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ORDINANCE NO. 18-98

ORDINANCE AUTHORIZING THE ISSUANCE OF

\$260,000  
TOWN OF ANDERSON, TEXAS  
COMBINATION TAX AND SEWER SYSTEM REVENUE  
CERTIFICATES OF OBLIGATION  
SERIES 1998

Adopted on May 14, 1998

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## TABLE OF CONTENTS

Page

### ARTICLE I DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01.	Definitions .....	2
Section 1.02.	Other Definitions .....	4
Section 1.03.	Findings .....	4
Section 1.04.	Table of Contents, Titles and Headings .....	4
Section 1.05.	Interpretation .....	4

### ARTICLE II SECURITY FOR THE CERTIFICATES

Section 2.01.	Pledge of Revenues .....	5
Section 2.02.	Tax Levy and Pledge for Payment of Certificates .....	5
Section 2.03.	Reduction in Tax Levy .....	6

### ARTICLE III AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE CERTIFICATES

Section 3.01.	Authorization .....	6
Section 3.02.	Date, Denomination, Maturities, Numbers and Interest .....	6
Section 3.03.	Medium, Method and Place of Payment .....	7
Section 3.04.	Control, Execution and Initial Registration .....	8
Section 3.05.	Ownership .....	9
Section 3.06.	Registration, Transfer and Exchange .....	10
Section 3.07.	Cancellation and Authentication .....	11
Section 3.08.	Temporary Certificates .....	12
Section 3.09.	Replacement Certificates .....	13

### ARTICLE IV REDEMPTION OF CERTIFICATES BEFORE MATURITY

Section 4.01.	Limitation on Redemption .....	14
Section 4.02.	Optional Redemption .....	14
Section 4.03.	Partial Redemption .....	14
Section 4.04.	Notice of Redemption to Holders .....	15

	<u>Page</u>
Section 4.05.	Payment Upon Redemption . . . . . 15
Section 4.06.	Effect of Redemption . . . . . 16

ARTICLE V  
PAYING AGENT/REGISTRAR

Section 5.01.	Appointment of Initial Paying Agent/Registrar . . . . . 16
Section 5.02.	Qualifications . . . . . 17
Section 5.03.	Maintaining Paying Agent/Registrar . . . . . 17
Section 5.04.	Termination . . . . . 17
Section 5.05.	Notice of Change to Holders . . . . . 17
Section 5.06.	Agreement to Perform Duties and Functions . . . . . 17
Section 5.07.	Delivery of Records to Successor . . . . . 17

ARTICLE VI  
FORM OF THE CERTIFICATES

Section 6.01.	Form Generally . . . . . 18
Section 6.02.	Form of Certificate . . . . . 18
Section 6.03.	CUSIP Registration . . . . . 24

ARTICLE VII  
FUNDS AND ACCOUNTS, INITIAL DEPOSITS  
AND APPLICATION OF MONEY

Section 7.01.	Funds . . . . . 25
Section 7.02.	Revenue Fund . . . . . 25
Section 7.03.	Interest and Sinking Fund . . . . . 25
Section 7.04.	Reserve Fund . . . . . 26
Section 7.05.	Deficiencies in Funds . . . . . 26
Section 7.06.	Security for Funds . . . . . 27
Section 7.07.	Excess Revenues and Final Payment . . . . . 27
Section 7.08.	Construction Fund . . . . . 27
Section 7.09.	Initial Deposits . . . . . 27

ARTICLE VIII  
ADDITIONAL OBLIGATIONS

Section 8.01.	Additional Obligations . . . . . 27
Section 8.02.	Subordinate Lien Certificates . . . . . 29

ARTICLE IX  
PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01.	Rates .....	29
Section 9.02.	Maintenance and Operation; Insurance .....	29
Section 9.03.	Accounts and Fiscal Year .....	30
Section 9.04.	Accounting Reports .....	30
Section 9.05.	Performance of Duties .....	30
Section 9.06.	Inspection .....	31
Section 9.07.	Competition .....	31
Section 9.08.	Special Covenants .....	31
Section 9.09.	Covenants Regarding Tax Exemption .....	32
Section 9.10.	Additional Certifications .....	34
Section 9.11.	Benefit of Covenants .....	34
Section 9.12.	Continuing Disclosure .....	34

ARTICLE X  
DEFAULT AND REMEDIES

Section 10.01.	Events of Default .....	35
Section 10.02.	Remedies for Default .....	35
Section 10.03.	Remedies Not Exclusive .....	35

ARTICLE XI  
DISCHARGE

Section 11.01.	Discharge by Payment .....	36
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ARTICLE XII  
LAPSE OF PAYMENT

Section 12.01.	Lapse of Payment .....	36
----------------	------------------------	----

ARTICLE XIII  
ESCROW AGREEMENT;  
PROCEDURES FOR DELIVERY OF THE CERTIFICATES

Section 13.01.	Escrow Agreement .....	37
Section 13.02.	Procedures for Delivery of the Certificates .....	37

ARTICLE XIV  
AWARDING SALE OF THE CERTIFICATES

Section 14.01. Awarding Sale of the Certificates ..... 38

ARTICLE XV  
LOAN PROGRAM REQUIREMENTS  
AND DOCUMENTS TO CONTROL

Section 15.01. Definitions ..... 38  
Section 15.02. Provision for Debt ..... 39  
Section 15.03. Compliance with Agency Rules ..... 39  
Section 15.04. Limitation on Application of this Section ..... 39

ARTICLE XVI  
PUBLIC MEETING

Section 16.01. Public Meeting ..... 38

Exhibit "A" Paying Agent/Registrar Agreement  
Exhibit "B" Escrow Agreement

ORDINANCE NO. 18-98

AN ORDINANCE OF THE CITY COUNCIL OF THE TOWN OF ANDERSON, TEXAS AUTHORIZING THE ISSUANCE AND SALE OF TOWN OF ANDERSON, TEXAS, COMBINATION TAX AND SEWER SYSTEM REVENUE CERTIFICATES OF OBLIGATION, SERIES 1998, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$260,000, PRESCRIBING THE FORM OF SAID CERTIFICATES; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATES; AWARDING THE SALE THEREOF; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

**WHEREAS**, the City Council (the "City Council") of the Town of Anderson, Texas (the "City") has determined that certificates of obligation should be issued in accordance with the provisions of the Certificate of Obligation Act of 1971, Texas Local Government Code, §§ 271.041, *et seq.* and the Texas Bond Procedures Act, as amended, Tex. Rev. Civ. Stat. Ann. § 717k-6, *et seq.*, for the purpose of paying contractual obligations to be incurred for the construction of a public work, to wit: a sanitary sewer system within the City, and for paying all or a portion of the contractual obligations for professional services of attorneys, engineers and financial advisors in connection therewith, including costs of issuance.

**WHEREAS**, notice of intention to issue said certificates of obligation has been published in *The Navasota Examiner*, a newspaper of general circulation in the City, on April 16, 1998 and April 23, 1998, respectively, the date of the first publication of such notice being before the fourteenth (14th) day prior to the tentative date stated therein for the passage of this Ordinance; and

**WHEREAS**, on the 14th day of May, 1998, the City Council convened at 7:00 p.m. and, pursuant to the published notice of intention, considered passage of an ordinance authorizing the issuance of said certificates of obligation; and

**WHEREAS**, the certificates of obligation should be sold for cash in accordance with the provisions of Texas Local Government Code § 271.052, as amended; and

**WHEREAS**, no petition protesting the issuance of the certificates of obligation described in the aforesaid notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary or any other City official on or prior to the date of the passage of this ordinance; and

**WHEREAS**, this City Council hereby finds and determines that the above specified portion of the certificates of obligation described in said notice should be issued at this time; and

**WHEREAS**, it is affirmatively found and determined that this City Council is authorized to proceed with the issuance, sale and delivery of such Certificates, as authorized by the Constitution and laws of the State of Texas, including particularly TEX. REV. CIV. STAT. ANN. arts. 1111 through 1118, as amended,

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

## ARTICLE I

### DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance the following terms shall have the meanings specified below:

"Additional Obligations" shall mean the additional certificates and other obligations payable from and secured by a lien on the Net Revenues of the Sewer System, on a parity with the Certificates permitted to be issued under the provisions of this Ordinance.

"Certificate" means any of the Certificates.

"Certificates" means the City's Certificates entitled "Town of Anderson, Texas, Combination Tax and Sewer System Revenue Certificates of Obligations, Series 1998" in the aggregate principal amount of \$260,000 authorized to be issued by Section 3.01 of this Ordinance.

"City Council" means the governing body of the City.

"Closing Date" means the date of the delivery of and payment for the first installment of the Certificates to be delivered to the Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

"Delivery Date" means, with respect to any Certificate, the date on which such Certificate is delivered to the Purchaser in accordance with Section 13.02 of this Ordinance.

"Escrow Agreement" means that certain escrow agreement dated as of May 14, 1998, by and between the City and The First National Bank, Anderson, Texas, as Escrow Agent, referred to in Article XIII of this Ordinance.

"Event of Default" means any Event of Default as defined in Section 10.01 of this Ordinance.

"Holder" or "Owner" means the person who is the registered owner of a Certificate or Certificates, as shown in the Register.

"Initial Certificate" means the Certificate described in Section 3.04(b) and 6.02(d).

"Interest Payment Date" means, with respect to any Certificate, the date or dates upon which interest on the Certificate is scheduled to be paid until the maturity of the Certificate, such dates being February 1 and August 1 of each year commencing with the February 1 or August 1 immediately following the Delivery Date.

"Net Revenues" means the gross revenues derived from the operation of the System, after deducting the expenses of operation and maintenance of the System, including all salaries, labor, materials, repair and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City Council of the City reasonably and fairly exercised by the passage of appropriate ordinances, are necessary to keep the System in operation and render adequate service to said City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any outstanding Certificate shall be deducted in determining "Net Revenues." Depreciation and payments into and out of the Interest and Sinking Fund and Reserve Fund, hereinafter created shall never be considered as expenses of operation and maintenance.

"Ordinance" means this Ordinance.

"Original Issue Date" means the initial date of the Certificates which is designated in Section 3.02(a) of this Ordinance.

"Outstanding Certificates" mean any Certificates or other obligations previously issued by the City for the purpose of making additions, extensions or improvements to the System on parity with the Certificates.

"Paying Agent/Registrar" means The First National Bank, Anderson, Texas, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Ordinance.

"Purchaser" means the person, firm or entity initially purchasing the Certificates from the City and which is designated in Section 14.01 of this Ordinance.

"Record Date" means the Record Date as prescribed by Section 3.03(b) of this Ordinance.

"Register" means the Register specified in Section 3.06(a) of this Ordinance.

"System" and "Sewer System" mean the City's Sewer System, including all present and future extensions, enlargements, additions, replacements and improvements thereto.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of the principal of or interest on the Certificates as the same come due and payable and remaining unclaimed by the Owners of Certificates for 90 days after the applicable payment or redemption date.

Section 1.02. Other Definitions. The term "City" shall have the meaning assigned in the preamble to this Ordinance.

Section 1.03. Findings. The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.04. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

## ARTICLE II

### SECURITY FOR THE CERTIFICATES

Section 2.01. Pledge of Revenues. The Certificates herein authorized are and shall be payable from and secured by an irrevocable first lien on and pledge of the Net Revenues to be derived from the operation and/or ownership of the System, and the Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds hereinafter created.

Section 2.02. Tax Levy and Pledge for Payment of Certificates.

Pursuant to the authority granted by the Constitution and laws of the State of Texas, there shall be levied and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon is outstanding and unpaid, an ad valorem tax within legal limitations on each \$100 valuation of taxable property in the City, at a rate sufficient within the limit prescribed by law to pay the debt service requirements on the Certificates, being (i) the interest on the Certificates and (ii) a sinking fund for their payment at maturity or a sinking fund of two percent (2%) per annum (whichever amount is the greater), when due and payable, full allowance being made for delinquencies and costs of collection; 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 Interest and Sinking Fund. This City Council hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the 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 obligations.

The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) The City's annual budget shall reflect the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal Year of the City.

(b) The amount required to be provided in the succeeding Fiscal Year of the City from ad valorem taxes shall be the amount of the debt service requirements to be paid on the Certificates in the next succeeding Fiscal Year of the City.

(c) Following the final approval of the annual budget of the City, the governing body of the City shall, by Ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (b) above, to be utilized for purposes of

paying the principal of and interest on the Certificates in the next succeeding Fiscal Year of the City.

If the liens and provisions of this Ordinance shall be released in a manner permitted by Article XI hereof, then the collection of such ad valorem tax may be suspended or appropriately reduced, as the facts may permit, and further deposits to the Interest and Sinking Fund may be suspended or appropriately reduced, as the facts may permit. In determining the aggregate principal amount of outstanding Certificates, there shall be subtracted the amount of any Certificates that have been duly called for redemption and for which money has been deposited with the Paying Agent/Registrar for such redemption.

Section 2.03. Reduction in Tax Levy.

Notwithstanding the requirements of this Article II, if revenues are actually on deposit or budgeted for deposit in the Interest and Sinking Fund and balances in the Interest and Sinking Fund satisfy the requirements of this Ordinance in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would be required to be levied pursuant to Section 2.02 may be reduced to the extent and by the amount of the Net Revenues then on deposit in the Interest and Sinking Fund.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS  
REGARDING THE CERTIFICATES

Section 3.01. Authorization. The City's Certificates to be designated "Town of Anderson, Texas Combination Tax and Sewer System Revenue Certificates of Obligation, Series 1998," are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, in the aggregate principal amount of \$260,000 for the purpose of the construction, acquisition and installation of additions, improvements and extensions to the City's sewer system.

Section 3.02. Date, Denomination, Maturities, Numbers and Interest.

(a) The Certificates shall have the Original Issue Date of June 1, 1998, and shall be in fully registered form, without coupons, in the denomination of \$1,000 or any integral multiple thereof and shall be numbered separately from one upward or such other designation acceptable to the City and the Paying Agent/Registrar.

(b) The Certificates shall mature on February 1 in the years and in the principal amounts and interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2000	\$5,000	4.500%	2019	\$7,000	4.500%
2001	5,000	4.500%	2020	7,000	4.500%
2002	5,000	4.500%	2021	7,000	4.500%
2003	5,000	4.500%	2022	7,000	4.500%
2004	5,000	4.500%	2023	7,000	4.500%
2005	5,000	4.500%	2024	7,000	4.500%
2006	5,000	4.500%	2025	7,000	4.500%
2007	5,000	4.500%	2026	7,000	4.500%
2008	6,000	4.500%	2027	7,000	4.500%
2009	6,000	4.500%	2028	8,000	4.500%
2010	6,000	4.500%	2029	8,000	4.500%
2011	6,000	4.500%	2030	8,000	4.500%
2012	6,000	4.500%	2031	8,000	4.500%
2013	6,000	4.500%	2032	8,000	4.500%
2014	6,000	4.500%	2033	10,000	4.500%
2015	6,000	4.500%	2034	10,000	4.500%
2016	6,000	4.500%	2035	10,000	4.500%
2017	6,000	4.500%	2036	10,000	4.500%
2018	7,000	4.500%	2037	10,000	4.500%

(c) Each Certificate shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate that is the lower of (i) 4.500% per annum or (ii) the Purchaser's rate of interest applicable to the loan evidenced by the Certificates, in effect on the Closing Date, such interest payable semiannually on February 1 and August 1 of each year until the earliest of maturity or prior redemption, commencing with the February 1 or August 1 immediately following the Delivery Date.

**Section 3.03. Medium, Method and Place of Payment.**

(a) The principal of, premium, if any, and interest on the Certificates shall be paid in lawful money of the United States of America as provided in this Section.

(b) Interest on the Certificates shall be payable to the Owner whose name appears in the Register at the close of business on the fifteenth day of the month preceding such Interest Payment Date (the "Record Date").

(c) Interest on the Certificates shall be paid by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such

payment, first class United States mail, postage prepaid, to the address of such person as it appears in the Register or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangements.

(d) The principal of each Certificate shall be paid to the person in whose name such Certificate is registered on the due date thereof (whether at the maturity date or the date of prior redemption thereof) upon presentation and surrender of such Certificate at the principal trust corporate office of the Paying Agent/Registrar.

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

(f) Notwithstanding the above, so long as the Certificates are held by the United States of America (USA), acting by and through its agency, the Rural Utilities Service (RUS), or any successor agency, the City may make payments directly to the United States of America, RUS district office, currently located in Bryan, Texas and not through the Paying Agent/Registrar.

#### Section 3.04. Control, Execution and Initial Registration.

(a) The Mayor of the City is hereby authorized to have control of the Initial Certificate and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval by the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) Initially, a single Certificate (the "Initial Certificate") representing the entire principal amount of the Certificates registered in the name of the purchaser of the Certificates, or its designee, shall be executed and submitted to the Attorney General of the State of Texas for his approval, and, thereupon, the Comptroller of Public Accounts of the State of Texas, or a deputy designated in writing to act on behalf of the Comptroller, will execute the Comptroller's Registration Certificate.

(c) After the Initial Certificate has been approved by the Attorney General and registered by the Comptroller of Public Accounts, the Paying Agent/Registrar shall register the Certificates in the name of the Purchaser or its designee, and shall cancel the Initial

Certificate and deliver the Certificates in accordance with the provisions of Article XIII of this Ordinance.

(d) The Certificates shall be executed on behalf of the City by the Mayor and City Secretary of the City, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Certificates shall have the same effect as if each of the Certificates had been signed manually and in person by each of said officers, and such facsimile seal on the Certificates shall have the same effect as if the official seal of the City had been manually impressed upon each of the Certificates.

(e) In the event that any officer of the City whose manual or facsimile signature appears on the Certificates ceases to be such officer before the authentication of such Certificates or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(f) No Certificate shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon either (i) the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, or (ii) the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution of an authorized signatory of the Paying Agent/Registrar. It shall not be required that the same authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Certificates. Either of such Certificates upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered.

#### Section 3.05. Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificate for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Certificate is registered on the Record Date), and for all other purposes, whether or not such Certificate is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the owner of any Certificate in accordance with this Section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Certificates remain outstanding, the City shall cause the Paying Agent/Registrar to keep at its principal corporate office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Certificates in accordance with this Ordinance.

(b) Registration of any Certificate may be transferred in the Register only upon the presentation and surrender thereof at the principal corporate office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of the Certificates, or any portion thereof in any integral multiple of \$1,000, to the assignee or assignees thereof, and the right of such assignee or assignees thereof to have the Certificate or any portion thereof registered in the name of such assignee or assignees. No transfer of any Certificate shall be effective until entered in the Register. Upon assignment and transfer of any Certificate or portion thereof, a new Certificate or Certificates will be issued by the Paying Agent/Registrar in conversion and exchange for such transferred and assigned Certificate. To the extent possible the Paying Agent/Registrar will issue such new Certificate or Certificates in not more than three business days after receipt of the Certificate to be transferred in proper form and with proper instructions directing such transfer.

(c) Any Certificate may be converted and exchanged only upon the presentation and surrender thereof at the principal corporate office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantees of signatures satisfactory to the Paying Agent/Registrar, for a Certificate or Certificates of the same maturity and interest rate and in any authorized denomination and in an aggregate principal or maturity amount equal to the unpaid principal or maturity amount of the Certificate presented for exchange. If a portion of any Certificate is redeemed prior to its scheduled maturity as provided herein, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$1,000 at the request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. To the extent possible, a new Certificate or Certificates will be required to be delivered by the Paying Agent/Registrar to the registered owner of the Certificate or Certificates in not more than three business days after receipt of the Certificate to be exchanged in proper form and with proper instructions directing such exchange.

(d) Each Certificate issued in exchange for any Certificate or portion thereof assigned, transferred or converted shall have the same principal maturity date and bear

interest at the same rate as the Certificate for which it is being exchanged. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate. The Paying Agent/Registrar shall convert and exchange the Certificates as provided herein, and each substitute Certificate delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such substituted Certificate is delivered.

(e) The City will pay the Paying Agent/Registrar's reasonable and customary charge for the initial registration or any subsequent transfer, exchange or conversion of Certificates, but the Paying Agent/Registrar will require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, exchange or conversion of a Certificate. In addition, the City hereby covenants with the Owners of the Certificates that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Certificates, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer, registration, conversion and exchange of Certificates as provided herein.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Certificate called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of the Certificate.

#### Section 3.07. Cancellation and Authentication.

(a) All Certificates paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Certificates in lieu of which exchange Certificates or replacement Certificates are authenticated and delivered in accordance with this Ordinance, shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall periodically furnish the City with certificates of destruction of such Certificates.

(b) Each substitute Certificate issued in conversion of and exchange for or replacement of (pursuant to the provisions of Sections 3.06, 3.08 and 3.09 hereof) any Certificate or Certificates issued under this Ordinance shall have printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form hereinafter set forth. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, manually sign and date such Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. No additional ordinances, orders, or resolutions need be passed or adopted by the City Council or any

other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates in the manner prescribed herein, and said Certificates shall be of customary type and composition and be printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to article 717k-6, Vernon's Texas Civil Statutes, as amended, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Certificates as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Certificates shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Certificate which was originally delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

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

#### Section 3.08. Temporary Certificates.

(a) Following the delivery and registration of the Initial Certificate and pending the preparation of definitive Certificates, the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Certificates that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Certificates in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Certificates may determine, as evidenced by their signing of such temporary Certificates.

(b) Until exchanged for Certificates in definitive form, such Certificates in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Certificate or Certificates in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Certificate or Certificates of the same maturity and series, in definitive form, in the authorized

denomination, and in the same aggregate principal amount, as the Certificate or Certificates in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Certificates.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Certificate, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Certificate of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Holder of such Certificate to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected herewith.

(b) In the event that any Certificate is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Certificate has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Certificate of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Holder first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstance of the loss, destruction or theft of such Certificate;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar, and acceptable to the City, to save it harmless (provided, however, such security or indemnity shall not be required from the United States of America if permitted under state law);

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Certificate, a bona fide purchaser of the original Certificate in lieu of which such replacement Certificate was issued presents for payment such original Certificate, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Certificate 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 Paying Agent/Registrar in connection herewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Certificate has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Certificate, may pay such Certificate.

(e) Each replacement Certificate delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such replacement Certificate is delivered.

## ARTICLE IV

### REDEMPTION OF CERTIFICATES BEFORE MATURITY

Section 4.01. Limitation on Redemption. The Certificates shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Optional Redemption.

(a) The City reserves the option to redeem the Certificates in whole or in part, and, if less than in whole, in inverse order of the maturities outstanding at the time of such redemption, before their respective scheduled maturity on any date hereafter (such redemption date or dates to be fixed by the City) at a price equal to the principal amount of the Certificates called for redemption plus accrued interest from the most recent interest payment date on which interest has been paid or duly provided for to the redemption date.

(b) The City, at least 45 days before the redemption date (unless a shorter period shall be satisfactory to the Paying Agent Registrar), shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Certificates to be redeemed.

Section 4.03. Partial Redemption.

(a) If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed as provided in Section 4.02(a). The City shall direct the Paying Agent/Registrar to call such Certificates in such principal amounts for redemption. Where only a portion of the Certificates within a single maturity are called for redemption, the Certificates to be called shall be determined by lot.

(b) A portion of a single Certificate of a denomination greater than \$1,000 may be redeemed, but only in a principal amount equal to \$1,000 or any integral multiple

thereof. The Paying Agent/Registrar shall treat each \$1,000 portion of the Certificate as though it were a single Certificate for purposes of selection for redemption.

(c) Upon surrender of any Certificate for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Ordinance, shall authenticate and deliver and exchange Certificate or Certificates in an aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

(d) The Paying Agent/Registrar shall promptly notify the City in writing of the principal amount to be redeemed of any Certificate as to which only a portion thereof is to be redeemed.

#### Section 4.04. Notice of Redemption to Holders.

(a) The Paying Agent/Registrar shall give notice of any redemption of Certificates by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Certificate (or part thereof) to be redeemed, at the address shown on the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Certificates are to be surrendered for payment, and, if less than all the Certificates outstanding are to be redeemed, an identification of the Certificates or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice.

#### Section 4.05. Payment Upon Redemption.

(a) Before or on each redemption date, the Paying Agent/Registrar shall make provision for the payment of the Certificates to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the City sufficient to pay the principal of, premium, if any, and accrued interest on such Certificates.

(b) Upon presentation and surrender of any Certificate called for redemption at the principal corporate office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, premium, if any, and accrued interest on such Certificate to the date of redemption from the money set aside for such purpose.

Section 4.06. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.04. of this Ordinance, the Certificates or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the City defaults in the payment of the principal thereof, premium, if any, or accrued interest thereon, such Certificates or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Certificates are presented and surrendered for payment on such date.

(b) If any Certificate or portion thereof called for redemption is not so paid upon presentation and surrender of such Certificate for redemption, such Certificate or portion thereof shall continue to bear interest at the rate stated on the Certificate until paid or until due provision is made for the payment of same.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

(a) The City hereby appoints The First National Bank, Anderson, Texas, as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the City and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfer and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the Owners and record in the Register the address of such Owner of each Certificate to which payments with respect to the Certificates shall be mailed, as provided herein. The City or its designee shall have the right to inspect the Register during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificates. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Certificates, and of all conversions and exchanges of such Certificates, all conversions and replacements of such Certificates, as provided in the Ordinance. Notwithstanding the above, for so long as the Certificates are held by the United States of America, the City may make payments directly to the United States of America, by and through Rural Utilities Service, or its successor agency, at its servicing office which is currently located in Bryan, Texas.

Section 5.02. Qualifications. Each Paying Agent/Registrar shall be (i) a bank, trust company, financial institution, or other entity duly qualified and legally authorized under the laws of the United States or of any state thereof, (ii) authorized under such laws to exercise trust powers, (iii) subject to supervision or examination by a federal or state governmental authority, and (iv) a single entity.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Certificates are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.02. of this Ordinance.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

(c) The execution and delivery of a Paying Agent/Registrar Agreement, in form and content as set forth in Exhibit A attached hereto, specifying the duties and responsibilities of the City and the Paying Agent/Registrar, is hereby approved with such changes as may be approved by the Mayor of the City, and the Mayor of said City is hereby authorized to execute such agreement.

Section 5.04. Termination. The City reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the City (i) giving notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar.

Section 5.05. Notice of Change to Holders. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Holder by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

Section 5.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Certificates to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE CERTIFICATES

Section 6.01. Form Generally.

(a) The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Certificates, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Certificates, as evidenced by their execution thereof.

(b) Any portion of the text of any Certificates may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Certificates.

(c) The Certificates shall be typed, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Certificates, as evidenced by their execution thereof.

Section 6.02. Form of Certificate. The form of Certificates, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Certificates, shall be substantially as follows:

(a) [Form of Certificate]

REGISTERED

REGISTERED

No. \_\_\_\_\_

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

United States of America  
State of Texas  
TOWN OF ANDERSON, TEXAS  
COMBINATION TAX AND SEWER SYSTEM REVENUE  
CERTIFICATES OF OBLIGATION  
SERIES 1998

Interest Rate: \_\_\_\_\_%      Original Issue Date: \_\_\_\_\_, 1998      Delivery Date: \_\_\_\_\_      Maturity Date: \_\_\_\_\_

Registered Owner:

Principal Amount: \_\_\_\_\_ DOLLARS

The Town of Anderson, Texas (the "City") in the County of Grimes, State of Texas, for value received, hereby promises to pay to the order of the Registered Owner named above, or registered assigns, on the Maturity Date specified above, the Principal Amount hereinabove stated (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the later of the Delivery Date to the Initial Purchasers, or the most recent date to which the interest has been paid by check or duly provided for, at the per annum rate of interest specified above computed on the basis of a 365-day year, such interest to be paid semiannually on February 1 and August 1 of each year, commencing with the February 1 or August 1 immediately following the Delivery Date.

The principal of this Certificate shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Certificate at the principal corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon. Interest on this Certificate is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangements. For the purpose of the payment of interest on this Certificate, the registered owner shall be the person in whose name this Certificate is registered at the close of business on the "Record Date," which shall be the fifteenth day of the month next preceding such interest payment date.

Notwithstanding any provision of this Certificate or the Ordinance to the contrary, as long as the registered owner is the United States of America, payment shall be made by the Issuer directly to the current servicing office as directed by the owner.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse side hereof, and such further provisions shall for all purposes have the same effect as if set forth on the face hereof.

If a day for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City in which

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

This Certificate is one of a series of fully registered Certificates specified in the title hereof issued in the aggregate principal amount of \$260,000 (herein referred to as the "Certificates") and issued pursuant to a certain Ordinance of the City Council of the City (the "Ordinance") for the purpose of constructing a sewer system for the City, and professional services related thereto.

This Certificate and all the Certificates of the series of which it is a part are payable as to both principal and interest from a direct and continuing ad valorem tax, within the limits prescribed by law, against all taxable property within the City, and a first lien on and pledge of the Net Revenues of the City's Sewer System; for a more complete statement of the covenants and provisions securing the payment of this Certificate and the series of which it is one, reference is hereby made to the Ordinance authorizing this series of Certificates.

The City expressly reserves the right to issue further and additional obligations equally secured by a lien on and pledge of the Net Revenues of the City's Sewer System on a parity with the Certificates of this issue; provided, however, that any and all such additional parity obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Ordinance authorizing this series of Certificates and to which Ordinance reference is hereby made for more complete and full particulars.

The City has reserved the option to redeem the Certificates before their respective scheduled maturities in whole or in part and in inverse order of the maturities thereof then outstanding, in integral multiples of \$1,000 on any date hereafter, at a price equal to the principal amount of the Certificates so called for redemption plus accrued interest to the redemption date.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Certificates to be redeemed in whole or in part. Notice having been so given, the Certificates or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice, and from and after such date, notwithstanding that any of the Certificates or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Certificates or portions thereof shall cease to accrue.