

**CERTIFICATE FOR ORDINANCE #2013-08**

**STATE OF TEXAS  
CITY OF RIESEL**

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

1. The City Council of the City convened in REGULAR MEETING ON THE 13<sup>TH</sup> DAY OF AUGUST, 2013, at the Riesel City Hall (the "Meeting"), and the roll was called of the duly constituted officers and members of the City Council, to-wit:

Roger Fitzpatrick	Mayor
Phyllis Koester	Mayor Pro Tem
Gerry Suttle	City Councilmember
Jeanne Lehrmann	City Councilmember
Deena Tobias	City Councilmember
Al Bumelis	City Councilmember

and all of the persons were present, except the following absentees: \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF RIESEL,  
TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF  
OBLIGATION, SERIES 2013 IN AN AMOUNT OF \$300,000 AND  
MAKING CERTAIN FINDINGS RELATED THERETO**

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:

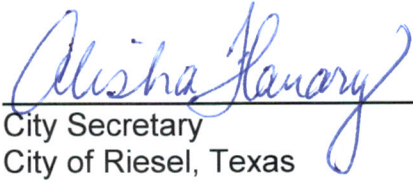
AYES: 5

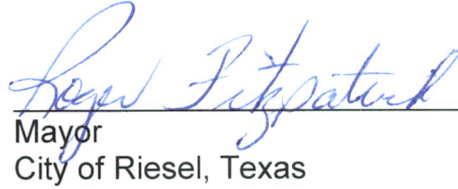
NOES: 0

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 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 of the City has approved and hereby approves the Ordinance; that the Mayor and the City Secretary of the City have duly signed the Ordinance; and that the Mayor 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 as of this 13<sup>th</sup> day of August, 2013.

  
\_\_\_\_\_  
City Secretary  
City of Riesel, Texas

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

(SEAL)



**ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF RIESEL,  
TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF  
OBLIGATION, SERIES 2013 IN AN AMOUNT OF \$300,000 AND  
MAKING CERTAIN FINDINGS RELATED THERETO**

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

WHEREAS, the City Council of the City of Riesel, Texas (the "City"), has authorized the publication of a Notice of Intent to Issue Combination Tax and Revenue Certificates of Obligation to the effect that the City Council would meet on August 13, 2013, to adopt an Ordinance and to take such other actions which may be necessary to authorize the issuance of Combination Tax and Revenue Certificates of Obligation, payable from a pledge of the surplus net revenues derived from the City's Water and Sewer System, and from City ad valorem taxes, for the purpose of evidencing the indebtedness of the City to finance renovation of existing City streets, and renovation or installation of water and sewer lines and related water and sewer system improvements, and the cost of professional services incurred in connection therewith; all being referred to as the "Project".

WHEREAS, notice that such Certificates of Obligation would be approved at the meeting of August 13, 2013, has been published in the manner required by law.

WHEREAS, no petition signed by at least five percent of the qualified voters of the City was filed or presented to the City Secretary protesting the issuance of such Combination Tax and Revenue Certificates of Obligation prior to the adoption of this Ordinance, as provided in Section 271.049 of the *Texas Local Government Code*;

WHEREAS this City has the authority to issue Certificates of Obligation pursuant to Chapter 271 of the *Texas Local Government Code*, and has the authority to pledge revenues derived from the City's water and sewer system to the payment of City obligations, all as presently codified;

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

**Section 1. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATES.**

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 Certificates of Obligation of Riesel, Texas (the "City"), are hereby authorized to be issued and delivered in the aggregate principal amount of \$300,000, for the purpose of providing funds to pay the costs of acquisition and construction of the Project, and to pay costs of issuance of the Certificates.

**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 lien on and pledge of

the Net Revenues of the City's water and sewer System of equal rank and dignity with the lien and pledge securing the payment of the Certificates.

(b) The term "Certificates" means the City of Riesel, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2013 authorized to be issued hereunder, and includes any certificates of obligation issued in exchange or replacement therefor.

The term "Certificates" as used in this Ordinance shall mean and include collectively the Certificates initially issued and delivered pursuant to this Ordinance and all substitute Certificates exchanged therefor, as well as all other substitute Certificates and replacement Certificates issued pursuant hereto, and the term "Certificate" shall mean any of the Certificates.

(c) 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 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.

(d) The term "Maintenance and Operating Expenses" shall mean all current expenses of operating and maintaining the System as allowed by generally accepted accounting principles applicable to the City.

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

(f) The term "Project" shall mean the renovation of existing City streets, and renovation or installation of water and sewer lines and related water and sewer system improvements, and the cost of professional services incurred in connection therewith.

(g) The term "Series 1999 Certificates" means the City's Combination Tax and Revenue Certificates of Obligation, Series 1999.

(h) The term "Series 2009 Bonds" means the City's Utility System Revenue Bonds, Series 2009.

(i) The term "Surplus Net Revenues" means the Net Revenues of the System; provided, such Net Revenues may, at the option of the City, first be used to pay all other obligations of the City, whether now or hereafter issued, payable from Net Revenues.

(j) The term "System" means the entire waterworks and sanitary sewer system of the City, together with all additions thereto.

**Section 3. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF CERTIFICATES, REDEMPTION.** Each Certificate issued pursuant to this Ordinance shall be designated: "**CITY OF RIESEL, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2013**" and initially there shall be issued, sold, and delivered hereunder fully registered certificates, without interest coupons, dated September 1, 2013, in the respective denominations and



principal amounts hereinafter stated, numbered consecutively from R-1 upward (except the initial Certificate 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 16 hereof), or to the registered assignee or assignees of the Certificates or any portion or portions thereof (in each case, the "Registered Owner"), and the Certificates shall mature and be payable July 1, 2028, but be subject to mandatory sinking fund redemption on the dates and in the principal amounts stated as follows:

<u>Maturity</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2014	\$20,000	2.990%
2015	\$15,000	2.990%
2016	\$15,000	2.990%
2017	\$15,000	2.990%
2018	\$20,000	2.990%
2019	\$20,000	2.990%
2020	\$20,000	2.990%
2021	\$20,000	2.990%
2022	\$20,000	2.990%
2023	\$20,000	2.990%
2024	\$20,000	2.990%
2025	\$20,000	2.990%
2026	\$25,000	2.990%
2027	\$25,000	2.990%
2028	\$25,000	2.990%

**ON JULY 1, 2022**, or on any date thereafter, the Certificates may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, at par, together with accrued interest to the date fixed for redemption, and 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 Certificates, or portions thereof, within such maturity to be redeemed (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000).

**Section 4. INTEREST.** The Certificates shall bear interest at the rates of interest set forth in Section 3 above, with interest to accrue from the date of delivery. Interest shall be calculated on the actual number of days elapsed, but on the basis of twelve 30-day months and a 360-day year.

**Section 5. CHARACTERISTICS OF THE CERTIFICATES.**

(a) Registration, Transfer, Conversion and Exchange; Authentication. The City shall keep or cause to be kept at Extraco Banks, N.A., at its office in Waco, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer, conversion and exchange of the Certificates (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 within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of each Certificate to which payments with respect to the Certificates 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 Certificate or Certificates. Registration of assignments, transfers, conversions and exchanges of Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate. Any tax or governmental charges required to be paid with respect to any registration, exchange, or transfer of Certificates shall be paid by the person requesting such transfer.

New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer.

Except as provided in Section 5(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign the Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Certificates and Certificates 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 Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein, and the Certificates 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*, the duty of conversion and exchange of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Certificate, the converted and exchanged Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificates 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 Certificates 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 Certificates, 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 Certificates, and of all conversions and exchanges of Certificates, and all replacements of Certificates, as provided in this Ordinance. The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last day of the preceding month. 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.

(c) In General. The Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates to be payable only to the Registered Owners thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the City at least 50 days prior to any such redemption date or otherwise as set forth in Section 3 hereof), (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Certificates, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Certificates 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 Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificates initially issued and delivered pursuant to this Ordinance (i.e., Certificate No. T-1) are not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in conversion of and exchange for any Certificate or Certificates 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 CERTIFICATE. The Mayor and City Secretary are authorized to sign the Certificates and to affix the City seal thereto.

(d) Substitute Paying Agent/Registrar. The City covenants with the Registered Owners of the Certificates that at all times while the Certificates are outstanding the City will provide a competent and legally qualified commercial bank, trust company, or other agency duly qualified and legally authorized to act as and perform the services of Paying Agent/Registrar for the Certificates under this Ordinance, and that the Paying Agent/Registrar will be one entity. 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 Certificates, 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 Certificates, 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 CERTIFICATES.** The form of the Certificates, 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 Certificates 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.

**FORM OF CERTIFICATE**

NO. R-	<b>UNITED STATES OF AMERICA STATE OF TEXAS</b>	<b>PRINCIPAL AMOUNT</b> \$ _____
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**CITY OF RIESEL, TEXAS,  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION  
SERIES 2013**

<u>DATE OF</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>
<u>CERTIFICATES</u>	_____ % per annum	July 1, 2028
September 1, 2013		

REGISTERED OWNER:

PRINCIPAL AMOUNT: THREE HUNDRED THOUSAND AND NO/100 DOLLARS

**ON THE MATURITY DATE** specified above, or the date of redemption prior to maturity **THE CITY OF RIESEL, TEXAS**, (the "City"), being a municipal corporation and a political subdivision 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, together with accrued interest thereon from the date of delivery hereof, with interest to be payable on each July 1 and January 1, to maturity, commencing January 1, 2014. Interest shall be calculated on



the actual number of days elapsed, but on the basis of twelve 30-day months and a 360-day year.

**THE PRINCIPAL OF AND INTEREST ON** this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the Registered Owner hereof upon presentation and surrender of this Certificate at maturity or upon the date fixed for its redemption prior to maturity, at Extraco Banks, N.A. (the "Paying Agent/Registrar"), at their office for payment in Waco, Texas (the "Designated Payment/Transfer Office").

**THE CITY COVENANTS** with the Registered Owner of this Certificate that on or before each principal and interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance authorizing this Certificate, the amounts required to provide for the payment, in immediately available funds, of all principal and interest on the Certificates, when due.

**IF THE DATE** for the payment of the principal and/or interest on this Certificate 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 Ordinance to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**THIS CERTIFICATE** is one of a series of Certificates dated September 1, 2013, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$300,000 FOR THE PURPOSE OF EVIDENCING THE INDEBTEDNESS OF THE CITY TO FINANCE RENOVATION OF EXISTING CITY STREETS, AND RENOVATION OR INSTALLATION OF WATER AND SEWER LINES AND RELATED WATER AND SEWER SYSTEM IMPROVEMENTS, AND THE COST OF PROFESSIONAL SERVICES INCURRED IN CONNECTION THEREWITH, ALL BEING REFERRED TO AS THE "PROJECT"**.

**THE CERTIFICATES OF THIS SERIES** maturing on July 1, 2025 are subject to mandatory redemption prior to maturity in part at random, by lot or other customary random selection method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, and without premium, with funds on deposit in the Interest and Sinking Fund. Such Certificates shall be redeemed by the Paying Agent/Registrar on July 1 in each of the years and in the principal amounts, respectively, as are set forth in the following schedule:

<u>Maturity</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
2014	\$20,000
2015	\$15,000
2016	\$15,000
2017	\$15,000
2018	\$20,000



<u>Maturity</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
2019	\$20,000
2020	\$20,000
2021	\$20,000
2022	\$20,000
2023	\$20,000
2024	\$20,000
2025	\$20,000
2026	\$25,000
2027	\$25,000
2028	\$25,000

The principal amount of the Certificates required to be redeemed pursuant to the operation of such mandatory sinking fund redemption shall be reduced by the principal amount of any Certificates which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the Issuer and delivered to the Paying Agent/Registrar for cancellation or (ii) redeemed pursuant to the optional redemption provision described below and not theretofore credited against a mandatory sinking fund requirement.

**ON JULY 1, 2022**, or on any date thereafter, the Certificates may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, at par, together with accrued interest to the date fixed for redemption, and 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 Certificates, or portions thereof, within such maturity to be redeemed (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000).

**NO LESS THAN 30** days prior to the date fixed for any such redemption, the City shall cause the Paying Agent/Registrar to send notice by United States mail, first-class postage prepaid to the Registered Owner of each Certificate 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; any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Notice having been so given, the Certificates called for redemption shall become due and payable on the specified redemption date. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Certificates 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 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 Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, in any denomination or denominations in any integral multiple of \$5,000, at the written request



of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Bond Ordinance.

**ALL CERTIFICATES OF THIS SERIES** are issuable solely as fully registered Certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Certificate, 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 Certificates, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate 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 Certificate 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 Certificate 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 payment date or (ii) with respect to any Certificate 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 Certificate.

**IN THE EVENT** any Paying Agent/Registrar for the Certificates 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 Certificates.

**IT IS HEREBY** certified, recited, and covenanted that this Certificate has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate have been performed, existed, and been done in accordance with law; that this Certificate is a general obligation of the

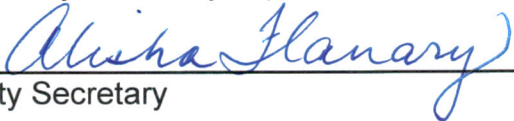



City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the Surplus Net Revenues derived from the City's water and sewer system.

**THE CITY** has reserved the right to issue additional obligations payable and secured by Net Revenues of the City's water and sewer system, either on a parity with, subordinate to, or having a priority lien over, the pledge of such Net Revenues securing the Certificates. **AS TO THE PLEDGE OF SUCH NET REVENUES, THE PLEDGE SECURING THIS CERTIFICATE IS SUBORDINATE TO THE PLEDGE(S) SECURING THE CITY'S COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1999, AND THE CITY'S UTILITY SYSTEM REVENUE BONDS, SERIES 2009.**

**BY BECOMING** the Registered Owner of this Certificate, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the 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 Certificate and the Ordinance constitute a contract between each Registered Owner hereof and the City.

**IN WITNESS WHEREOF**, the City has caused this Certificate to be signed with the manual or facsimile signature of the Mayor 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 Certificate.

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

  
\_\_\_\_\_  
Mayor

[CITY SEAL]

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

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

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

It is hereby certified that this Certificate has been issued under the provisions of the Bond Ordinance described in the text of this Certificate; and that this Certificate has been issued in conversion or replacement of, or in exchange for, a Certificate, Certificates, or a portion of a Certificate or Certificates 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 Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Certificate 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 Certificate in every particular, without alteration or enlargement or any change whatsoever.

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

**Section 7. INTEREST AND SINKING FUND, AND PLEDGE OF TAXES AND REVENUES.**

(a) In order to secure and provide a source of payment for the Certificates, the City hereby pledges and grants to the Owners of all Certificates an irrevocable lien on (i) ad valorem taxes collected by the City within the limitations imposed by law ("Pledged Taxes"), and (ii) all Surplus Net Revenues derived from the City's water and sewer system (i.e., the "System").

The City hereby covenants and agrees that all Pledged Taxes, and such Surplus Net Revenues, shall be deposited and paid into the special funds hereinafter established, and shall be applied in the manner hereinafter set forth, in order to provide for the payment of the principal and interest on the Certificates and all expenses of paying same. The Certificates shall constitute obligations of the City that shall be payable from and shall be equally and ratably secured by an irrevocable lien on the Pledged Taxes and Surplus Net Revenues, which Pledged Taxes and Surplus Net



Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Certificates in the Interest and Sinking Fund as hereinafter provided, and the Certificates shall be in all respects on a parity with and of equal dignity with one another.

(b) Chapter 1208, *Government Code* applies to the issuance of the Certificates and the pledge of the Surplus Net Revenues and Pledged Taxes granted by the City hereunder, and such pledge, therefore, is valid, effective, and perfected. If Texas law is amended at any time while the Certificates are Outstanding and unpaid such that the pledge of Surplus Net Revenues and Pledged Taxes granted by the City hereunder is to be subject to the filing requirements of Chapter 9, *Texas Business and Commerce Code*, then in order to preserve to the Registered Owner the perfection of the security interest in such 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 such pledge to occur.

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

(d) The Certificates are additionally secured by a pledge of the Surplus Net Revenues of the System. If such Surplus Net Revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any fiscal year, then the amount of taxes which otherwise would have been required to be levied pursuant to Section 7(c) may be reduced to the extent and by the amount of the Surplus Net Revenues then on deposit in the Interest and Sinking Fund or budgeted for deposit therein. In no event shall this paragraph, or any other section of this Ordinance, diminish the unconditional obligation of the City to deposit into



the Interest and Sinking Fund the amount necessary to pay the principal and interest on the Certificates, in full and as the same become due.

Each month during each fiscal year of the City, for so long as any Certificates remain outstanding, the City shall transfer into the Interest and Sinking Fund from Net Revenues of the System, or from ad valorem taxes collected by the City, one twelfth (1/12<sup>th</sup>) of such amounts as will be sufficient to pay (a) the interest scheduled to become due on the Certificates on the immediately next two following semiannual interest payment dates, and (b) the greater of (i) two percent (2%) of the original principal amount of the Certificates or (ii) the principal scheduled to become due on the Certificates on the immediately next following annual principal payment date. The City shall not transfer any funds from System Net Revenues to any fund other than the Interest and Sinking Fund (except to pay those obligations set forth in Section 8 clauses "first" through "fourth" below), until such time as an amount equal to the total annual debt service on the Certificates for the then current fiscal year has been deposited into the Interest and Sinking Fund.

(e) The City Manager and the Chief Financial Officer of the City are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay principal and interest on the Certificates.

(f) Subject to Section 10 hereof, money in the Interest and Sinking Fund and the Construction Fund may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of the United States of America or any of its agencies or in any other obligations permitted by law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Any obligation in which money is so invested shall be kept and held by the official depository bank of the City at which the Fund is maintained from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Certificates.

(g) For each year the Certificates are outstanding, and prior to the time taxes are to be levied for such year, the City shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus Net Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates.

**Section 8. SYSTEM FUND.** The City hereby covenants and agrees that, while the Certificates 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 Waterworks and Sewer 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 any other debt incurred by the City either previously or hereafter and secured by a lien on the Net Revenues of the System superior to the lien securing the Certificates, presently including the City's Combination Tax and Revenue Certificates of Obligation, Series 1999, and the City's Utility System Revenue Bonds, Series 2009.

Third: To the payment of principal and interest in the Certificates as the same become due.

Reference is made to Section 11 below as to additional indebtedness, which may, at the option of the City, be issued on parity with, superior to, or subordinate to, the pledge securing the Certificates.

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 any such indebtedness, or for improvements to the System.

**Section 9. EXCESS PROCEEDS.** Any proceeds of the Certificates not spent on the Project shall be transferred to the Interest and Sinking Fund.

**Section 10. SECURITY OF FUNDS.** All moneys on deposit in the Funds for which this Ordinance makes provision shall be secured in the manner and to the fullest extent required by the laws of Texas (including the Public Funds Investment Act, Chapter 2256 of the *Texas Government Code*; and the Public Funds Collateral Act, Chapter 2257 of the *Texas Government Code*) for the security of public funds and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

**Section 11. ISSUANCE OF ADDITIONAL BONDS OR OTHER OBLIGATIONS.** The City hereby expressly reserves the right to hereafter issue additional obligations secured and payable superior to, on a parity with, or inferior to, the lien and pledge securing the Certificates insofar as the lien on and pledge of the Net Revenues of the System is concerned.

**Section 12. [deleted]**

**Section 13. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES.**

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



(b) Application for Replacement Certificates. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate, the Registered Owner applying for a replacement Certificate 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 Certificate, 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 Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

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

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

(e) Authority for Issuing Replacement Certificates. In accordance with Section 1201.061(a)(2), *Texas Government Code*, as amended and presently codified, this Section 13 of this Ordinance shall constitute authority for the issuance of any such replacement Certificate 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 Certificates is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates in the form and manner and with the effect, as provided in Section 5(a) of this Ordinance for Certificates issued in conversion and exchange for other Certificates.

**Section 14. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES; BOND COUNSEL'S OPINION; CUSIP NUMBERS.** The City Manager of the City is hereby authorized to have control of the Certificates initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates 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 Certificates, 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 Certificates 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 Certificates. In addition, if bond insurance or other credit enhancement is obtained, the Certificates may bear an appropriate legend.

**Section 15. COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.**

(a) Definitions. When used in this Section 15, the following terms have the following meanings:

"Closing Date" means the date on which the Certificates are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the



acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in section 61 of the Code, of the holder thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

(c) No Private Activity Bond. The proceeds of the Certificates, and the facilities financed with the proceeds of the Certificates (being the Project), will not be used in a manner that would cause the Certificates to be private activity bonds/obligations. In particular, except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last stated maturity of the Certificates:

(1) exclusively own, operate and possess all property (i.e., the Project) acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property (including the Project) the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City, charges made to members of the general public, or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) the output or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.



(e) Not to Invest at Higher Yield. The City shall comply with the provisions of Section 148 of the Code, including the requirements thereof regarding rebate, and take no action that would cause the Certificates to be arbitrage obligations. In particular, except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Certificates.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate. The City agrees and covenants that it will maintain complete records regarding the investments of the proceeds of sale of the Certificates and rebate any "arbitrage profits" to the United States as required by Section 148(f) of the Code.

(i) Elections. The City hereby directs and authorizes the Mayor and City Secretary, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate Certificate, form or document.

(j) Qualified Tax Exempt Obligations. The City hereby elects to treat the Certificates as "qualified tax exempt obligations" under Section 265(b)(3)(B) of the Code. The city does not reasonably anticipate that it, and any subordinate entities created by the City will issue, and the City and such other entities will not issue, more than \$10,000,000 in tax exempt obligations during calendar year 2013.

The City intends by these covenants to assure that it will take no action which would cause the interest on the Certificates to be includable in gross income for federal income tax purposes.

It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional



requirements which are applicable to the Certificates, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

**Section 16. SALE OF CERTIFICATES.** The Certificates are hereby sold and shall be delivered to Extraco Banks, N.A. (sometimes referred to herein as the "Purchasers"), at the price of par. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The initial Certificates shall be registered in the name of Extraco Banks, N.A.

**Section 17. PROCEEDS OF SALE.** After payment of costs of issuance, the remaining proceeds of sale of the Certificates shall be deposited into the Construction Fund hereby established by the City with Texas First State Bank. Funds from the Construction Fund shall be used solely to pay for acquisition and construction of the Project. 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. Any amounts on deposit in excess of the amounts insured by the Federal Deposit Insurance Corporation shall be collateralized as provided in the Public Funds Collateral Act, V.T.C.A., *Government Code*, Chapter 2257. All surplus proceeds of sale of the Certificates, including investment earnings, remaining after the accomplishment of all authorized projects and purposes shall promptly be deposited to the credit of the Interest and Sinking Fund.

**Section 18. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT.** The Paying Agent/Registrar Agreement submitted to this City Council is hereby approved. The Mayor 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 19. BOOK-ENTRY ONLY SYSTEM. [deleted]**

**Section 20. RECORDS AND ACCOUNTS - ANNUAL AUDIT.** The City further covenants and agrees that so long as any of the Certificates remain Outstanding, it will keep and maintain accurate and complete records and accounts pertaining to the operations of the City in which complete and correct entries shall be made of all transactions relating thereto, as provided by Section 1502.068, *Texas Government Code*, or other applicable law. The holders of the Certificates or any duly authorized agent or agents of such holders shall have the right to inspect the Project 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 Purchaser within one hundred twenty (120) days of the end of each fiscal year of the City.

**Section 21. CONTINUING DISCLOSURE UNDERTAKING.** Insofar as the Certificates are being sold directly (and not through an underwriter to the Purchaser, Rule 15c2-12 of the Securities and Exchange Commission does not apply.

**Section 22. 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.

**Section 23. [deleted]**

**Section 24. AMENDMENTS.** The City may amend this Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or change the rate of interest thereon, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition, or waiver.

**Section 25. FURTHER ASSURANCES.** The Mayor, City Secretary and other City officials are hereby authorized to execute and deliver such further agreements and documents as are necessary to carry out the intents and purposes of this Ordinance.

**Section 26. ORDINANCE TO CONSTITUTE A CONTRACT.** This Ordinance, including Exhibit A, hereto shall constitute a contract between the City and the holders of the Certificates.

**Section 27. INSURANCE.** While the Certificates remains outstanding, the City agrees to acquire and maintain casualty insurance, liability insurance and other kinds of insurance customarily and commonly carried by entities similarly situated and owning and operating similar properties with insurance companies licensed to do business and in good standing with the Texas Department of Insurance and the State of Texas and in such amounts to afford adequate protection to the City against the insured risk, loss or damage and will enable the City to provide for the continued operation of the System.

**Section 28. [deleted]**



**Section 29. EVENTS OF DEFAULT.** The following shall constitute an Event of Default hereunder:

(a) The failure by the City to make payment of principal of or interest on the Certificates as the same become due.

(b) Default by the City in the observance or performance of any of the other covenants, conditions or obligations of the City hereunder, the failure to perform which materially adversely affects the rights of the Registered Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City.

Upon and following any event of default, any Registered Owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring that the City comply with its obligations under this Ordinance. The rights of the Registered Owners hereunder do not include the right to compel acceleration of the maturity of the Certificates but only to require payment of the Certificates as the same are then due as of the date of such mandamus.



Exhibit "A"

NO. T-1

UNITED STATES OF AMERICA  
STATE OF TEXAS

PRINCIPAL  
AMOUNT  
\$300,000

CITY OF RIESEL, TEXAS,  
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION  
SERIES 2013

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
July 1, 2028	\$300,000	2.990% per annum

REGISTERED OWNER: EXTRACO BANKS, N.A.

PRINCIPAL AMOUNT: THREE HUNDRED THOUSAND AND NO/100 DOLLARS

**ON THE MATURITY DATE** specified above, or on the date of redemption prior to maturity, **THE CITY OF RIESEL, TEXAS**, (the "City"), being a municipal corporation and political subdivision 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, together with accrued interest from the date of delivery hereof, with interest to be payable on each July 1 and January 1, to maturity, commencing January 1, 2014. Interest shall be calculated on the actual number of days elapsed, but on the basis of twelve 30-day months and a 360-day year.

**THE PRINCIPAL AND INTEREST ON** this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate shall be paid to the Registered Owner hereof upon presentation and surrender of this Certificate at maturity or upon the date fixed for its redemption prior to maturity, at Extraco Banks, N.A. (the "Paying Agent/Registrar"), at their office for payment in Waco, Texas (the "Designated Payment/Transfer Office").

**THE CITY COVENANTS** with the Registered Owner of this Certificate that on or before each principal and interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Ordinance authorizing this Certificate, the amounts required to provide for the payment, in immediately available funds, of all principal and interest on the Certificates, when due.

**IF THE DATE** for the payment of the principal and/or interest on this Certificate 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 Ordinance to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

**THIS CERTIFICATE** is one of a series of Certificates dated September 1, 2013, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of **\$300,000 FOR THE PURPOSE OF EVIDENCING THE INDEBTEDNESS OF THE CITY TO FINANCE RENOVATION OF EXISTING CITY STREETS, AND RENOVATION OR INSTALLATION OF WATER AND SEWER LINES AND RELATED WATER AND SEWER SYSTEM IMPROVEMENTS, AND THE COST OF PROFESSIONAL SERVICES INCURRED IN CONNECTION THEREWITH, ALL BEING REFERRED TO AS THE "PROJECT"**.

**THE CERTIFICATES OF THIS SERIES** maturing on July 1, 2028 are subject to mandatory redemption prior to maturity in part at random, by lot or other customary random selection method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, and without premium, with funds on deposit in the Interest and Sinking Fund. Such Certificates shall be redeemed by the Paying Agent/Registrar on July 1 in each of the years and in the principal amounts, respectively, as are set forth in the following schedule:

<u>Maturity</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
2014	\$20,000
2015	\$15,000
2016	\$15,000
2017	\$15,000
2018	\$20,000
2019	\$20,000
2020	\$20,000
2021	\$20,000
2022	\$20,000
2023	\$20,000
2024	\$20,000
2025	\$20,000
2026	\$25,000
2027	\$25,000
2028	\$25,000

The principal amount of the Certificates required to be redeemed pursuant to the operation of such mandatory sinking fund redemption shall be reduced by the principal amount of any Certificates which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the Issuer and delivered to the Paying Agent/Registrar for cancellation or (ii) redeemed pursuant to the optional redemption provision described below and not theretofore credited against a mandatory sinking fund requirement.

**ON JULY 1, 2022**, or on any date thereafter, the Certificates may be redeemed prior to their scheduled maturities, at the option of the City, with funds derived from any available and lawful source, at par, together with accrued interest to the date fixed for redemption, and 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 Certificates, or portions thereof, within such maturity to be redeemed (provided that a portion of a Certificate may be redeemed only in an integral multiple of \$5,000).

**NO LESS THAN** 30 days prior to the date fixed for any such redemption, the City shall cause the Paying Agent/Registrar to send notice by United States mail, first-class postage prepaid to the Registered Owner of each Certificate 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; any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. Notice having been so given, the Certificates called for redemption shall become due and payable on the specified redemption date. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Certificates 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 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 Certificate shall be redeemed a substitute Certificate or Certificates having the same maturity date, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Bond Ordinance.

**ALL CERTIFICATES OF THIS SERIES** are issuable solely as fully registered Certificates, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Ordinance, this Certificate, 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 Certificates, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Certificate 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 Certificate 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 Certificate 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 payment date or (ii) with respect to any Certificate 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 Certificate.

**IN THE EVENT** any Paying Agent/Registrar for the Certificates 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 Certificates.

**IT IS HEREBY** certified, recited, and covenanted that this Certificate has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Certificate have been performed, existed, and been done in accordance with law; that this Certificate is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest and principal come due, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the Surplus Net Revenues derived from the City's water and sewer system.

**THE CITY** has reserved the right to issue additional obligations payable and secured by Net Revenues of the City's water and sewer system, either on a parity with, subordinate to, or having a priority lien over, the pledge of such Net Revenues securing the Certificates. **AS TO THE PLEDGE OF SUCH NET REVENUES, THE PLEDGE SECURING THIS CERTIFICATE IS SUBORDINATE TO THE PLEDGE(S) SECURING THE CITY'S COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 1999, AND THE CITY'S UTILITY SYSTEM REVENUE BONDS, SERIES 2009.**

**BY BECOMING** the Registered Owner of this Certificate, 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 Certificate and the Bond Ordinance constitute a contract between each Registered Owner hereof and the City.



**IN WITNESS WHEREOF**, the City has caused this Certificate to be signed with the manual or facsimile signature of the Mayor 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 Certificate.

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

\_\_\_\_\_  
Mayor

[CITY SEAL]



**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 Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Certificate 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 Certificate in every particular, without alteration or enlargement or any change whatsoever.

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

I hereby certify that this Certificate has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Certificate 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]