

ORDINANCE AUTHORIZING THE ISSUANCE OF \$475,000
CITY OF WALLIS, TEXAS, SANITARY SEWER SYSTEM
IMPROVEMENT BONDS, SERIES 1987

THE STATE OF TEXAS §
COUNTY OF AUSTIN §
CITY OF WALLIS §

WHEREAS, the Bonds hereinafter authorized were duly and favorably voted at an election held in the City of Wallis, Texas (the "City") on the 9th day of June, 1984; and

WHEREAS, the City Council of the City has determined to issue and deliver the Bonds at this time; Now, Therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF WALLIS:

1. Throughout this ordinance the following terms and expressions as used herein shall have the meanings set forth below:

The term "Bonds" shall mean the \$475,000 City of Wallis, Texas, Sanitary Sewer System Improvement Bonds, Series 1987, authorized in this Ordinance, unless the context clearly indicates otherwise.

The term "City" shall mean the City of Wallis, Texas.

The term "Construction Fund" shall mean the construction fund established by the City pursuant to Section 8 of the Ordinance.

The term "Interest and Sinking Fund" shall mean the interest and sinking fund established by the City pursuant to Section 7 of this Ordinance.

The term "Interest Payment Date", when used in connection with any Bond, shall mean September 1, 1987, and each March 1 and September 1 thereafter until maturity or earlier redemption of such Bond.

The term "Issuance Date" shall mean the date on which the Bonds are delivered and paid for by the Purchaser.

The term "Ordinance" shall mean this ordinance authorizing the Bonds.

The term "Owner" shall mean any person who shall be the registered owner of any outstanding Bond.

The term "Purchaser" shall mean the Texas Water Development Board.

The term "Record Date" shall mean August 15 for interest payments due on September 1 and February 15 for interest payments due on March 1.

The term "Register" shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

The term "Registrar" shall mean First City National Bank of Houston, Houston, Texas, and its successors and assigns in the capacities of registrar and paying agent for the Bonds.

2. The Bonds shall be issued in fully registered form, without coupons, in the total authorized aggregate amount of Four Hundred Seventy-Five Thousand Dollars (\$475,000) for the purpose of constructing permanent public improvements in and for the City, to-wit: improvements, additions and extensions to the sanitary sewer system of the City.

3. (a) The Bonds shall be designated as the "CITY OF WALLIS, TEXAS, SANITARY SEWER SYSTEM IMPROVEMENT BONDS, SERIES 1987," and shall be dated January 1, 1987. The Bonds shall bear interest from the later of their Issuance 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 on each Interest Payment Date.

(b) The Bonds shall be initially issued bearing the numbers, in the principal amounts, and bearing interest at the rates set forth in the following schedule, shall be registered in the name of the Purchaser or such other name designated by the Purchaser, and may be transferred and exchanged as set out in this Ordinance. The Bonds shall mature, subject to prior redemption in accordance with this Ordinance, on September 1 in each of the years and in the amounts set out in such schedule. Bonds delivered on transfer of or in exchange for other Bonds 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 Bond or Bonds in lieu of which they are delivered.

<u>Bond Number</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	1987	\$ 10,000	7.6%
R-2	1988	10,000	7.6
R-3	1989	10,000	7.6
R-4	1990	15,000	7.6
R-5	1991	15,000	7.6
R-6	1992	15,000	7.6
R-7	1993	15,000	7.6
R-8	1994	20,000	7.6
R-9	1995	20,000	7.6
R-10	1996	20,000	7.6
R-11	1997	25,000	7.6
R-12	1998	25,000	7.6
R-13	1999	25,000	7.6
R-14	2000	30,000	7.6
R-15	2001	30,000	7.6
R-16	2002	30,000	7.6
R-17	2003	35,000	7.6
R-18	2004	40,000	7.6
R-19	2005	40,000	7.6
R-20	2006	45,000	7.6

(c) The Bonds shall be signed by the Mayor and countersigned by the City Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be manually impressed, or placed in facsimile, thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

(d) Only such Bonds as shall bear thereon either (i) the manually executed registration certificate of the Comptroller of Public Accounts of the State of Texas substantially in the form provided in Section 5(b) of this Ordinance, or (ii) a certificate of authentication, substantially in the form provided in Section 5(c) of this

Ordinance, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bond so authenticated was delivered by the Registrar hereunder.

(e) The Registrar is hereby appointed as the registrar and paying agent for the Bonds. The principal of and premium, if any, on the Bonds 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 become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Registrar. The interest on each Bond 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.

(f) The City, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond 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 Bond in accordance with this Section 3(f) shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Bond to the extent of the sums paid.

(g) So long as any Bonds 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 Bonds in accordance with the terms of this Ordinance.

Each Bond 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 Bond in proper form for transfer, the Registrar shall authenticate

and deliver in exchange therefor, to the extent possible within three (3) business days after such presentation, a new Bond or Bonds, 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 Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds 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 Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 3(g). Each Bond delivered in accordance with this Section 3(g) shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Registrar may require the Owner of any Bond 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 Bond. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the City.

Neither the City nor the Registrar shall be required to transfer, exchange or replace any Bond during a period beginning at the opening of business fifteen (15) calendar days prior to the first mailing of any notice of redemption of any Bonds and ending at the close of business on the date of such mailing.

(h) All Bonds paid or redeemed in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Registrar shall furnish the City with appropriate certificates of destruction of such Bonds.

(i) Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond 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 Bond 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 Bond 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 Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

- (1) furnished to the City and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;

- (2) furnished such security or indemnity as may be required by the Registrar and the City to save them harmless;

- (3) 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

- (4) met any other reasonable requirements of the City and the Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Registrar shall be entitled to recover such replacement Bond 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 Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section 3(i) shall be entitled to the benefits and security

of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

4. (a) Bonds maturing in the years 1987 through 1996 are not redeemable prior to their scheduled maturities except with the consent of the Owner thereof and except as otherwise provided in Section 8(b) of this Ordinance. The City reserves the right, at its option, to redeem prior to maturity the Bonds maturing in the year 1997 and thereafter, in whole or from time to time in part in such manner as the City may select, on September 1, 1996, or on any Interest Payment Date thereafter at par plus accrued interest on the Bonds called for redemption to the date fixed for redemption.

(b) Principal amounts may be redeemed only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3(g) hereof, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

(c) Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Registrar at least thirty (30) days prior to the date fixed for redemption by (i) sending written notice by United States Mail, first class, postage prepaid, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register and (ii) publication in a financial journal or publication published in the City of New York, New York or in the City of Austin, Texas; provided, however, so long as the Bonds to be redeemed are held by the Texas Water Development Board, thirty (30) days' written notice to the Texas Water Development Board shall be deemed to be sufficient notice of redemption. Such notices shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all Bonds outstanding are to be redeemed, the numbers of the Bonds or portions thereof to be redeemed. Any notice given as provided in this Section 4(c) shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice; provided, however, with respect to written notice given to the Texas Water Development Board, the Texas Water Development Board must actually receive such notice for same to be effective. By the date fixed for redemption, due provision shall be made with the Registrar

for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

5. (a) The Bonds 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. The Issuance Date to be put on each Bond shall be the date that Bond is delivered to the Purchaser in exchange for the purchase price.

(Face of Bond)

United States of America
State of Texas
County of Austin

NUMBER
R-
REGISTERED

AMOUNT
\$
REGISTERED

CITY OF WALLIS, TEXAS
SANITARY SEWER SYSTEM IMPROVEMENT BOND, SERIES 1987

INTEREST RATE: MATURITY DATE: ISSUANCE DATE: CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The City of Wallis, Texas (the "City") promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this bond at the principal corporate trust office of First City National Bank of Houston, Houston, Texas (the "Registrar"), the principal amount identified above, payable 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, and to pay 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 Issuance Date specified above or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable semiannually on March 1 and September 1 of each year until maturity or prior redemption, beginning September 1, 1987, by check mailed to the registered owner of record as of the previous February 15 and August 15 as shown on the books of registration kept by the Registrar.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, this bond has been signed with the manual or facsimile signature of the Mayor and countersigned with the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed, or placed in facsimile, on this bond.

(AUTHENTICATION CERTIFICATE) (SEAL) CITY OF WALLIS, TEXAS

XXXXXXXXXX

Mayor

XXXXXXXXXX

City Secretary

(Back Panel of Bond)

THIS BOND is one of a duly authorized issue of bonds, dated January 1, 1987, aggregating \$475,000 (the "Bonds"), issued for the purpose of constructing permanent public improvements in and for the City, to-wit: improvements, additions and extensions to the sanitary sewer system of the City, pursuant to an election held within the City on the 9th day of June, 1984, and authorized pursuant to an ordinance adopted by the City Council (the "Ordinance"), under and in strict conformity with the Constitution and laws of the State of Texas, particularly Chapters 1 and 7, Title 22, Revised Civil Statutes of Texas, as amended.

THE BONDS MATURING IN THE YEARS 1987 THROUGH 1996 are not redeemable prior to their scheduled maturities, except with the consent of the registered owners thereof, and except as provided in the Ordinance for the return of excess proceeds of the Bonds to the Texas Water Development Board and the resultant cancellation of Bonds. The City reserves the right, at its option, to redeem the Bonds maturing in the year 1997 and thereafter, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 1996, or on any interest payment date thereafter at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. Reference is made to the Ordinance for complete details concerning the manner of redeeming the Bonds.

Notice of any redemption shall be given at least thirty (30) days prior to the date fixed for redemption by United States Mail, first class, postage prepaid, addressed to the registered owners of each Bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar and by publication once in a financial journal or publication published in the City of New York, New York or in the City of Austin, Texas; provided, however, that so long as the Bonds to be redeemed are held by the Texas Water Development Board, thirty (30) days' written notice to the Texas Water Development Board of such redemption shall be deemed to be sufficient notice of redemption. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

THIS BOND 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 BONDS ARE EXCHANGEABLE at the principal corporate trust office of the Registrar for bonds 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, exchange or replace any Bond during a period beginning fifteen (15) calendar days prior to the mailing of

any notice of redemption and ending on the date of such mailing.

THIS BOND SHALL NOT BE VALID OR OBLIGATORY for any purpose or be entitled to any benefit under the Ordinance unless this Bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate endorsed hereon, or (ii) is authenticated by the Registrar by due execution of the authentication certificate endorsed hereon.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, to exist and to be done precedent to or in the issuance and delivery of this Bond have been performed, exist and have been done in accordance with law; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in the City within the limits prescribed by law and have been pledged irrevocably for such payment.

(b) Bonds Nos. R-1 through R-20 shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law. The registration certificate of the Comptroller of Public Accounts shall be affixed to or printed on Bonds Nos. R-1 through R-20 and shall be in substantially the following form:

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

WITNESS MY SIGNATURE AND SEAL this _____.

XXXXXXXXXXXXXXXXXXXXX
Comptroller of Public Accounts
of the State of Texas

(SEAL)

(c) The following form of authentication certificate shall be printed on the face of each of the Bonds, except for Bonds Nos. R-1 through Nos. R-20:

Registration Date: _____

AUTHENTICATION CERTIFICATE

It is hereby certified that this bond has been delivered pursuant to the Ordinance described in the text of this Bond, in exchange for or in replacement of a bond, bonds, or a portion of a bond or bonds of a Series which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

First City National Bank of Houston

By _____
Authorized Signature

(d) The following form of assignment shall be printed on the back of each of the Bonds:

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 certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____

_____ attorney to transfer said certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: _____

Signature Guaranteed:

Registered Owner
NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within certificate in every particular.

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

6. The approving opinion of Vinson & Elkins, Houston, Texas, and CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

7. (a) A special fund, to be designated as "City of Wallis, Texas, Sanitary Sewer System Improvement Bonds, Series 1987 Interest and Sinking Fund" is hereby created, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by this Ordinance shall be credited to such fund. While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, there is hereby levied, within the limits prescribed by law, and there shall be annually assessed and collected in due time, form and manner, and at the same time other City ad valorem taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax upon all taxable property within the City sufficient to pay the current interest on the Bonds as the same becomes due, and to create and provide a sinking fund of not less than two per cent (2%) of the original principal amount of the Bonds or not less than the amount required to pay each installment of the principal of the Bonds as the same matures, whichever is greater, full allowance being made for delinquencies and costs of collection, and said taxes when collected shall be applied to the payment of the interest on and principal of the Bonds and to no other purpose.

(b) In addition to the taxes mentioned in Section 7(a), any premium is to be deposited in the Interest and Sinking Fund. Money in the Interest and Sinking Fund may, at the option of the City, be invested as permitted by state law; provided that all such deposits and investments shall be made in such a manner that money required to be expended from the Interest and Sinking Fund will be available at the proper time or times. All interest and income derived from such deposits and investments of the Interest and Sinking Fund shall be credited to the Interest and Sinking Fund. So long as any Bonds remain outstanding, all uninvested moneys on deposit in, or credited to, the Interest and Sinking Fund shall be secured by the pledge of security, as provided by law for cities in the State of Texas.

8. (a) There is hereby created and established a special fund of the City, to be known as the "City of Wallis, Texas, Sanitary Sewer System Improvement Bonds, Series 1986, Construction Fund", which shall be maintained as a separate account on the books of the City. The proceeds of the Bonds, after depositing any premium to the

Interest and Sinking Fund, as provided in Section 7(b), shall be deposited in the Construction Fund. Money on deposit in the Construction Fund shall be used only for the purposes set forth in Section 2 of this Ordinance, except that interest and income derived from deposit and investment of moneys in the Construction Fund may be utilized as provided below in this Section 8. Money on deposit in the Construction Fund may, at the option of the City, be invested as permitted by Texas law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from the Construction Fund will be available at the proper time or times. So long as any Bonds remain outstanding, all uninvested monies on deposit in, or credited to, the Construction Fund shall be secured by the pledge of security, as provided by law for cities in the State of Texas. All interest and income derived from such deposits and investments shall remain in the Construction Fund, except that, in the discretion of the City, such interest and income may be transferred to the Interest and Sinking Fund.

(b) In compliance with the published rules and regulations of the Texas Water Development Board, the Purchaser of the Bonds, the City covenants and agrees that upon final completion of the project to be financed with the proceeds of the Bonds, and if all or any portion of the Bonds shall be held by or on account of the Texas Water Development Board or the State of Texas, the proper officials of the City shall render due and final accounting to the Texas Water Development Board of the total cost of the project. If, following completion of the project, funds remain on hand in the Construction Fund, or if the Development Fund Manager disapproves construction of any portion of the project as not being in accordance with the plans and specifications, the City shall, immediately after filing the final accounting, return to the Texas Water Development Board the amount of such excess and/or the cost as determined by the Development Fund Manager relating to the parts of the project not constructed in accordance with the plans and specifications, to the nearest multiple of \$5,000, and the Texas Water Development Board shall thereupon cancel and return, in inverse numerical order, a like amount of Bonds. Any further amounts remaining in the District's Construction Fund thereafter shall be promptly deposited by the District into the Interest and Sinking Fund and applied to the payment of the principal of and interest on the Bonds.

9. The City recognizes that the purchasers and holders of the Bonds will have accepted them on, and paid

there for a price that reflects, the understanding that interest in the Bonds is excludable from gross income for federal income tax purposes. Hence, the City covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code") and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code ("Regulations"), necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing covenant, the City hereby covenants as follows:

a. The City will not permit more than 10 percent of the net proceeds of the Bonds to be used in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;

b. The City will not permit more than 5 percent of the net proceeds of the Bonds to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds. Further, the amount of private-use proceeds of the Bonds in excess of 5 percent of the net proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

c. The City will not use or permit to be used, directly or indirectly, an amount exceeding the lessor of (i) \$5,000,000 or (ii) 5 percent of the net proceeds of the Bonds to finance loans to persons other than governmental units;

d. Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the City reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an "arbitrage Bond" within the meaning of Section 148 of the Internal Revenue Code of 1986;

e. The City will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds, other than amounts not subject to yield restriction due to deposit in a reasonably required reserve or replacement fund or a bona fide debt service fund, and will restrict the yield on such investments to the extent required by the Code or the Regulations. Without limiting the generality of the foregoing, the City will take appropriate steps to restrict the yield on (i) all original proceeds of the Bonds on hand on a date that is three years from the date of delivery of the Bonds, and (ii) all investment proceeds on hand on a date that is three years from the date of delivery of the Bonds or one year from the date such investment proceeds are received, whichever is later, to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

f. The City will not cause the Bonds to be treated as "federally guaranteed" obligations within the meaning of Section 149(b) of the Code (as may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code);

g. The City will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits" separately from records of amounts on deposit in the funds and accounts of the City which are allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the Issuer, (ii) calculate, not less often

than annually, the amount of "excess arbitrage profits," if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT; and

h. The City will timely file a statement with the federal government setting forth the information required pursuant to Section 149(e) of the Code.

All officers, employees and agents of the City are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Issuer as of the date the Bonds are delivered. In complying with the foregoing covenants, the City may rely from time to time upon an opinion issued by nationally-recognized bond counsel to the effect that any action by the City or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

10. After the Bonds to be initially issued shall have been executed, it shall be the duty of the Mayor to deliver the Bonds to be initially issued and all pertinent records and proceedings to the Attorney General of Texas, for examination and approval by the Attorney General. After the Bonds to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Bonds to be initially issued, the Comptroller of Public Accounts (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein to be affixed to or printed on the Bonds to be initially issued, and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

11. The Bonds are hereby sold and shall be delivered to the Purchaser, for the principal amount thereof, plus a premium of \$-0-, subject to the approving opinion as to the legality of the Bonds of the Attorney General of

Texas and of Vinson & Elkins, bond attorneys for the City. It is hereby found and determined that the sale of the Bonds to said Purchaser is on the best terms and at the best price obtainable by the City and that the bid of the Purchaser is the best.

12. So long as any Bonds are held by the Texas Water Development Board, the City shall provide to the Board's Development Fund Manager a copy of an annual audit of the City's finances.

13. The City covenants that the project to be financed by the Bonds will be kept continually insured against such perils and to such extent that 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.

14. The City covenants that "as built" plans shall be provided to the Texas Water Development Board, and that so long as any Bonds are held by the Texas Water Development Board it will abide by the Board's rules and the relevant statutes of the State of Texas, including Chapters 15, 16, and 17, Texas Water Code.

15. The form of agreement setting forth the duties of the Registrar is hereby approved, and appropriate officials of the City are hereby authorized to execute such agreement for and on behalf of the City. The City reserves the right to replace the Registrar.

16. The City will implement its amended water conservation program approved by the Executive Director by letter of October 27, 1986.

17. The Mayor and City Secretary and all other appropriate officials, employees, and agents of the City are hereby authorized and directed to do any and all things necessary or convenient to carry out the terms of this Ordinance.

18. No recourse shall be had for the payment of the principal of or interest on any Bonds or for any claim based thereon or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

19. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to

the public, and public notice of the time, place and purpose of said meeting was given, all as required by and in conformance with Article 6252-17, Vernon's Texas Civil Statutes, as amended.

PASSED AND APPROVED this 6th day of January, 1987

/s/ August D. Zurek

August D. Zurek
Mayor
CITY OF WALLIS, TEXAS

ATTEST:

/s/ Betty Marek

Betty Marek
City Secretary
CITY OF WALLIS, TEXAS

(SEAL)

WALLIS (a)