

(b) [Form of Certificate of Paying Agent/Registrar]

CERTIFICATE OF PAYING AGENT/REGISTRAR

This is one of the Certificates referred to in the within mentioned Ordinance. The series of Certificates of which this Certificate is a part was originally issued as one Initial Certificate which was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

_____, Texas
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(c) [Form of Assignment]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ / _____ / _____
(Please print or typewrite name, address and zip code of Transferee) (Please insert Social Security or other identifying number.)
_____ the within Certificate and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Certificate in every particular and must be guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers.

Authorized Signatory

(d) The Initial Certificate shall be in the respective form set forth therefor in paragraph (a) of this Section, except as follows:

(1) Heading and paragraph one shall be amended to read as follows:

REGISTERED
No. T-1

\$260,000

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: Delivery Date: Maturity Date:
as shown below _____, 1998 _____ as shown below

Registered Owner: UNITED STATES OF AMERICA

Principal Amount: TWO HUNDRED SIXTY THOUSAND 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 on February 1 in the years and in principal installments in accordance with the following schedule:

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
-------------	-----------------------------	--------------------------

(Information to be inserted from
schedule in Section 3.02 hereof.)

(of so much principal thereof as shall not have been prepaid prior to maturity) and to pay interest on the unpaid principal installments 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 rates of interest specified above computed on the basis of a 365-day year; such interest being payable on February 1 and August 1 in each year, commencing February 1 or August 1, immediately following the Delivery Date. Principal installments of this Certificate are payable in the year of maturity or on a

prepayment date to the Registered Owner hereof by The First National Bank, Anderson, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its principal offices in Anderson, Texas. Interest is payable to the Registered Owner of this Certificate whose name appears on the "Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the fifteenth day of the month next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. All payments of principal of, premium, if any, and interest on this Certificate shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

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

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

§
§
§
§
§

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Certificate, and that this Certificate has been registered this day by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

Section 6.03. CUSIP Registration. The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York and may authorize the printing of such numbers on the face of the Certificates. It is expressly provided, however, that the presence or absence of CUSIP numbers on the

Certificates shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Certificates as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Certificates.

ARTICLE VII

FUNDS AND ACCOUNTS, INITIAL DEPOSITS AND APPLICATION OF MONEY

Section 7.01. Funds. All revenues of the System shall be kept separate and apart from all other funds of the City, and the following special funds heretofore created and established by the Ordinance authorizing the issuance of the Certificates are hereby confirmed and shall be established and maintained in an official depository bank of the City, so long as any of the Certificates, Additional Obligations, or interest thereon, are outstanding and unpaid:

- (a) Town of Anderson, Texas Combination Tax and Sewer System Revenue Certificates of Obligation, Series 1998 Revenue Fund, hereinafter called "Revenue Fund."
- (b) Town of Anderson, Texas Combination Tax and Sewer System Revenue Certificates of Obligation, Series 1998 Interest and Sinking Fund, hereinafter called "Interest and Sinking Fund."
- (c) Town of Anderson, Texas Combination Tax and Sewer System Revenue Certificates of Obligation, Series 1998 Reserve Fund, hereinafter called "Reserve Fund."

Section 7.02. Revenue Fund. All gross revenues of every nature received from the operation and ownership of the System shall be deposited from day to day as collected into the Revenue Fund, and the reasonable, necessary and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into other Funds created by this Ordinance, in the manner and amounts hereinafter provided, and each of such Funds shall have priority as to such deposits in the order in which they are treated in the following Sections.

Section 7.03. Interest and Sinking Fund. There shall be deposited into the Interest and Sinking Fund the following:

- (a) Concurrently with the delivery of the Certificates, there shall be deposited in the Interest and Sinking Fund the sum of \$7,500 from the proceeds of the sale of the

Certificates for the purpose of making payments to capitalized interest during construction of the Sewer System Project.

(b) such amounts, in equal monthly installments, made on or before the 10th day of each month hereafter, as will be sufficient to pay the interest scheduled to come due on the Certificates on the next interest payment date; and

(c) such amounts, in equal monthly installments, made on or before the 10th day of each month hereafter, as will be sufficient to pay the next maturing principal of the Certificates.

The Interest and Sinking Fund shall be used to pay the principal of and interest on the Certificates as such principal matures and such interest comes due.

Section 7.04. Reserve Fund. The aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount equal to the average annual principal and interest requirements for the Certificates, and such additional amount shall be accumulated within 121 months from the Original Issue Date by the deposit in the Reserve Fund of the necessary sums in equal monthly installments on or before the 10th day of each month after the Original Issue Date. No deposits shall be required to be made into the Reserve Fund as long as the Reserve Fund contains said aggregate amount, but if and whenever said Reserve Fund is reduced below said aggregate amount, the aforesaid monthly deposits into the Reserve Fund shall be resumed and continued until such time as the Reserve Fund has been restored to said aggregate amount. The Reserve Fund shall be used to pay the principal of or interest on the Outstanding Certificates, Certificates and Additional Obligations, at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose. Money in the Reserve Fund may, upon authorization by the City Council, be invested, to the extent permitted by law, in direct obligations of, or obligations, the principal of and interest on which are guaranteed, by the United States of America, or invested in direct obligations of the Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Federal Home Loan Banks, or Banks for Cooperatives, provided that each of the aforesaid obligations must mature, or be subject to redemption at the option of the holder thereof, within not more than ten years from the date of the making of such investment. Any obligations in which money in the Reserve Fund is so invested shall be kept and held in escrow and in trust for the benefit of the holders of the Outstanding Certificates, Certificates, and any Additional Obligations, and shall be promptly sold and the proceeds of sale applied to making of payments all required to be made from the Reserve Fund.

Section 7.05. Deficiencies in Funds. If in any month the City shall fail to deposit into any Fund created by this Ordinance the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and

unallocated Net Revenues of the System for the following month or months, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months. To the extent necessary, the City shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 7.06. Security for Funds. All funds created by this Ordinance shall be secured in the manner and to the fullest extent permitted by law for the security of public funds, and such funds shall be used solely for the purposes permitted by this Ordinance; provided, however, that the Certificate proceeds shall be placed in a state or federal depository institution that has federally insured accounts.

Section 7.07. Excess Revenues and Final Payment.

(a) The Net Revenues of the System, in excess of those necessary to establish and maintain the funds as required in this Ordinance authorizing the Certificates, or as hereafter may be required in connection with the issuance of Additional Obligations, may only be used to make prepayments on the Certificates; provided, however, this Section shall not affect any outstanding surplus revenue pledge made prior to this Ordinance.

(b) Whenever the total amount in the Interest and Sinking Fund and the Reserve Fund shall be equivalent to (i) the aggregate principal amount of all Additional Obligations plus (ii) the aggregate amount of all unpaid coupons thereto appertaining unmatured and matured, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund.

Section 7.08. Construction Fund. The Construction Fund shall be capitalized from proceeds of the sale of the Certificates in an amount to cover contractual obligations associated with the construction of the System.

Section 7.09. Initial Deposits. On each Delivery Date, the City shall cause the proceeds from the sale of the Certificates then delivered to be deposited to the credit of a construction fund or funds.

ARTICLE VIII

ADDITIONAL OBLIGATIONS

Section 8.01. Additional Obligations. The City reserves the right to issue additional Certificates or other obligations, to be known as Additional Obligations, which when issued and delivered, shall be payable from and secured by a lien on and pledge of the Net Revenues of the System, in the same manner and to the same extent as the Certificates; and the Certificates and all Additional Obligations shall in all respects be on a parity and of equal dignity. The Additional Obligations may be issued in one or more installments or

series, provided, however, that no installment or series of Additional Obligations shall be issued unless:

(a) A certificate is executed by the Mayor and City Secretary of the City to the effect that no default exists in connection with any of the covenants or requirements of the ordinance or ordinances authorizing the issuance of all Certificates and Additional Obligations then outstanding;

(b) A certificate is executed by the Mayor and City Secretary of the City to the effect that the Interest and Sinking Fund and Reserve Fund contain the amounts then required to be on deposit therein;

(c) A certificate is executed by a Certified Public Accountant to the effect that, in his opinion, the Net Earnings of the System for the fiscal year of the City following the year in which the proposed Additional Bonds are to be issued will be at least 120% times the average annual principal and interest requirements for all then Outstanding Certificates, Additional Obligations, if any, and the proposed Additional Obligations;

(d) The Additional Obligations are scheduled to mature only on February 1 in each of the years in which they are scheduled to mature;

(e) Except for Additional Obligations to complete the project, the Ordinance authorizing the issuance of such installment or series of Additional Obligations provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the average annual principal and interest requirements for said Additional Obligations, and that such additional amount shall be so accumulated within 121 months from the date of the Additional Obligations, by the deposit in the Reserve Fund of the necessary sums in equal monthly installments; provided, however, that the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the average annual principal and interest requirements for all then Outstanding Certificates, Additional Obligations, if any, and for the installment or series of Additional Obligations then proposed to be issued;

(f) All calculations of average annual principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Obligations then proposed to be issued.

The term "Net Earnings of the System" shall mean the gross revenues of the entire System, together with all present and future improvements, extensions, additions thereto, and replacements thereof, after deducting the expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service. Only such repairs and extensions as in the judgment of the City Council of the City, reasonably and fairly exercised, are necessary to keep the System in

operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which might otherwise impair the Outstanding Certificates, or any Additional Obligations, shall be deducted in determining the "Net Earnings of the System." Provided, however, that in calculating Net Revenues there shall not be deducted as an expense of operation and maintenance any charge or disbursement for repairs or extensions which, under standard accounting practice, should be charged to capital expenditures. Notwithstanding the foregoing, it shall not be necessary for the City to meet the above requirements to issue Additional Obligations if the City obtains the written consent of the holders of at least 75% of each of the then Outstanding Certificates, Certificates and Additional Obligation issues.

Section 8.02. Subordinate Lien Obligations. Except as otherwise permitted by applicable Texas law, so long as the United States of America holds any Certificates, the City will not issue any Certificates, notes, or pledge of Net Revenues that are junior and subordinate to the lien on pledge of Net Revenues securing payment of the Certificates without the prior written consent of the United States of America. Otherwise, the City may issue such subordinate lien indebtedness subject only to any restrictions as may be imposed by law.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Rates. The City further covenants and agrees with the Holders of the Certificates and Additional Obligations as follows:

(a) that it will at all times charge and collect for services rendered by the System, rates sufficient to pay all the operating, maintenance, depreciation, replacement and betterment expenses, and other costs deductible in determining "Net Revenues", as herein defined, and to produce each month Net Revenues in an amount not less than the amounts required to accumulate and maintain the Funds herein created; and

(b) that if the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 9.02. Maintenance and Operation; Insurance. While any of the Certificates are outstanding, the City covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of the Certificates, of a kind in an amount which usually would be carried by private companies engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City

to expend any funds which are derived from sources other than the System, but nothing herein shall be construed as preventing the City from doing so.

Section 9.03. Accounts and Fiscal Year. The City shall keep proper books of records and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the System, and shall have said books audited once each fiscal year by a certified public accountant. The City agrees to operate the System and keep its books of records and accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the City Council may change such fiscal year by ordinance duly passed, if such change is deemed necessary by the City Council.

Section 9.04. Accounting Reports. Within 90 days after the close of each fiscal year hereafter, the City will furnish, without cost to any holder of any outstanding Certificates who may so request, a signed or certified copy of a report by a certified public accountant, covering the next preceding fiscal year, showing the following information:

- (a) A detailed statement of all gross revenues of the System and all expenses of operation and maintenance thereof for said fiscal year;
- (b) Balance sheet as of the end of said fiscal year;
- (c) Accountant's comments regarding the manner in which the City has complied with the requirements of this Ordinance and his recommendations, if any, for any changes or improvements in the operation of the System;
- (d) List of insurance policies in force at the end of said fiscal year, showing as to each policy, the risk covered, the amount of the policy, the name of the insurer, and the expiration date;
- (e) The number of properties served by the System, and the gross revenues from the System for said fiscal year;

Provided, however, for as long as the Certificates are held by the United States of America, the City will mail a copy of this information within the 90 day period without the necessity of a request to the United States of America, Rural Utilities Service, at its servicing office which is currently located in Bryan, Texas.

Section 9.05. Performance of Duties. The City further covenants and agrees that it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Texas, including the making and collecting of reasonable and sufficient rates for sewer services supplied by the System, and the

segregating and application of the revenues of the System as required by the provisions of this Ordinance.

Section 9.06. Inspection. Any holder or holders of any Certificates shall have the right at all reasonable times to inspect the System and all records, accounts, and data of the City relating thereto.

Section 9.07. Competition. That so far as it legally may, the City covenants and agrees, for the protection and security of the Certificates and Additional Obligations and the holders thereof from time to time, that it will not grant a franchise for the operation of any competing sewer system in the City, until all Certificates and Additional Obligations shall have been retired.

Section 9.08. Special Covenants. The City further covenants and agrees by and through this Ordinance as follows:

(a) That it has the lawful power to pledge the revenues and taxes supporting this issue of Certificates and has lawfully exercised said power under the Constitution and laws of the State of Texas, including power existing under Articles 1111, et seq., Tex. Rev. Civ. Stat. Ann., as amended, and the Certificate of Obligation Act of 1971, Subchapter C of Chapter 271, Texas Local Government Code, as amended.

(b) That other than for the payment of the Certificates, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System that is on a parity with the Certificates.

(c) That it will duly and punctually keep, observe and perform each and every undertaking, covenant and condition on its part to be kept, observed and performed, contained in this Ordinance and in the ordinances authorizing any Additional Obligations, and that it will prior to the maturity of each installment of interest and prior to the maturity of each Certificate and Additional Obligation issued thereunder, make available at the principal office of the Paying Agent/Registrar, but only from the Interest and Sinking Fund, sufficient funds to promptly pay such principal and interest.

(d) That it will from time to time promptly pay and discharge all taxes, assessments, and other governmental charges, the lien of which would prior to the lien hereof, lawfully imposed upon the System or any part thereof or upon the income and proceeds thereof, so that the lien of the Outstanding Certificates, Certificates or Additional Obligations, when issued, shall at all time be wholly preserved at the cost of the City and without expense to the holders thereof; provided, however, that nothing in this Section contained shall require the City to pay or discharge any such tax, assessment or governmental charge so long as the validity thereof be by it in good faith contested.

(e) That while any of the Certificates are outstanding, the City will not sell or encumber the System or any substantial part thereof, and it will not encumber the revenues and income of the System except as provided by this Ordinance with respect to the issuance of Additional Obligations, unless such encumbrance is made junior or subordinate in all respects to the Certificates and all liens and pledges in connection therewith.

(f) That no free service of the System shall be allowed and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payments of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

(g) That nothing herein shall be construed to prevent the City from making contracts with a district, as authorized by Chapter 30, Texas Water Code, under which a district will make a disposal system available to the City, and will furnish waste collection, transportation, treatment, and disposal services to the City, a group of public agencies, or other persons through the district's disposal system. Such contracts may provide for the operation, or the acquisition by purchase or lease, of the City's waste treatment and disposal facilities or system, in whole or in part, by the district.

Section 9.09. Covenants Regarding Tax Exemption. The City covenants to refrain from taking any action which would adversely affect, and to take any required action to ensure, the treatment of the Certificates as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Certificates, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in Subsection (a) hereof exceeds 5 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any), then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of Section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Certificates being treated as "private activity bonds" within the meaning of Section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Certificates being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Certificates, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Certificates, other than investment property acquired with--

(1) proceeds of the Certificates invested for a reasonable temporary period of 3 years or less or, in the case of a refunding certificate, for a period of 30 days or less until such proceeds are needed for the purpose for which the Certificates are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Certificates;

(g) to otherwise restrict the use of the proceeds of the Certificates or amounts treated as proceeds of the Certificates, as may be necessary, so that the Certificates do not otherwise contravene the requirements of Section 148 of the Code (relating to arbitrage) and, to the extent applicable, Section 149(d) of the Code (relating to advance refundings);

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of Section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under Section 148(f) of the Code; and

(i) to maintain such records as will enable the City to fulfill its responsibilities under this Section and Section 148 of the Code, and to retain such records for at least six years following the final payment of principal and interest on the Certificates.

In order to facilitate compliance with the above covenants (g), (h) and (i), a "Rebate Fund" is hereby established by the City for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code. To the extent this issue remains under \$5,000,000, the City will rely on the small issuer exception under Section 148(f)(4)(D).

It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificates, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificates, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificates under Section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificates.

Section 9.10. Additional Certifications. Proper officers of the City charged with the responsibility of issuing the Certificates are hereby directed to make, execute and deliver certifications as to facts, estimates and circumstances in existence as of the Closing Date and stating whether there are any facts, estimates or circumstances that would materially change the City's current expectations.

Section 9.11. Benefit of Covenants. The covenants and representations made or required by this Article are for the benefit of the Holders and may be relied upon the Holders and bond counsel for the City.

Section 9.12. Continuing Disclosure. The aggregate principal amount of the Certificates is less than \$1,000,000, and therefore, SEC Rule 15c2-12 is not applicable to the offering of the Certificates. Accordingly, the City does not intend to make any contract to provide continuing information after the issuance of the Certificates.

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01. Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, the failure to perform which materially, adversely affects the rights of the Holders, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Holder to the City.

Section 10.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Holder or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights to the Holders under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Holders hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Holders of Certificates then outstanding.

Section 10.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Certificates or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Certificates shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XI

DISCHARGE

Section 11.01. Discharge by Payment. When all Certificates have been paid in full as to principal and as to interest and premium, if any, or when all Certificates have become due and payable, whether at maturity or by prior redemption or otherwise, and the City shall have provided for the payment of the whole amount due or to become due on all Certificates then outstanding, including all interest that has accrued thereon or that may accrue to the date of maturity or prior redemption, and any premium due or that may become due at maturity or prior redemption, by depositing with the Paying Agent/Registrar, for payment of the principal of such outstanding Certificates and the interest accrued thereon and any premium due thereon, the entire amount due or to become due thereon, and the City shall also have paid or caused to be paid all sums payable under this Ordinance by the City, including the compensation due or to become due the Paying Agent/Registrar, then the Paying Agent/Registrar, upon receipt of a letter of instructions from the City requesting the same, shall discharge and release the lien of this Ordinance and execute and deliver to the City such releases or other instruments as shall be requisite to release the lien hereof.

ARTICLE XII

LAPSE OF PAYMENT

Section 12.01. Lapse of Payment.

(a) Unclaimed Payments shall be segregated in a special escrow account and held in trust, uninvested, for the account of the Owner of the Certificates to which the Unclaimed Payments pertain.

(b) Subject to any escheat, abandoned property or similar law, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for four years after the applicable payment or redemption date shall be applied to the next payment or payments on the Certificates thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Certificates, shall be paid to the City to be used for any lawful purpose. Thereafter, neither the City, the Paying Agent/Registrar nor any other person shall be liable or responsible to any Holders of such Certificates for any further payment of such unclaimed moneys or on account of any such Certificates, subject to any applicable escheat law or similar law.

ARTICLE XIII

ESCROW AGREEMENT; PROCEDURES FOR DELIVERY OF THE CERTIFICATES

Section 13.01. Escrow Agreement. The execution and delivery of an Escrow Agreement with respect to the Certificates, substantially in form and content as set forth in Exhibit B attached hereto and incorporated herein by reference, is hereby approved with such changes as may be authorized by the Mayor of the City evidenced by execution of the Escrow Agreement, and the Mayor of the City is hereby authorized to execute such agreement on behalf of the City.

Section 13.02. Procedures for Delivery of the Certificates.

(a) After the Initial Certificate has been approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, the City shall cause the Initial Certificate to be deposited with the Paying Agent/Registrar, which shall cancel the Initial Certificate and register definitive Certificates in the name of the Purchaser in accordance with Section 3.04 of this Ordinance.

(b) On the Closing Date, and thereafter, on each Delivery Date, upon receipt of a written instruction from the City and upon receipt from the Purchaser of a sum equal to the principal amount of the Certificates being delivered, the Paying Agent/Registrar shall deliver an installment of Certificates to the Purchaser.

(c) The Paying Agent/Registrar, as escrow agent, shall hold and deliver the remaining Certificates held in escrow pursuant to the provisions of the Escrow Agreement.

(d) On the applicable date of delivery for each of the Certificates, the Paying Agent/Registrar shall insert such date of delivery on each delivered Certificate under the column designated "Delivery Date."

(e) On each Delivery Date, the City shall receive an amount of proceeds equal to the par value of the Certificates being delivered and the City shall deposit such proceeds as may be directed by the Mayor.

(f) The City on each Delivery Date shall issue a receipt of payment signed by the Mayor or City Secretary and dated as of the particular Delivery Date setting out the amount of proceeds received, which receipt shall be delivered to the Purchaser or its assigns. The City on each Delivery Date shall also execute a signature identification and no-litigation certificate signed by the Mayor and City Secretary and dated as of the particular Delivery Date, and shall require Bickerstaff, Heath, Smiley, Pollan, Keever & McDaniel, L.L.P., Bond Counsel for the City, to issue a supplemental, approving opinion,

EXHIBIT "A"


Paying Agent/Registrar Agreement

EXHIBIT "B"

Escrow Agreement

acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of TEX. GOV'T CODE ANNOTATED, Chapter 551, as amended.

PASSED AND APPROVED this 14 day of May, 1998.



Mayor
Town of Anderson, Texas

ATTEST:



City Secretary
Town of Anderson, Texas

[SEAL]

Anderson 98 CO\Anderson 98 CO-ordinanc authorizing issuance rev-imp.wpd



Ordinance authorizing Issuance of Certificates: This document is executed by the Mayor and City Secretary and the seal of the City affixed. All six copies attached will need to be executed.