

AN ORDINANCE Authorizing the issuance of "CITY OF CUMBY, TEXAS, CERTIFICATES OF OBLIGATION, SERIES 2012" in the aggregate principal amount of \$695,000; levying a continuing direct annual ad valorem tax on all taxable property within the City and a pledge of the net revenues of the City's water and wastewater systems; providing the terms and conditions of such certificates and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said certificates, including the approval and execution of a Paying Agent/Registrar Agreement; and providing an effective date.

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AN ORDINANCE Authorizing the issuance of "CITY OF CUMBY, TEXAS, CERTIFICATES OF OBLIGATION, SERIES 2012" in the aggregate principal amount of \$695,000; levying a continuing direct annual ad valorem tax on all taxable property within the City and a pledge of the net revenues of the City's water and wastewater systems; providing the terms and conditions of such certificates and resolving other matters incident and relating to the issuance, payment, security, sale and delivery of said certificates, including the approval and execution of a Paying Agent/Registrar Agreement; and providing an effective date.

WHEREAS, pursuant to an application filed with the Texas Water Development Board (the "TWDB"), the City has received a loan commitment from the TWDB for financial assistance in the amount of \$695,000 to finance the costs of replacing and relocating certain water and wastewater utility lines, and such financial assistance is to be evidenced by the TWDB's purchase of certificates of obligation payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and a pledge of the Net System Revenues (as defined in Section 2.01 hereof) of the City's combined water and wastewater utility system; and

WHEREAS, notice of intention to issue such certificates of obligation (stating the time and place the Council proposed to authorize the issuance of such certificates, the maximum amount proposed to be issued, the purpose thereof and the manner in which the Council proposed to provide for the payment of such certificates) has been published in *Sulphur Springs News Telegram*, a newspaper hereby found to be of general circulation in the City of Cumby, Texas, on _____ 2012 and _____, 2012, the date of the first publication being at least thirty (30) days prior to the tentative date stated in said notice for the passage of the ordinance authorizing the certificates; and

WHEREAS, no petition protesting the issuance of the certificates of obligation described in the aforesaid notice and bearing valid petition signatures of 5% or more of the qualified electors of the City, has been presented to or filed with the City Secretary on or prior to the date of the passage of this ordinance; and

WHEREAS, pursuant to authority conferred by the Constitution and laws of the State of Texas, particularly V.T.C.A., Local Government Code, Subchapter C of Chapter 271, as amended, the City Council hereby finds and determines the certificates of obligation described in such notice should be authorized for issuance and delivery to the TWDB at this time in the amount and manner hereinafter provided; now, therefore,

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

ARTICLE ONE
FINDINGS AND DETERMINATIONS

Section 1.01. Findings and Determinations. It is hereby officially found and determined that:

- (a) The Recitals listed above are true and correct;
- (b) The City of Cumby, Texas, is a duly incorporated general law city, having less than 5000 inhabitants, operating and existing under the Constitution of the State of Texas and the laws of the State of Texas pertaining to general law cities, and has adopted the powers of a Type A city in compliance with the Texas Local Government Code;
- (c) The City currently has outstanding its CITY OF CUMBY, TEXAS, UTILITY SYSTEM BONDS, SERIES 1977, with a final maturity of January 1, 2017, and the pledge of net revenues in support of those bonds is superior to the revenue pledge made in support of the certificates of obligation hereinafter authorized.
- (d) The certificates of obligation (“Obligations”) hereinafter authorized are to be issued and delivered pursuant to the Certificate of Obligation Act of 1971, Texas Local Government Code, Sec. 271.041 et. seq. and the Texas Public Securities Procedures Act, Section 1201.001 et. seq., Texas Government Code.
- (e) The TWDB has agreed to purchase the Obligations as provided in its Resolution dated July 19, 2012, regarding the matter; and
- (f) The Obligations will be used by the City for the purpose of paying contractual obligations to be incurred for (1) the costs of replacing and relocating City water and wastewater lines located in the FM 275 (Frisco Street) right-of-way, together with associated engineering costs, (hereinafter “the Project”), and (2) the costs of issuance of the certificates including attorneys and financial advisors in connection with the issuance of the certificates.

ARTICLE TWO
DEFINITIONS AND INTERPRETATIONS

Section 2.01. Definitions. In this Ordinance the following terms shall have the following meanings, unless the context clearly indicates otherwise:

"Additional Obligations and/or Bonds" shall mean the additional bonds permitted to be issued by the City pursuant to this Ordinance.

"Obligation" or "Obligations" or "Series 2012 Obligations" shall mean the CITY OF CUMBY TEXAS CERTIFICATES OF OBLIGATION, SERIES 2012, authorized and issued pursuant to this Ordinance.

"City" shall mean the City of Cumby, Texas, of Hopkins County, Texas, and, where appropriate, the City Council thereof and any successor to the City as owner of the System.

"Delivery Date" shall mean the date of delivery of the Initial Obligation to, and payment therefor by the TWDB.

"Escrow Agreement" shall mean that certain Escrow Agreement between the City and the BOKF, N.A., dba Bank of Texas approved by resolution of the City Council of even date with this Ordinance.

"Exchange Obligations" shall mean the Obligations registered, authenticated and delivered by the Registrar, as provided in Section 3.10 of this Ordinance.

"Fiscal Year" shall mean the twelve-month period ending on the last day of September of such fiscal year.

"Initial Obligation" shall mean the Obligation authorized, issued, and initially delivered as provided in Sections 3.01-3.05, 4.02, and 4.07 of this Ordinance.

"Interest Payment Date", when used in connection with any Obligation, shall mean January 1 and July 1 of each year, commencing the later of January 1, 2013, or the next Interest Payment Date after delivery of an Initial Obligation until maturity.

"Issue Date" shall mean October 1, 2012.

"Maintenance and Operation Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the customers thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Obligations), and all payments under contracts now or hereafter defined as operating expenses by the Texas Legislature. Depreciation shall never be considered as a Maintenance and Operation Expense.

"Net System Revenues" shall mean all revenues of the City water and wastewater System, including interest earning thereon, less Maintenance and Operation Expenses of the System, and less the debt service requirements for the City's Outstanding CITY OF CUMBY, TEXAS, UTILITY SYSTEM BONDS, SERIES 1977.

“Outstanding Bonds” shall mean the outstanding balance of the City’s CITY OF CUMBY, TEXAS, UTILITY SYSTEM BONDS, SERIES 1977.

"Owner" or "Registered Owner", when used with respect to any Obligation, shall mean the person or entity in whose name such Obligation is registered in the Register. Any reference to a particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Obligations then outstanding under this Ordinance, exclusive of Obligations held by the City.

"Paying Agent" shall mean the Registrar.

"Pledged Revenues" shall mean the Net System Revenues, and any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which, at the option of the City, hereafter may be pledged to the payment of the Obligations or the Additional Bonds.

"Record Date" shall mean the close of business on the 15th business day of the month preceding a month in which an Interest Payment Date occurs.

"Redemption Date" shall mean the date fixed for redemption of any Obligation pursuant to the terms of this Ordinance.

"Register" shall mean the registry system maintained on behalf of the City by the Registrar in which are listed the names and addresses of, and the principal amounts registered to, each Owner.

"Registrar" shall mean BOKF, N.A., dba Bank of Texas and its successors in that capacity.

"Replacement Obligations" shall mean the Obligations authorized by the City to be issued in substitution for mutilated, lost, apparently destroyed or wrongfully taken Obligations as provided in Section 3.12 of this Ordinance.

"Ordinance" shall mean this Ordinance and all amendments hereof and supplements hereto.

"System" shall mean all properties, facilities, improvements, equipment, interests and rights constituting the waterworks system and wastewater treatment system of the City, including all future extensions, replacements, betterment, additions and improvements to the water and sewer Systems.

"TWDB" shall mean the Texas Water Development Board, the state agency primarily responsible for water planning and for administering water financing for the State, and any successor to the TWDB as purchaser of the Obligations.

Section 2.02. Interpretations. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Obligations.

ARTICLE THREE TERMS OF THE OBLIGATIONS

Section 3.01. Authorization and Authorized Amount. The Obligations shall be issued in fully registered form, without coupons, in the total authorized aggregate amount of \$695,000 for the purpose of funding (1) the costs of replacing and relocating City water and wastewater lines located in the FM 275 (Frisco Street) right-of-way, together with associated engineering costs, and (2) the costs of issuance including attorneys and financial advisors fees incurred in connection with the issuance of the obligations.

Section 3.02. Designation, Date and Interest. The Obligations shall be designated as "CITY OF CUMBY, TEXAS, CERTIFICATES OF OBLIGATION, SERIES 2012" and shall be dated October 1, 2012 (the "Issue Date"). The Obligations shall bear interest from the later of the date of delivery of the Initial Obligation to, and payment therefor by, the initial purchaser (the "Delivery Date"), or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, interest payable semiannually on January 1 and July 1 of each year, commencing on the later of January 1, 2013, or the next Interest Payment Date after delivery of the Obligations.

Section 3.03. Numbers, Denomination, Interest Rates and Maturities. The Initial Obligation shall be numbered I-1, and shall be one Obligation for the entire issue of \$695,000. The Definitive Obligations shall be issued bearing the numbers R-1 and upward, in the principal amounts and bearing interest at the rates set forth in the schedule in Section 4.07 of this Ordinance. The Obligations may be transferred and exchanged as set out in this Ordinance. The Obligations shall mature on January 1 in each of the years and in the amounts set out in such schedule, subject to prior redemption in accordance with the provisions of this Ordinance. Obligations delivered on transfer of or in exchange for other Obligations shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Obligation or Obligations in lieu of which they are delivered.

Section 3.04. Execution of Obligations; Seal. The Obligations shall be signed on behalf of the City by the Mayor or Mayor Pro Tem and countersigned by the City Secretary, by their manual, lithographed or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Obligations shall have the same effect as if each of the Obligations had been signed manually and in person by each of said officers, and such facsimile seal on the Obligations shall have the same effect as if the official seal of the City had been

manually impressed upon each of the Obligations. If any officer of the City whose manual or facsimile signature shall appear on the Obligations shall cease to be such officer before the authentication of such Obligations or before the delivery of such Obligations, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 3.05. Authentication. The Initial Obligation shall bear thereon a certificate of registration of the Comptroller of Public Accounts of the State of Texas, substantially in the form provided in Section 4.07 of this Ordinance, manually executed by the Comptroller (or a duly authorized deputy). All other Obligations shall bear a certificate of authentication, substantially in the form provided in Section 4.03 of this Ordinance, manually executed by an authorized representative of the Registrar. No Obligation shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose unless either the registration certificate of the Comptroller or the certificate of authentication of the Registrar has been signed by a duly authorized officer thereof.

Section 3.06. Appointment of Registrar; Payment of Principal and Interest. The Registrar is hereby appointed as the registrar and paying agent for the Obligations. The principal of the Obligations shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Registrar. The interest on each Obligation shall be payable by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register. Any accrued interest payable at maturity or prior redemption shall be paid upon presentation and surrender of the Obligation to which such interest appertains. It is specifically provided, however, that so long as the TWDB is the owner of the Obligations, the principal of and interest on the Obligations shall be paid by the Registrar, if requested by the TWDB, by wire transfer of funds to said TWDB on the date of payment at no cost to the TWDB.

If the date for the payment of principal or interest shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the 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 by law to close, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

Section 3.07. Special Record Date. If interest on any Obligation is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date

shall be sent by United States mail, first class, postage prepaid, not later than five days prior to the Special Record Date, to each affected Registered Owner as of the close of business on the day prior to the mailing of such notice, at no cost to the TWDB.

Section 3.08. Successor Registrars. The City covenants that at all times while any Obligations are outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Registrar for the Obligations. The City reserves the right to change the Registrar for the Obligations on not less than sixty (60) days written notice to the Registrar, so long as any such notice is effective not less than sixty (60) days prior to the next succeeding principal or interest payment date on the Obligations. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or a copy thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this section.

Section 3.09. Owners. The City, the Registrar and any other person may treat the person in whose name any Obligation is registered as the absolute owner of such Obligation for the purpose of making and receiving payment of the principal thereof and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Obligation is overdue, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Obligation in accordance with this section shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Obligation to the extent of the sums paid.

Section 3.10. Registration, Transfer and Exchange. So long as any Obligations remain outstanding, the Registrar shall keep at its principal corporate trust office the Register, in which, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Obligations in accordance with the terms of this Ordinance.

Each Obligation shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Obligation for transfer, the Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours after such presentation, a new Obligation or Obligations, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Obligation or Obligations so presented.

All Obligations shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Registrar for a Obligation or Obligations of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Obligation or Obligations presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver Exchange Obligations in accordance with the

provisions of this section. Each Obligation delivered in accordance with this section shall be entitled to the benefits and security of this Ordinance to the same extent as the Obligation or Obligations in lieu of which such Obligation is delivered.

The City or the Registrar may require the Owner of any Obligation to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Obligation. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the City.

Section 3.11. Cancellation of Obligations. All Obligations paid in accordance with this Ordinance, and all Obligations in lieu of which Exchange Obligations or Replacement Obligations are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment, exchange or replacement. The Registrar shall furnish the City with appropriate certificates of destruction of such Obligations.

Section 3.12. Mutilated, Lost or Stolen Obligations. Upon the presentation and surrender to the Registrar of a mutilated Obligation, the Registrar shall authenticate and deliver in exchange therefor a Replacement Obligation of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The City or the Registrar may require the Owner of such Obligation to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar.

If any Obligation is lost, apparently destroyed or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Obligation has been acquired by a bona fide purchaser, shall execute, and the Registrar shall authenticate and deliver, a Replacement Obligation of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

- (a) furnished to the City and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Obligation;
- (b) furnished such security or indemnity as may be required by the Registrar and the City to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the City and the Registrar.

If, after the delivery of such Replacement Obligation, a bona fide purchaser of the original Obligation in lieu of which such Replacement Obligation was issued presents for payment such original Obligation, the City and the Registrar shall be entitled to recover such Replacement Obligation from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor

to the extent of any loss, damage, cost or expense incurred by the City or the Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Obligation has become or is about to become due and payable, the City in its discretion may, instead of issuing a Replacement Obligation, authorize the Registrar to pay such Obligation.

Each Replacement Obligation delivered in accordance with this section shall be entitled to the benefits and security of this Ordinance to the same extent as the Obligation or Obligations in lieu of which such Replacement Obligation is delivered.

Section 3.13. Book-Entry Only System.

(a) The Definitive Obligations shall be initially issued in the form of a separate single fully registered Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Obligations shall be registered in the name of Cede & Co., as nominee for DTC, and except as provided herein, all of the outstanding Obligations shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Obligations registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Obligations, except as provided in this Ordinance. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Obligations, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Obligations, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Obligations. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Obligation is registered in the Register as the absolute Owner of such Obligation for the purpose of payment of principal of, premium, if any, and interest on the Obligations, for the purpose of giving notice of redemption and other matters with respect to such Obligation, for the purpose of registering transfer with respect to such Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Obligations only to or upon the order of the respective Owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Obligations to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee on place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the registered Owner at the closed

of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

Section 3.14. Successor Securities Depository, Transfer Outside Book-Entry Only System.

Subject to prior written approval of the TWDB, in the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter by and between the City, the Paying Agent/Registrar and DTC (the "Representation Letter"), and that it is in the best interest of the Owners of the Obligations that they be able to obtain certificated Obligations, or in the event DTC discontinues the services describe herein, the City or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934k, as amended; notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Obligations to such successor securities depository; or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Obligations and transfer one or more separate Obligations to DTC Participants having Obligations credited to their DTC accounts, as identified by DTC. In such event, the Obligations shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Obligations shall designate, in accordance with the provisions of this Ordinance.

Section 3.15. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Obligations are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Obligations, and all notices with respect to such Obligations, shall be made and given, respectively, in the manner provided in the Representation Letter. For all Bonds owned by TWDB, principal and interest payments shall be made by wire transfer at no cost to TWDB.

Section 3.16. Redemption of Obligations. The City reserves the right, at its option, to redeem in inverse order of stated maturity the Obligations maturing on or after January 1, 2024, prior to their scheduled maturities, in whole or, from time to time, in part, on July 1, 2023, or any date thereafter, at par plus accrued interest to the Redemption Date.

Section 3.17. Redemption Procedure. The City shall, at least forty-five (45) days prior to the Redemption Date, notify the Registrar of such date and of the principal amount of Obligations of each maturity to be redeemed. If less than all of the Obligations of the same maturity are to be redeemed, the particular Obligations to be redeemed from within such maturity shall be selected by the City by such method as the City deems fair and appropriate; provided, however, that in the event that a Obligation subject to redemption is in a denomination larger than \$5,000, a portion of such Obligation may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. For purposes of this Ordinance, unless the context otherwise requires, all provisions relating

to the redemption of Obligations shall relate, in the case of any Obligation redeemed or to be redeemed only in part, to the portion of the principal of such Obligation which has been or is to be redeemed. Upon surrender of any Obligation for redemption in part, the Registrar, in accordance with Section 3.10 of this Ordinance, shall authenticate, register, and deliver an Exchange Obligation in an aggregate principal amount equal to the unredeemed portion of the surrendered Obligation. When Obligations have been called for redemption, in whole or in part, as provided above and due provision has been made to redeem same, such Obligations, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Registered Owners to collect interest on such Obligations or portions thereof which would otherwise accrue after the Redemption Date shall be terminated.

Section 3.18. Notice of Redemption. Notice of redemption shall be given by the Registrar at least thirty (30) days prior to the Redemption Date by sending such notice by registered or certified mail to the Registered Owner of each Obligation to be redeemed in whole or in part at the address shown on the Register. Such notice shall state the Redemption Date, the principal amount of the Obligations to be redeemed and, if less than all of the then outstanding Obligations are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Obligations to be redeemed, the amount of accrued interest payable on the Redemption Date, and the place at which the Obligations are to be surrendered for payment. Any notice mailed and published as provided in this section shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the Redemption Date, due provision shall be made with the Registrar for the payment of the principal amount of the Obligations to be redeemed, plus accrued interest thereon to the Redemption Date.

The Registrar shall accompany each payment of the redemption price of any Obligation with the CUSIP number for such Obligation. The Registrar shall make payment of the redemption price of any Obligations by wire transfer of Federal Reserve funds to any Registered Owner of the Obligations requesting such payment and providing the necessary information.

ARTICLE FOUR
FORM OF OBLIGATIONS AND CERTIFICATES

Section 4.01. Form of Obligations. The Obligations shall be in substantially the following form, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Ordinance:

NUMBER		AMOUNT
R- 1	UNITED STATES OF AMERICA	\$ _____
REGISTERED	STATE OF TEXAS	REGISTERED
	CITY OF CUMBY, TEXAS	
	CERTIFICATE OF OBLIGATION	

SERIES 2012

INTEREST RATE: _____% MATURITY DATE: January 1, 2012 ISSUE DATE: October 1, 2012 DELIVERY DATE: October ____, 2012 CUSIP# _____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

The CITY OF CUMBY, TEXAS, (the City) for value received, promises to pay as hereinafter provided, to the Registered Owner identified above or registered assigns, on the date specified above the principal amount identified above (or so much thereof as shall not have been paid upon prior redemption), upon presentation and surrender of this Obligation at the principal corporate trust office of BOKF, N.A., dba Bank of Texas, (the "Registrar"), in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, from Net System Revenues and ad valorem tax revenues as provided in the Ordinance hereinafter described, and interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the delivery date identified above or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this Obligation is payable by check payable on January 1 and July 1 of each year, commencing the later of January 1, 2013, or the next interest payment date after the delivery date identified above, and thereafter until maturity or prior redemption, mailed to the registered owner of record as of the close of business on the 15th business day of the month preceding the month in which an Interest Payment Date occurs as shown on the books of registration kept by the Registrar.

This Obligation is not valid or obligatory for any purpose unless either the registration certificate of the Comptroller of Public Accounts of the State of Texas or the authentication certificate of the Registrar, one or the other of which must be printed hereon, has been signed by a duly authorized officer thereof.

THIS OBLIGATION IS ONE OF A DULY AUTHORIZED SERIES OF OBLIGATIONS aggregating \$695,000, issued pursuant to a Ordinance adopted by the City Council of the City (herein the "Ordinance") for the purpose of providing funds to pay (the costs of replacing and relocating City water and wastewater lines located in the FM 275 (Frisco Street) right-of-way, together with associated engineering costs, and (2) the costs of issuance including attorneys and financial advisors fees incurred in connection with the issuance of the certificates.

THIS OBLIGATION AND THE SERIES OF WHICH IT IS A PART are special Obligations of the City that are payable from City ad valorem taxes and Net System Revenues from the operation and ownership of the City's water and wastewater systems as defined and provided in the Ordinance. This Obligation is transferable only upon presentation and surrender at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed

by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance.

The Obligations are exchangeable at the principal corporate trust office of the Registrar for Obligations in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

Neither the City nor the Registrar shall be required to transfer or exchange any Obligation during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Obligation selected for redemption in whole or in part within forty-five (45) calendar days of the redemption date.

Prior to presentation of this Obligation for transfer or exchange, the City and the Registrar will deem the registered owner hereof as the absolute owner of this Obligation, whether or not this Obligation shall be overdue and notwithstanding any notation of ownership or other writing hereon, for the purpose of receiving payment hereof and interest due hereon, and for all other purposes, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary.

In the event of a non-payment 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 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 fifteen (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 registered owner as it appears on the registration books at the close of business on the last business day next preceding the date of mailing of such notice.

The City reserves the right, at its option, to redeem in inverse order of their stated maturities the Obligations of this issue maturing on or after January 1, 2024, in whole or, from time to time, in part, prior to their scheduled maturities, on January 1, 2023, or on any date thereafter, at par plus accrued interest to the date fixed for redemption. In the event that a Obligation subject to redemption is in a denomination larger than \$5,000, a portion of such Obligation may be redeemed, but only in a principal amount equal to \$5,000, or any integral multiple thereof.

Notice of the exercise of the reserved right of redemption will be given by mailing same, by registered or certified mail, to the registered owners of the Obligations to be redeemed, in whole or in part, at least thirty (30) days prior to the date fixed for redemption. By the date fixed for redemption, due provision will be made with the Registrar for payment of the principal amount of the Obligations called for redemption, plus accrued interest thereon to the redemption date. When Obligations have been called for redemption, in whole or in part, and due provision has been made to redeem same, such Obligations, or the portions thereof so called for redemption, shall no longer be regarded as outstanding, except for the purpose of receiving payment from the funds provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date of the Obligations or portions thereof called for redemption will be terminated.

THE CITY HAS RESERVED THE RIGHT to issue Additional Bonds and/or Obligations subject to the restrictions contained in the Ordinance.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, for a complete description of the terms, covenants, and provisions pursuant to which this Obligation and said series of Obligations are secured and made payable and the respective rights thereunder of the registered owners of the Obligations and of the City and the Registrar. By acceptance of this Obligation, the owner hereof expressly assents to all of the provisions of the Ordinance.

IT IS HEREBY DECLARED AND REPRESENTED that this Obligation has been duly and validly issued, that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the issuance and delivery of this Obligation have been performed, existed and been done in accordance with law; that the Obligations do not exceed any statutory limitation; and that provision has been made for the payment of principal of and interest on this Obligation and all of the Obligations.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed, printed or lithographed hereon and has caused this Obligation to be executed by the manual or facsimile signatures of the Mayor and City Secretary.

CITY OF CUMBY, TEXAS

_____, Mayor

ATTEST

_____, City Secretary

(CITY SEAL)

Section 4.02. Registration of Initial Obligation by State Comptroller and Registration Certificate. The Initial Obligation shall be registered by the Comptroller of Public Accounts of the State of Texas as provided by law and a registration certificate of the Comptroller of Public Accounts of the State of Texas shall be printed on the Initial Obligation as provided below in Section 4.07 of this Ordinance.

Section 4.03. Delivery Date and Form of Authentication Certificate. The following form of authentication certificate shall be printed on the face of each of the Obligations other than the Initial Obligation:

AUTHENTICATION CERTIFICATE

This Obligation is a replacement for the Obligation originally approved by the Attorney General of the State of Texas, registered by the Comptroller of Public Accounts of the State of Texas, and described in and issued pursuant to the within-mentioned Ordinance, and the predecessor of this Obligations was first delivered to its original purchaser the Texas Water Development Board on _____, 20____.

BOKF, N.A., dba Bank of Texas

By _____
Authorized Signature Date of Authentication

Section 4.04. Form of Assignment. A form of assignment shall be printed on each of the Obligations and shall be in substantially the following form:

ASSIGNMENT FOR VALUE RECEIVED

The undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee: _____ (Social Security or other identifying number: _____) the within Obligation and rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Obligation on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____
Signature Guaranteed by: _____

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Obligation in every particular and must be guaranteed by an officer of a federal or state bank or a member of the Financial Industry Regulatory Authority.

Section 4.05. Legal Opinion and CUSIP Numbers. The approving opinion of Bill Corsbie, P.C., Austin, Texas, and CUSIP numbers may be printed on the Obligations, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Obligations.

Section 4.06. Obligation Numbering. The Initial Obligation shall be numbered "I-1" and the Definitive Obligations shall be numbered "R-1" upward.

Section 4.07: Initial Obligation Insertions.

- (i)The Initial Obligation shall be in the form set forth in Section 4.01 of this Article, except that:
 - A. immediately under the name of the Obligation the headings "Interest Rate" and "Maturity Date" shall both be completed with the expression "as shown below;"
 - B. in the first paragraph:

1.the words "on the date specified above the principal amount identified above(or so much thereof as shall not have been paid upon prior redemption)" shall be deleted and the following will be inserted: "on the 1st day of January in each of the years, the sum of \$695,000 Dollars in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

YEAR	PRINCIPAL INSTALLMENT	INTEREST RATE
2013	20,000	_____ %
2014	20,000	_____ %
2015	20,000	_____ %
2016	25,000	_____ %
2017	25,000	_____ %
2018	25,000	_____ %
2019	25,000	_____ %
2020	25,000	_____ %
2021	30,000	_____ %
2022	30,000	_____ %
2023	30,000	_____ %
2024	30,000	_____ %
2025	35,000	_____ %
2026	35,000	_____ %
2027	35,000	_____ %
2028	35,000	_____ %
2029	40,000	_____ %
2030	40,000	_____ %
2031	40,000	_____ %
2032	40,000	_____ %
2033	45,000	_____ %
2034	45,000	_____ %

C. the Initial Obligation shall be numbered I-1.

(ii)The following Registration Certificate of the Comptroller of Public Accounts shall appear on the Initial Obligation:

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER	X	
OF PUBLIC ACCOUNTS	X	REGISTER NO. _____
THE STATE OF TEXAS	X	

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Obligation has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of the CITY OF CUMBY, TEXAS, and said Obligation has this day been registered by me.

WITNESS my signature and seal of office this ___ day of _____, 2012.

Comptroller of Public Accounts of the State of Texas

[seal]

ARTICLE FIVE
SECURITY FOR AND SOURCE OF PAYMENT FOR ALL OBLIGATIONS

Section 5.01. 2012 Certificates of Obligation 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 Obligations, there shall be and is hereby created a special account or fund on the books and records of the City known as the "SERIES 2012 CERTIFICATES OF OBLIGATION INTEREST AND SINKING FUND" (the "2012 Obligation Fund"), and all moneys deposited to the credit of such Fund shall be kept and maintained in a special banking account at a depository of the City. The Mayor, Mayor Pro Tem, City Manager, Director of Finance and City Secretary of the City, individually or jointly, are hereby authorized and directed to make withdrawals from said Fund sufficient to pay the principal of and interest on the Obligations as the same become due and payable, and, shall cause to be transferred to the Paying Agent/Registrar from moneys on deposit in the 2012 Obligation Fund an amount sufficient to pay the amount of principal and/or interest falling due on the Obligations, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the last business day next preceding each interest and principal payment date for the Obligations. Pending the transfer of funds to the Paying Agent/Registrar, money in the Obligation Fund may, at the option of the City, be invested in accordance with the provisions of the "Public Funds Investment Act" (V.T.C.A., Government Code, Chapter 2256, as amended) 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 Obligation Fund shall be credited to, and any losses debited to, the said Obligation Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Obligations.

Section 5.02: Tax Levy.

(a) To provide for the payment of the "Debt Service Requirements" on the Obligations being (i) the interest on said Obligations and (ii) a sinking fund for their redemption at maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied a sufficient

tax on each one hundred dollars' valuation of taxable property in said City, adequate to pay such Debt Service Requirements while the Obligations are outstanding, full allowance being made for delinquencies and costs of collection; and said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the 2012 Obligation Fund. The City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the said Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

(b) Notwithstanding the provisions of paragraph (a) above:

(1) if Net System Revenues hereinafter pledged to the payment of the Obligations or any other legally available funds are actually on deposit in the 2012 Obligation Fund in advance of the time ad valorem taxes are scheduled to be levied for any year, then the amount of taxes otherwise required to be levied for such year pursuant to (a) above may be reduced to the extent and by the amount of the funds then on deposit in the 2012 Obligation Fund; or

(2) if the City's annual budget provides for the Net System Revenues to pay the Debt Service Requirements of the Obligations to become due and payable during the budget year thereby reducing the amount of ad valorem taxes to be levied in such year for the Obligations, then:

(i) The City shall transfer and deposit in the 2012 Obligation Fund each month an amount of not less than 1/12th of the annual Debt Service Requirements on the Obligations until the amount accumulated and maintained in the 2012 Obligation Fund equals the amount required for the full payment of the Debt Service Requirements on the Obligations then outstanding; and provided further, save and except for required payments to the special funds maintained for the payment of the Outstanding Bonds, and any Additional Bonds, if issued, the City shall not transfer any Net Revenues from the System Fund to any fund of the City other than the 2012 Obligation Fund until such time as an amount equal to the annual Debt Service Requirements for the Obligations for the then current fiscal year has been deposited in the 2012 Obligation Fund;

(ii) Each year while the Obligations are outstanding, and prior to the time of the annual ad valorem tax rate is established and levied by the City, the City shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Net System Revenues and/or ad valorem 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 2012 Obligation Fund for the payment of the Obligations; and

(iii) The City shall at all times maintain and collect sufficient rates and charges for water and wastewater services in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the System that produce Net Revenues in an amount not less than **1.10** times the debt service payments for all outstanding water or sewer system revenue bonds of the City and other obligations of the City which are secured in whole or in part by a pledge of the revenues of the System for which the City is budgeting the repayment of such obligations from the revenues of the System, or the City shall provide documentation which evidences the levy of an ad

valorem tax rate dedicated to the payment of the Obligations, in conjunction with any other legally available funds other than revenues of the System, sufficient for the repayment of System debt service requirements.

Section 5.03: Pledge of Net System Revenues. The City hereby covenants and agrees that, subject to the prior lien on and pledge of the Net System Revenues to the payment and security of the Outstanding Bonds, the Net System Revenues, with the exception of those in excess of the amounts required to be deposited to the 2012 Obligation Fund, are hereby irrevocably pledged, equally and ratably, to the payment of the principal of and interest on the Obligations, and the pledge of Net System Revenues herein made for the payment of the Obligations shall constitute a lien on the Net System Revenues in accordance with the terms and provisions hereof and be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended ("Chapter1208").

Chapter 1208 applies to the issuance of the Obligations and the pledge of the Net System Revenues granted by the City, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Obligations are outstanding such that the pledge of the Net System Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, as amended, then in order to preserve to the registered owners of the Obligations 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, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 5.04: System Fund. The City covenants and agrees that revenues derived from the operation of the System shall be accounted for separate and apart from all other funds, accounts and moneys of the City, and all such revenues shall be deposited as collected into a fund maintained at an official depository of the City and known on the books of the City as the "System Fund"(hereinafter called the "System Fund"), which Fund shall be maintained during the period of time the Obligations are outstanding. All moneys deposited to the credit of 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 all amounts required to be deposited in the special Funds created and established for the payment, security and benefit of the Outstanding Bonds and the Obligations in accordance with the terms and provisions of the ordinances authorizing the issuance of the Outstanding Bonds and the Obligations.

Third: 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 any other City purpose now or hereafter permitted by law.

Section 5.05: Deposits to 2012 Obligation Fund. The City hereby covenants and agrees to cause to be deposited to the credit of the 2012 Obligation Fund prior to each principal and interest payment date for the Obligations from the pledged Net System Revenues in the System Fund, after the deduction of all payments required to be made to the special Funds or accounts created for the payment and security of the Outstanding Bonds, an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest and principal payments then due and payable on the Obligations, such deposits to pay accrued interest and maturing principal on the Obligations to be made in substantially equal monthly installments on or before the 1st day of each month beginning on or before the 1st day of the month following the date of delivery of the Obligations to the initial purchaser. The monthly deposits to the 2012 Obligation 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 Obligations to maturity. Ad valorem taxes levied, collected and deposited in the 2012 Obligation Fund for and on behalf of the Obligations may be taken into consideration and reduce the amount of the monthly deposits otherwise required to be deposited in the 2012 Obligation Fund from the Net System Revenues. In addition, any proceeds of sale of the Obligations in excess of the amount required to pay the contractual obligations to be incurred (including change orders to a construction contract) shall be deposited in the 2012 Obligation Fund, which amount shall reduce the sums otherwise required to be deposited in said Fund from ad valorem taxes and the Net System Revenues.

Section 5.06: Security of Funds. 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 in the manner and to the fullest extent required by the laws of Texas for the security of public funds in accordance with the provisions of the Public Funds Collateral Act, Chapter 2257, Government Code, as amended, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 5.07: Special Covenants. The City hereby further covenants as follows:

- (a) It has the lawful power to pledge the Net System Revenues to the payment of the Obligations in the manner herein contemplated and has lawfully exercised such power under the Constitution and laws of the State of Texas, including said power existing under V.T.C.A., Government Code, Sections 1502.056 and 1502.058 and V.T.C.A., Local Government Code, Sections 271.041, et seq.
- (b) Other than for the payment of the Outstanding Bonds and the Obligations, the Net System Revenues have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

Section 5.08: Creation of SERIES 2012 CONSTRUCTION FUND. The Issuer hereby establishes the "SERIES 2012 CONSTRUCTION FUND," to be established and maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer. The

proceeds of sale of the Obligations, as received, after making provision for the payment of the expenses incident to the issuance of the Obligations, including fiscal, legal and engineering fees and expenses, shall be deposited into the SERIES 2012 CONSTRUCTION FUND (subject to being released from escrow as described in Section 5.09 below) and shall be used solely for the purpose of replacing and relocating City water and wastewater lines located in the FM 275 (Frisco Street) right-of-way.

Section 5.09: Creation of CITY OF CUMBY, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2012, Texas Water Development Board L1000009 Escrow Account. The Issuer hereby establishes the "CITY OF CUMBY, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2012, Texas Water Development Board L1000009 Escrow Account," as provided for in the Escrow Agreement between the Issuer and BOKF, NA dba Bank of Texas, dated September 25, 2011, and said Account shall be established and maintained on the books of the Issuer, and accounted for separate and apart from all other funds of the Issuer. The Escrow Agreement shall be in form and substance submitted and approved by the TWDB Executive Administrator prior to adoption. All funds required by TWDB to be placed in escrow shall be placed in said Account pursuant to said Escrow Agreement. Funds shall not be released from the escrow without prior written approval from the TWDB Executive Administrator who shall issue written authorization for the release of the funds. Upon request of the TWDB Executive Administrator, escrow account statements shall be provided to the Executive Administrator. Funds in the Escrow Account shall be handled in a manner that complies with the Public Funds Investment Act, Texas Government Code, Chapter 2256, and the escrow account shall be adequately collateralized in a manner sufficient to protect the TWDB's interest in the project in a manner that complies with the Public Funds Collateral Act; Texas Government Code, Chapter 2257.

ARTICLE SIX ADDITIONAL OBLIGATIONS AND/OR BONDS

Section 6.01. Additional Obligations and/or Bonds. The City reserves the right to issue one or more series of Additional Obligations and/or Bonds for any lawful purpose and payable from any legal source, subject to any terms, conditions or restrictions applicable thereto under law or otherwise as the City Council may deem appropriate and without impairment to the rights of the holders of the Obligations.

ARTICLE SEVEN COVENANTS AND PROVISIONS RELATING TO ALL OBLIGATIONS

Section 7.01. Punctual Payment of Obligations. The City will punctually pay or cause to be paid the interest on and principal of all Obligations according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and

provisions contained in this Ordinance and in any resolution authorizing the issuance of such Obligations.

Section 7.02. Maintenance of System. So long as any Obligations remain outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or order of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

Section 7.03. Sale or Encumbrance of System. So long as any Obligations remain outstanding, the City will not sell, dispose of or, except as permitted in Article Six, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, City, municipal City or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 7.04. Insurance. The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. The cost of all such insurance together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the System or to redeem Obligations.

Section 7.05. Accounts, Records and Audits. So long as any Obligations remain outstanding, the City covenants and agrees that it will maintain a proper and complete system of record and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net System Revenues thereof. The City shall after the close of each of its fiscal years cause an audit report of such records and accounts to be prepared as required by law. The audit shall be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared, the City shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas, the major municipal rating agencies and any holders of Obligations, if any of such entities or holders request same, and to the MSRB through the EMMA as provided in Article X of this Ordinance. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 7.06. Competition. To the extent it legally may, the City will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

Section 7.07. Registered Owners' Remedies.

(a)General. This Ordinance shall constitute a contract between the City and the Owners of the Obligations from time to time outstanding and this Ordinance shall be and remain irrevocable until the Obligations and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal or interest on any of the Obligations or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of at least fifty-one percent (51%) in aggregate principal amount of the Obligations then outstanding may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Obligations may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues thereof into the special funds herein provided, and the application of such Gross Revenues in the manner required in this Ordinance.

(b)Events of Default. Any one or more of the following events shall constitute and hereinafter shall be called an "Event of Default":

(1)the failure by the City to make due and punctual payment of principal of, redemption premium, if any, and interest on the Obligations on any date such payment is due to be made to any Owner, whether payment is required at maturity or by call for redemption or otherwise.

(2)the City's default in the observance or performance of any other of its covenants, conditions, or obligations in the Obligations, the Ordinance, and the City's failure to remedy such default within sixty (60) days after written notice to do so has been received by the City from the Registrar or the Owners of the Obligations.

Section 7.08. Discharge by Deposit. The City may discharge its obligation to the Owners of any or all of the Obligations to pay principal, interest and redemption premium (if any) thereon by depositing with any paying agent for such Obligations or with the State Treasurer of the State of Texas either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of such Obligations plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or direct obligations of, or obligations the principal and interest of which are guaranteed by, or secured by a pledge of direct obligations of, the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Obligations plus interest thereon to the date of maturity or redemption; provided, however, that if any of such Obligations are to be redeemed prior to their respective dates of maturity, provision shall have been

made for giving notice of redemption as provided in the resolution authorizing such Obligations. Upon such deposit, such Obligations shall no longer be regarded to be outstanding or unpaid. For all Bonds owned by TWDB, principal and interest payments shall be made by wire transfer at no cost to TWDB.

Section 7.09. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 7.10. Registrar May Own Obligations. The Registrar for the Obligations, in their individual or any other capacity, may become holders or pledges of the Obligations with the same rights they would have if they were not the Registrar.

Section 7.11. No Recourse Against City Officials or Customers. No recourse shall be had for the payment of principal of or interest on any Obligations or for any claim based thereon or on this Ordinance against any customer, director or officer of the City or any person executing any Obligations, except for fraud.

Section 7.12. Special Covenants. The City further covenants and agrees that:

(a) Encumbrance and Sale.

(1) Other than with respect to the Obligations and except as provided in this Ordinance, the Net System Revenues have not in any manner been pledged to the payment of any debt or obligation of the City, or otherwise; and while any of the Obligations are outstanding, the City will not, except with respect to the Obligations and except as provided in this Ordinance, additionally encumber the Net System Revenues unless such encumbrance is made junior and subordinate in all respects to the Obligations and all liens, pledges and covenants made in connection therewith.

(2) So long as the Obligations are outstanding, the City shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

(b) Title. The City lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, that it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Obligations against the claims and demands of all persons whomsoever, that is lawfully qualified to pledge the Net System Revenues to the payment of the Obligations, in the manner prescribed herein, and has lawfully exercised such rights.

(c)Liens. The City will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(d)Performance. The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance, and the Registrar and any owner of the Obligations may require the City, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Ordinance by use and filing of mandamus proceedings, in any court or competent jurisdiction, against the City, its officials, agents, and employees.

(e)Legal Authority. The City is duly authorized under the laws of the State of Texas to issue the Obligations; that all action on its part for the creation and issuance of the Obligations has been duly and effectively taken, and that the Obligations in the hands of the owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(f)Permits. The City will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

Section 7.13:Covenants Regarding Tax Exemption.

a) Definitions. When used in this Section, the following terms have the following meanings:
"*Closing Date*" means the date on which the Obligations are first authenticated and delivered to the initial purchaser 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-I.© of the Regulations, of the Obligations.

"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 Obligations are invested and which is not acquired to carry out the governmental purposes of the Obligations.

"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 I03 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Obligations. 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 (I) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Obligations 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 interest on (1) any Certificate issued hereunder or (2) any series of bonds or obligations issued or incurred by the Board or the Texas Water Resources Finance Authority to become includable in the gross income, as defined in section 61 of the Code, of the owner 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 Use or Private Payments. 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 Obligations:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Obligations, 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 Obligations or any property 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 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 Obligations 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) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contractor 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.

No portion of the proceeds of the TWD loan to the Issuer as evidenced by the Obligations will be used, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan ("*Source Series Bonds*"), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the TWDB) until such proceeds are needed for the facilities to be financed;
- b. amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the IRS Regulations; and
- c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Loan, 125% of average annual debt service on the Loan, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Loan.

(e) Not to Invest at Higher Yield. 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 Obligations 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 Obligations. The Issuer will not take any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes

(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 Obligations 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 warrants and represents that it satisfies the requirements of paragraph (2) and (3) of section 148(t) of the Code (Small Issuer exception to Rebate to the United States) with respect to the Obligations without making the payments for the United States described in such section. Specifically, the City warrants and represents that:

(1) the City is a governmental unit with general taxing powers;

(2) at least 95% of the net proceeds of the Obligations will be used for the local governmental activities of the City;

(3) the aggregate face amount of all tax exempt obligations issued or expected to be issued by the City (and all subordinate entities thereof) in the calendar year in which the Obligations are issued is not reasonably expected to exceed \$5,000,000, and

(4) Furthermore, the Issuer shall restrict the use of the proceeds of the TWDB Loan evidenced by the Obligations (or amounts within the control of the Issuer that are treated as funds from the Obligations) or to pay rebate to the United States in order to satisfy the requirements of §148 of the Internal Revenue Code of 1986 (relating to arbitrage).

The Issuer shall:

a. account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Issuer may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the Issuer, provided that the Issuer separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

b. calculate the Rebate Amount with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in §148(f) of the Code, §1.148-3 of the Regulations, and the rulings thereunder. The Issuer shall maintain a copy of such calculations for at least six years after the final Computation Date;

c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;

d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations.

(i) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tern, City Manager, Director of Finance and City Secretary, either or any combination of them, 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 Obligations, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(j) Qualified Tax Exempt Obligations. In accordance with the provisions of paragraph (3) of subsection (b) of Section 265 of the Code, the City hereby designates the Obligations to be "qualified tax exempt obligations" in that the Obligations are not "private activity bonds" as defined in the Code and the reasonably anticipated amount of "qualified tax exempt obligations" to be issued by the City (including all subordinate entities of the City) for the calendar year 2012 will not exceed \$10,000,000.

ARTICLE EIGHT TEXAS WATER DEVELOPMENT BOARD COMPLIANCE PROVISIONS

Section 8.01. Surplus Funds. Any excess available funds after payment of the costs of the construction and acquisition of the System and payment of the costs of issuance from the proceeds of the Obligations shall be used, to the extent thereof, for the following purposes as approved by the TWDB Executive Administrator: (1) to redeem, in inverse annual order, the City's obligations owned by the TWDB; (2) to deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the City obligations owned by the TWDB; or (3) to pay eligible project costs as authorized by the Executive Administrator.

Section 8.02. Annual Audit. So long as any Obligations are held by the TWDB, the City shall provide to the TWDB's Executive Administrator a copy of the City's annual audit within 120 days of the most recent fiscal year end.

Section 8.03. Insurance. The City covenants that the project to be financed by the Obligations will be kept continually insured against the perils and to the extent that such insurance is customarily carried by cities operating similar facilities in similar locations; provided, however, that the City shall not be required to maintain such insurance so long as builders risk insurance covering such facilities during the period of construction is in effect.

Section 8.04. As Built Plans and Specifications. The City covenants that "as built" plans shall be provided to the TWDB.

Section 8.05. Miscellaneous. In addition, to the fullest extent allowed by law:

a. a final accounting will be made by the City to the TWDB of the total sources and authorized use of project funds and any surplus loan funds will be used in a manner approved by the TWDB Executive Administrator;

- b. the City shall fix and maintain rates and collect charges to provide adequate operation, maintenance and insurance coverage on the project in an amount sufficient to protect the TWDB's interest;
- c. the City will implement any water conservation program required by the TWDB until all financial obligations to the state have been discharged;
- d. the City shall maintain current, accurate and complete records and accounts necessary to demonstrate compliance with financial assistance related legal and contractual provisions;
- e. the City will notify the TWDB Executive Administrator prior to taking any actions to convey its obligations held by the TWDB to another entity, and any such conveyance and assumption must be approved by the TWDB; furthermore, the City must notify the TWDB Executive Administrator after its legal status in any manner, such as converting to a different type of political subdivision or merging with another entity.
- f. The City will not acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the obligations to be acquired from the City by the TWDB.
- g. The City will indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted bylaw; loan or grant proceeds shall not be used by the City when sampling, testing, removing or disposing of contaminated soils and/or media at the project site.
- i. So long as any Obligations are held by the TWDB it will abide by the TWDB's rules and the relevant statutes of the State of Texas, including Chapters 16 and 17, Texas Water Code .

ARTICLE NINE
PROVISIONS CONCERNING SALE AND PROCEEDS OF OBLIGATIONS

Section 9.01. Sale of the Obligations. Sale of the Obligations is hereby awarded to the TWDB, at a price of the par amount of the Obligations, subject to the approving opinion as to the legality of the Obligations of the Attorney General of the State of Texas and of Bill Corsbie, P.C., bond counsel for the City.

Section 9.02. Offering Documents; Notice of Sale. The City Council hereby ratifies,

authorizes and approves, in connection with the sale of the Obligations, the preparation and distribution of the Application to the TWDB and it is further officially found and determined that the statements and representations contained therein are true and correct in all material respects, to the best knowledge and belief of the City Council.

Section 9.03. Approval, Registration, and Delivery. The Mayor, City Secretary, and representatives of Bill Corsbie, P.C., are hereby authorized and directed to submit the Initial Obligation, and a transcript of the proceedings relating to the issuance of the Obligations, to the Attorney General of the State of Texas for approval and, following said approval, to submit the Initial Obligation to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Obligation, the Comptroller of Public Accounts (or a deputy designated in writing to act for the Comptroller) shall manually sign the Comptroller's registration certificate prescribed herein to be printed and endorsed on the Initial Obligation, and the seal of the Comptroller shall be impressed or placed in facsimile on the Initial Obligation. After the Initial Obligation has been registered, signed, and sealed by the Comptroller, it shall be delivered to the Paying Agent/Registrar for the Obligations and, subsequently, to the initial purchaser, but only upon receipt of the full purchase price.

Section 9.04. Application of Proceeds of Obligations. Proceeds from the sale of the Obligations shall, promptly upon receipt by the City, be used for the purposes set forth in Section 3.01 of this Ordinance.

ARTICLE TEN CONTINUING DISCLOSURE UNDERTAKING

Section 10.01. Definitions.

As used in this Article, the following terms have the meanings ascribed to such terms below:

"EMMA" means the Municipal Market Access system.

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

Section 10.02. Annual Records.

The City shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2012, financial information and operating data with respect to the City and, if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principals, or such other accounting principles as

the City may be required to employ from time to time pursuant to state law or regulation, and audited, if the City has an audit of such statements and the audit is completed within the period during which such information must be provided.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that theretofore has been provided to the MSRB or filed with the SEC.

Section 10.03. Material Event Notices. The City shall provide notice of any of the following events with respect to the Certificates to the MSRB through EMMA in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a

definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material. For these purposes, any event described in the immediately preceding subsection (c)12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

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

All financial information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

The City shall be obligated to observe and perform the covenants specified in this Section while, but only while, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give the notice required by subsection © hereof of any Certificate calls and defeasance that cause the City to be no longer such an "obligated person."

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

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY CERTIFICATE OR ANY OTHER PERSON, IN CONTRACTOR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT

SPECIFIED IN THIS SECTION. BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws. Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Certificates. The provisions of this

Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided pursuant to subsection (b) hereof an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE ELEVEN AMENDMENTS OF THE ORDINANCE

Section 11.01. Amendments of Ordinance. This Ordinance shall constitute a contract with the Holders of the Obligations from time to time, be binding on the City, and shall not be amended or repealed by the City while any Obligations remain Outstanding except as permitted by this Ordinance. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders of the Obligations, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Obligations then Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding

Obligations, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Obligations, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Obligations, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Obligations required to be held by Holders for consent to any such amendment, addition, or rescission.

ARTICLE TWELVE MISCELLANEOUS

Section 12.01. Further Proceedings. The Mayor and City Secretary and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 12.02. Severability. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 12.03. Open Meeting. It is hereby found, determined and declared that notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted and the meeting itself were given and held in accordance with Chapter 551, Texas Government Code. The City Council further ratifies, approves and confirms such notice.

Section 12.04. Registrar Agreement. The form of agreement setting forth the duties of the Registrar is hereby approved, and an appropriate official of the City is hereby authorized to execute such agreement for and on behalf of the City.

Section 12.05. CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Certificates shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving the Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Certificates.

Section 12.06. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, and this Ordinance and all its provisions is intended to be and shall be for the sole and exclusive benefit of the City, the Paying Agent/Registrar and the Holders.

Section 12.07. Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 12.08. Effect of Headings. The Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 12.09. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 12.10. Repealer. All ordinances and resolutions or parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistency.
