the average annual debt service on the Bonds), until the total sum of \$32,784 (being the average annual debt service on the Bonds) is on deposit therein. The City may withdraw moneys from the Reserve Fund:

(i) to prevent a default in the payment of the principal of and interest on the Bonds (and on any Additional Bonds which may hereafter be issued), when due, because of insufficient moneys in the Interest and Sinking Fund for such purpose;

(ii) paying the cost of repairing or replacing any damage to the System caused by catastrophe;

(iii) repairing or replacing short lived assets which are a part of the System; or

(iv) making or extensions or improvements to the System; provided, further, however, that the consent of The United States of America shall be required (if The United States of America remains the holder of the Bonds at such time) for the use of the Reserve Fund for any of the purposes set forth in items (ii), (iii), or (iv) above.

The City shall restore and redeposit to the Reserve Fund the amount so withdrawn until the amount therein equals the amount required to be on deposit.

Any amounts on deposit in the Reserve Fund in excess of \$33,122 shall be transferred to the Interest and Sinking Fund.

In the event Additional Bonds are issued, the amounts on deposit in the Reserve Fund shall be increased to equal the average annual debt service on the Bonds and Additional Bonds.

None of the proceeds of the Bonds shall be deposited into the Reserve Fund.

**Section 12. SECURITY OF FUNDS.** That all moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured by obligations of the State of Texas or backed by the full faith and credit of the United States of America, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

**Section 13. BUSINESS AND COMMERCE CODE REQUIREMENTS.** Chapter 1208, *Government Code*, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under Section 9 of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City under Section 9 of this Ordinance is to be subject to the filing requirements of Chapter 9, *Business & Commerce Code*, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City 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 to perfect the security interest in said pledge to occur.

**Section 14. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.**

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

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



Notwithstanding the above, in the event a Bond held by The United States of America is mutilated, destroyed, lost, or stolen, The United States of America shall not be required to furnish indemnity in order to receive a replacement Bond.

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 1203.021 of the *Texas Government Code*, as amended, this Section 9 of this Ordinance shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

**Section 15. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION.** The Mayor Pro Tem of the City is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of the Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel and the assigned CUSIP numbers, if any, may, at the option of the City, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Bonds. In addition, if bond insurance or other credit enhancement is obtained, the Bonds may bear an appropriate legend.

**Section 16. CHAPTER 9, BUSINESS AND COMMERCE CODE REQUIREMENTS.** Chapter 1208, *Government Code*, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under Section 9 of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City under Section 9 of this Ordinance is to be subject to the filing requirements of Chapter 9, *Business and Commerce Code*, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City 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 and Commerce Code* and enable a filing to perfect the security interest in said pledge to occur.

**Section 17. SALE OF BONDS.** The Bonds are hereby sold and shall be delivered to the United States of America, (sometimes referred to herein as the "Purchasers"), at a price of par (i.e., \$637,000). It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The initial Bonds shall be registered in the name of the United States of America, and be held by the Texas First State Bank pursuant to an Escrow Agreement, the terms of which are hereby approved.

**Section 18. PROCEEDS OF SALE.** The proceeds of sale of the Bonds, excluding the accrued interest and premium, if any, received from the Purchasers, shall be deposited in a Series 2009 construction fund maintained at an official depository of the City, to be used to pay for the Project, and the costs of issuance of the Bonds. Moneys may be withdrawn from the Construction Fund solely to pay for acquisition and construction of the Project, or to pay costs of issuance for the Bonds. Pending expenditure for authorized projects and purposes, such proceeds of sale may be invested authorized investments in accordance with the Public Funds Investment Act (V.T.C.A., *Government Code*, Chapter 2256), and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Interest and Sinking Fund as shall be determined by the City Council. Accrued interest and premium, if any, received from the Purchasers as well as all surplus proceeds of sale of the Bonds, including investment earnings, remaining after the accomplishment of all authorized projects and purposes shall be deposited to the credit of the Interest and Sinking Fund.

**Section 19. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT.** The Paying Agent/Registrar Agreement submitted to this City Council is hereby approved. The Mayor Pro Tem is hereby authorized to amend, complete or modify such agreement as necessary and is further authorized to execute such agreement and the City Secretary is hereby authorized to attest such agreement.

**Section 20. MAINTENANCE OF SYSTEM - INSURANCE.** While the Bonds remain Outstanding, the City covenants and agrees to maintain and operate the System with all possible efficiency and to maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type

business; and that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Texas.

**Section 21. RATES AND CHARGES.** The City hereby covenants and agrees that rates and charges for water and sewer services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies and other sources of revenues available therefor, that are reasonably expected to provide Gross Revenues each Fiscal Year to pay:

- (a) all Maintenance and Operating Expenses of the System;
- (b) (i) all amounts required to be deposited in the special funds or accounts maintained for the payment of the Bonds, the Series 1983 Revenue Bonds and the Series 1999 Certificates of Obligation, and any Additional Bonds;
- (c) making deposit into the Reserve Fund established for the Bonds; and
- (d) any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

**Section 22. RECORDS AND ACCOUNTS - ANNUAL AUDIT.** The City further covenants and agrees that so long as any of the Bonds remain Outstanding, it will keep and maintain accurate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by other applicable law. The holders of the Bonds or any duly authorized agent or agents of such holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and upon written request, to any subsequent holder of ten percent (10%) or more in principal amount of the Bonds. The annual audit shall be furnished, without cost, to the United States of America within ninety (90) days of the end of each fiscal year, without the need for a request therefor.

**Section 23. REMEDIES IN EVENT OF DEFAULT.** That in addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Interest and Sinking Fund or Reserve Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, the holder of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City (provided, no person shall be individually liable for the obligations of the City hereunder) to observe and perform any covenant, condition or obligation prescribed in this Ordinance, and provided further, that as to any Bonds held by the United States of America, the holder may enforce the remedies in the Loan Resolution applicable to the Bonds.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

**Section 24. SPECIAL COVENANTS.** That the City hereby further covenants as follows:

(a) That it has the lawful power to pledge the Net Revenues of the System supporting this issue of Bonds and has lawfully exercised said powers under the Constitution and laws of the State of Texas, including said power existing under Chapter 1502 of the *Texas Government Code*.

(b) That other than for the payment of the Bonds, the Series 1983 Revenue Bonds, and the Series 1999 Certificates of Obligation, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

(c) That as long as any Bonds remain Outstanding, the City will not sell or lease the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System.

(d) That to the extent that it legally may, the City further covenants and agrees that, while any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks and sanitary sewer systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited.

(e) No free services shall be rendered by the System to any customers, including the City and its various departments, and that water and sewer services used by the City and its various departments shall be paid for at the rates charged other customers.

**Section 25. ISSUANCE OF ADDITIONAL BONDS.** That (in addition to the right to issue junior lien bonds as authorized by the laws of the State of Texas), the City, in order to provide for improvements, extensions, enlargements and repairs to the System, reserves the right to issue Additional Bonds (on a parity with the Bonds, and the Series 1983 Revenue Bonds, and the Series 1999 Certificates of Obligation) payable from the Net Revenues of the System. When issued in compliance with the law and terms and conditions hereinafter appearing, such Additional Bonds shall occupy a position of parity and equal dignity with the Bonds and such Additional Bonds shall be equally secured by a first lien on and pledge of the Net Revenues of the System. The Additional Bonds, which the City reserves the right to issue, may be issued provided that the following conditions shall have been met:

(a) That the laws of the State of Texas in force at such time provide for the issuance of such Additional Bonds.

(b) The City is not in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of any outstanding Bonds, and the INTEREST AND SINKING FUND contains the amount of money then required to be on deposit therein, as certified by the Mayor Pro Tem and City Secretary.

(c) The City has secured from a Certified Public Accountant and provided to Rural Utilities Service (RUS) [so long as the United States of America hold any Bonds] a certificate showing that the anticipated Net Revenues for the completed fiscal year next following the year in which such Additional Bonds are to be issued, is equal to at least 1.20 times the average annual debt service requirements (calculated on a fiscal year basis) of all Bonds (or other indebtedness payable from or secured by a lien against Net Revenues) secured in whole or in part by Net Revenues then outstanding and those Additional Bonds to be issued; provided, this requirement shall not apply to Additional Bonds issued to complete the Project; and provided further, this requirement may be waived or modified by the written consent of the holders of seventy-five percent (75%) of the Bonds then outstanding, determined by outstanding principal amount.

(d) Provision is made in the ordinance authorizing the Bonds or other indebtedness then proposed to be issued for additional payments into the INTEREST AND SINKING FUND sufficient to provide for any increased principal of and interest requirements resulting from the issuance of the Additional Bonds or other indebtedness.

(e) The holders of all Bonds (including the United States of America, if it is a Bondholder) agree to the issuance of such additional parity debt.

So long as The United States of America holds any Bonds, the City will not issue any bonds, notes, or other obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Bonds without the prior written consent of The United States of America, except as otherwise provided by applicable law.

## **Section 26. LOAN PROGRAM REQUIREMENTS AND DOCUMENTS TO CONTROL.**

(a) Definitions. For the purposes of this Section, the following acronyms and terms shall be defined as follows:

(1) RUS: The Rural Utilities Service, an agency of the United States of America within the United States Department of Agriculture, and any successor agency thereof.

(2) FmHA: The Farmers Home Administration, a former agency of the United States of America within the United States Department of Agriculture and its successor agency, the RUS.

(3) Loan: A loan in the amount of \$637,000 from the United States of America to the City, which has been authorized under 7 U.S.C. § 1926, and which is represented by the USA's purchase of the Bonds.

(4) Agency rules: The statutes, rules, regulations and policies of the former FmHA or of the RUS, in effect on the date hereof, which pertain to or which are applicable to the loan and such future statutes, rules, regulations and policies which are not inconsistent with the express provisions hereof.

(5) Loan document provisions: The terms, conditions, requirements and provisions of the loan instruments and loan documents, including but not limited to, loan resolutions, security agreements, assurance agreements, certifications, and equal opportunity agreements, which were signed by the City for the benefit of the United States of America and/or of the RUS, and for the purpose of obtaining the loan.

(b) Compliance with Agency Rules.

(1) To the extent permitted by State law and if such law is not otherwise preempted by federal statute, regulation or rule, the City shall comply with all agency rules and loan document provisions.

(2) Notwithstanding any other term, condition, requirement or provision contained in this Ordinance, the agency rules and loan document provisions shall, to the extent permitted by State law and if such law is not otherwise preempted by federal statute, regulation or rule, control to the extent of any conflict between the Ordinance and such agency rules or such loan document provisions.

(c) Interest Accrual.

Notwithstanding any other term, condition, requirement or provision contained in this Ordinance, interest on a Bond shall continue to accrue and be payable to the United States of America so long as the Bond remains unpaid and outstanding. Interest will not cease to accrue for any reason (including the establishment of a redemption date or prepayment date) until payment in full has been received at the agency office designated to receive payments. For the purpose of determining "the date when payment in full has been received at the agency office designated to receive payments," such date shall be:

1. when payment is made by hand delivery, the date when such payment has been physically delivered into the possession of such agency at the address given to the Issuer;

2. when payment is made by first class mail, the third day following Issuer's mailing of the payment, postage prepaid, using the U.S. Postal Service and Issuer's receipt of written proof of the mailing from the U.S. Postal Service identifying the date of mailing;

3. when payment is made by overnight delivery, the first day following Issuer's sending of the payment, using the U.S. Postal Service or another delivery service, such as Federal Express, and Issuer's receipt of written proof of sending from the delivery service identifying the date of sending;

4. when payment is made by electronic transfer of funds, the date that the electronic transfer of funds for the payment is completed; or

5. when payment is made by preauthorized electronic debit or draft, the date that the electronic debit or draft for the payment is paid.

(d) Redemption or Prepayment.

Notwithstanding any other term, condition, requirement or provision contained in this Ordinance, redemption or prepayment of a Bond may occur without presentation or presentment of the Bond.

(e) Limitation on Application of this Section.

(1) The provisions of this section shall be operative only for so long as any of the Bonds issued under this Ordinance are owned or held by: (1) the United States of America; or (2) any agency thereof.

(2) The provisions of this section shall not be used to or shall not be construed so as to allow the Ordinance to violate any applicable provision of Texas law to the extent that such law is not otherwise preempted by applicable federal statute, regulation or rule.

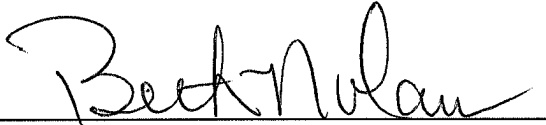
**Section 27. SEVERABILITY.** The provisions of this Ordinance are severable; and in case any one or more of the provisions of this Ordinance or the application thereof to any person or circumstance should be held to be invalid, unconstitutional, or ineffective as to any person or circumstance, the remainder of this Ordinance nevertheless shall be valid, and the application of any such invalid provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

READ, PASSED, ADOPTED, AND EFFECTIVE this 3<sup>rd</sup> day of March, 2009.



\_\_\_\_\_  
Mayor Pro Tem  
City of Riesel, Texas

ATTEST:



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



Exhibit "A"

FORM OF INITIAL BOND

NO. T-1

UNITED STATES OF AMERICA  
STATE OF TEXAS  
MCLENNAN COUNTY

PRINCIPAL  
AMOUNT  
\$637,000

CITY OF RIESEL, TEXAS,  
UTILITY SYSTEM REVENUE BONDS  
SERIES 2009

Dated: March 1, 2009

<u>DELIVERY DATE OF BONDS</u>	<u>PRINCIPAL MATURITY</u>	<u>PAYMENT DATE (March 1)</u>	<u>MATURITY INTEREST RATE*</u>
	\$7,000	2010	
	\$7,000	2011	
	\$7,000	2012	
	\$7,000	2013	
	\$8,000	2014	
	\$8,000	2015	
	\$8,000	2016	
	\$9,000	2017	
	\$9,000	2018	
	\$9,000	2019	
	\$10,000	2020	
	\$10,000	2021	
	\$11,000	2022	
	\$11,000	2023	
	\$11,000	2024	
	\$12,000	2025	
	\$12,000	2026	
	\$13,000	2027	
	\$13,000	2028	
	\$14,000	2029	
	\$15,000	2030	
	\$15,000	2031	
	\$16,000	2032	
	\$16,000	2033	
	\$17,000	2034	
	\$18,000	2035	
	\$19,000	2036	
	\$19,000	2037	
	\$20,000	2038	
	\$21,000	2039	

\* The interest rate shall be the lower of 4.125% per annum, or that rate of interest offered by the United States of America on the date the Bonds (or any maturities thereof), are first delivered.

<u>DELIVERY DATE OF BONDS</u>	<u>PRINCIPAL MATURITY</u>	<u>PAYMENT DATE (March 1)</u>	<u>MATURITY INTEREST RATE*</u>
	\$22,000	2040	
	\$23,000	2041	
	\$24,000	2042	
	\$25,000	2043	
	\$26,000	2044	
	\$27,000	2045	
	\$28,000	2046	
	\$29,000	2047	
	\$30,000	2048	
	\$31,000	2049	

REGISTERED OWNER: THE UNITED STATES OF AMERICA

PRINCIPAL AMOUNT: SIX HUNDRED THIRTY SEVEN THOUSAND AND NO/100 DOLLARS

**ON THE MATURITY DATES** specified above, **CITY OF RIESEL, TEXAS**, in McLennan County, Texas (the "City"), being a municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amounts set forth above, and to pay interest thereon from the date of delivery hereof, on September 1, 2009, and semiannually thereafter on each March 1 and September 1 to the maturity dates specified above, or the date of redemption prior to maturity, at the respective interest rates per annum specified above calculated on the basis of a 365 or 366 day year, as the case may be.

**THE PRINCIPAL OF AND INTEREST ON** this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at Texas First State Bank (the "Paying Agent/Registrar"), at their office for payment in Riesel, Texas (the "Designated Payment/Transfer Office"). The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the ordinance authorizing the issuance of this Bond (the "Bond Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the 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. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

Notwithstanding any other provision hereof, so long as this Bond is held by the United States of America all payments due hereunder shall be made directly by the City to the United States of America at its designated offices, initially in Hillsboro, Texas, and not through the Paying Agent.

In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

Interest shall be payable hereon from the date of delivery and not from the dated date of this Bond (unless the same is the date of delivery). In no event shall the rate of interest hereunder exceed the maximum rate allowed by law.

**ANY ACCRUED INTEREST** due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Bond for redemption and payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, (or directly to the United States of America, in the case of Bonds held by the United States of America), from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

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

**THIS BOND** represents the entire series of Bonds dated March 1, 2009, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$637,000 FOR THE PURPOSE OF WATER SYSTEM IMPROVEMENTS, INCLUDING CONSTRUCTION OF A NEW WATER WELL AND TREATMENT PLANT AND RELATED STORAGE AND TRANSMISSION FACILITIES (THE "PROJECT") AND TO PAY THE COST OF ISSUANCE IN CONNECTION WITH THE BONDS.**

This Bond may be redeemed prior to its scheduled maturities, at the option of the City, with funds derived from any available and lawful source, at par plus accrued

interest to the date fixed for redemption, as a whole or in part, in inverse order of maturity. If less than all of a maturity is to be redeemed, the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

**NO LESS THAN 45** days prior to the date fixed for any such redemption, the City shall send notice by Certified United States mail, first-class postage prepaid to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the mailing of such notice. Said notice shall state the principal amounts of each stated maturity to be redeemed. The failure to send, mail or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Bondholder; provided, however, in the case of notice sent to The United States of America, notice shall be sufficiently given only upon receipt of such notice by the agency holding the Bonds. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations, 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 City, all as provided in the Bond Ordinance.

**ALL BONDS OF THIS SERIES** are issuable solely as fully registered Bonds, without interest coupons, in any denomination chosen by the City. As provided in the Bond Ordinance, this Bond, or any unredeemed portion hereof, may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the

Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the City. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange (i) during the period commencing on the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the unredeemed balance of the Bond.

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

**IT IS HEREBY** certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that this Bond is secured by and payable from the "Net Revenues" (as such term is defined in the Bond Ordinance) of the City's combined Utility system.

The lien and pledge securing this Bond is on a parity with that lien and pledge securing the City's Outstanding Water System Junior Lien Revenue Bonds, Series 1983, and the City's Sewer System Junior Lien Certificates of Obligation, Series 1999.

**THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION.**

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

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

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

\_\_\_\_\_  
Mayor Pro Tem

[CITY SEAL]

**ASSIGNMENT**

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

\_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)

\_\_\_\_\_  
(Please print or typewrite name and address, including zip code, of Transferee)  
\_\_\_\_\_ the within Bond and all rights  
thereunder, and hereby irrevocably constitutes and appoints  
\_\_\_\_\_, attorney, to register the  
transfer of the within Bond on the books kept for registration thereof, with full power of  
substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be  
guaranteed by a member firm of  
the New York Stock Exchange or  
a commercial bank or trust  
company.

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

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

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

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

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

[COMPTROLLER'S SEAL]





**NAMAN HOWELL  
SMITH & LEE**

A REGISTERED LIMITED LIABILITY PARTNERSHIP  
ATTORNEYS AT LAW

900 Washington Ave.  
Suite 700  
P.O. Box 1470  
Waco, Texas 76703  
(254) 755-4100  
Fax (254) 754-6331

November 10, 2009

State Director for Rural Development  
Rural Utilities Service  
101 South Main  
Temple, Texas 76501

Offices in:

- Austin
- Fort Worth
- Harker Heights
- Temple
- Waco

Re: \$637,000 City of Riesel, Texas, Utility System Revenue  
Bonds, Series 2009

[www.namanhowell.com](http://www.namanhowell.com)

Dear Sirs:

We have acted as Bond Counsel for the City of Riesel, Texas (the "City"), in connection with the above captioned issue (the "Bonds").

We have acted as Bond Counsel for the City for the purpose of rendering an opinion with respect to the legality and validity of the Bonds of this Series under the Constitution and laws of the State of Texas, and with respect to the exemption of interest on the Bonds from federal income taxation, and for no other reason or purpose. We do not give any opinion with regard to the financial condition or financial capability of said City.

In our capacity as Bond Counsel, we have examined all materials we deem necessary to issue this opinion.

This opinion is being given as a preliminary opinion for the entire issue, to be delivered on or before the first advance of loan funds by The United States of America to the City. We have issued, or shall issue another opinion in connection with the Bonds as our final opinion regarding the Bonds.

BASED ON SUCH EXAMINATION, it is our opinion that the City has the legal authority to issue the Bonds, to acquire, operate and maintain the facility funded with the Bonds (subject to obtaining such permits or easements as may be required by law, as to which we express no opinion), and to repay the loan made to the City by The United States of America subject only to changes during the advance of funds such as litigation resulting from the failure to advance loan funds, the filing of bankruptcy by the City, and receipt of closing certificates.

Very truly yours,

NAMAN, HOWELL, SMITH & LEE, L.L.P.

BY:

Dan Pleitz



**NAMAN HOWELL  
SMITH & LEE**

A REGISTERED LIMITED LIABILITY PARTNERSHIP  
ATTORNEYS AT LAW

900 Washington Ave.  
Suite 700  
P.O. Box 1470  
Waco, Texas 76703  
(254) 765-4100  
Fax (254) 764-6331

Offices in:

- Austin
- Fort Worth
- Harker Heights
- Temple
- Waco

[www.namanhowell.com](http://www.namanhowell.com)

November 12, 2009

State Director for Rural Development  
Rural Utilities Service  
101 South Main  
Temple, Texas 76501

Re: \$637,000 City of Riesel, Texas, Utility System Revenue  
Bonds, Series 2009

Dear Sirs:

WE HAVE ACTED as bond counsel for the CITY OF RIESEL, TEXAS (the "City"), in connection with the above captioned issue (the "Bonds").

WE HAVE ACTED as bond counsel for the City for the purpose of rendering an opinion with respect to the legality and validity of the Bonds of this Series under the Constitution and laws of the State of Texas, and with respect to the exemption of interest on the Bonds from federal income taxation, and for no other reason or purpose. We do not give any opinion or assume any responsibility with regard to the financial condition or financial capability of said City.

IN OUR CAPACITY as bond counsel, we have examined all materials we deem necessary to issue this opinion.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective. The Bonds have been duly issued in compliance with the laws of the State of Texas constitute valid and legally binding limited obligations of the City;

(2) The City has the legal authority to issue the Bonds, acquire, operate and maintain the City's waterworks and sewer system, and pay the principal and interest due on the Bonds to the holders thereof.

(3) The Bonds, together with any additional Bonds hereafter issued, are payable from and are secured by a lien on the "Net Revenues" received and collected by the City from the operation and ownership of the City's waterworks and sewer "System," as defined and provided in the Ordinance, which Net Revenues are required, in the manner provided in the Ordinance, to be set aside for and pledged to the payment of the Bonds, and any additional parity indebtedness, in the Interest and Sinking Fund established for such purpose pursuant to the Ordinance.

The Bonds are not payable from, or secured by a pledge of City ad valorem taxes.

(4) The City has reserved the right to issue Additional Bonds, subject to the restrictions contained in the Ordinance, secured by a lien on the Net Revenues of the System on a parity with the lien securing the Bonds. The lien on the Net Revenues securing payment of the Bonds is on a parity with the lien on the Net Revenues securing payment of the City's (i) Revenue Bonds, Series 1983, and (ii) Certificates of Obligation, Series 1999.

(5) IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to Section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for tax years beginning after 1989, for purposes of calculating the alternative minimum taxable income for such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit (REMIC), or a real estate investment trust (REIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by the Tax Reform Act of 1986 and the environmental tax imposed by the Superfund Revenue Act of 1986 will be computed for tax years beginning after December 31, 1986.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement Benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Very truly yours,

NAMAN, HOWELL, SMITH & LEE, L.L.P.

BY:   
Dan Pleitz

MADW 4/27/2010



NAMAN HOWELL  
SMITH & LEE<sup>PLLC</sup>  
ATTORNEYS AT LAW

400 Austin Avenue  
Suite 800  
P.O. Box 1470  
Waco, Texas 76703  
(254) 755-4100  
Fax (254) 754-6331

April 2, 2010

**CERTIFIED MAIL NO. 7008 3230 0000 8214 2453**  
**RETURN RECEIPT REQUESTED**

Internal Revenue Service Center  
Ogden, Utah 84201

- Offices in:
- Austin
  - Fort Worth
  - Harker Heights
  - Temple
  - Waco

[www.namanhowell.com](http://www.namanhowell.com)

Re: 8038-G for City of Riesel, Texas Utility  
System Revenue Bonds, Series 2009

Dear Sirs:

Please find enclosed an original and one acknowledgment copy of the signed Form 8038-G in regard to the City of Riesel, Texas Utility System Revenue Bonds, Series 2009.

Please return the file-marked copy to us in the enclosed self-addressed and stamped envelope.

Best regards.

Very truly yours,

NAMAN, HOWELL, SMITH & LEE, PLLC

BY: Dan Pleitz

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only. No Insurance Coverage Provided)  
For delivery information, visit our website at [www.usps.com](http://www.usps.com)

**OFFICIAL USE**

Postage	\$	Postmark Here
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	

Sent To: IRS

Street, Apt. No.,  
or PO Box No.

City, State, ZIP+4

PS Form 3800, August 2006 See Reverse for Instructions

7008 3230 0000 8214 2453

**Information Return for Tax-Exempt Governmental Obligations**

Under Internal Revenue Code section 149(e)  
 See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name City of Riesel, Texas	2 Issuer's employer identification number 74 : 1812099		
3 Number and street (or P.O. box if mail is not delivered to street address) 104 N. Memorial	Room/suite	4 Report number 3 2010-1	
5 City, town, or post office, state, and ZIP code Riesel, Texas 76682		6 Date of issue April 1, 2010	
7 Name of issue City of Riesel, Texas, Utility System Revenue Bonds, Series 2009		8 CUSIP number None	
9 Name and title of officer or legal representative whom the IRS may call for more information Dan Pleitz, Bond Counsel		10 Telephone number of officer or legal representative ( 254 ) 755-4100	

<b>Part II Type of Issue (check applicable box(es) and enter the issue price)</b> See instructions and attach schedule	
11 <input type="checkbox"/> Education	11
12 <input type="checkbox"/> Health and hospital	12
13 <input type="checkbox"/> Transportation	13
14 <input type="checkbox"/> Public safety	14
15 <input type="checkbox"/> Environment (including sewage bonds)	15
16 <input type="checkbox"/> Housing	16
17 <input checked="" type="checkbox"/> Utilities	17 637,000
18 <input type="checkbox"/> Other. Describe	18
19 If obligations are TANs or RANs, check box <input type="checkbox"/> If obligations are BANs, check box <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

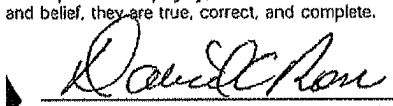
<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>				
(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21 3/1/2049	\$ 637,000	\$ 637,000	24.57 years	4.125 %

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>	
22 Proceeds used for accrued interest	22 0
23 Issue price of entire issue (enter amount from line 21, column (b))	23 637,000
24 Proceeds used for bond issuance costs (including underwriters' discount)	24 0
25 Proceeds used for credit enhancement	25 0
26 Proceeds allocated to reasonably required reserve or replacement fund	26 0
27 Proceeds used to currently refund prior issues	27 0
28 Proceeds used to advance refund prior issues	28 0
29 Total (add lines 24 through 28)	29 0
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30 637,000

<b>Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)</b>	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	N/A years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	N/A years
33 Enter the last date on which the refunded bonds will be called	N/A
34 Enter the date(s) the refunded bonds were issued	

<b>Part VI Miscellaneous</b>	
35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35
36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a
b Enter the final maturity date of the guaranteed investment contract	37a
37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	
b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer and the date of the issue	
38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(iii) (small issuer exception), check box <input checked="" type="checkbox"/>	
39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box <input type="checkbox"/>	
40 If the issuer has identified a hedge, check box <input type="checkbox"/>	

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

**Sign Here**  4/1/2010 David Ross, Mayor  
 Signature of issuer's authorized representative Date Type or print name and title