

ORDINANCE AUTHORIZING THE ISSUANCE OF \$1,250,000
VILLAGE OF JAMAICA BEACH, TEXAS, WATER AND
SEWER SYSTEM REVENUE BONDS, SERIES 1987

87-12

BE IT ORDAINED BY THE VILLAGE COUNCIL OF THE VILLAGE OF
JAMAICA BEACH, TEXAS:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1: Findings and Determinations. It is hereby
officially found and determined that:

(a) The Village of Jamaica Beach, Texas (the "City")
owns and operates a water and sewer system (hereinafter
defined as the System).

(b) The City is authorized pursuant to Articles 1111,
et seq, Vernon's Texas Civil Statutes, as amended, to issue
bonds payable from the net revenues of such system, and
pursuant to Article 1112, Vernon's Texas Civil Statutes, as
amended, is authorized to issued such bonds without an
election to provide money for acquisitions, extensions,
construction, improvement or repair of such system.

(c) The Village Council of the City, by ordinance
adopted on December 7, 1987, authorized and directed the
giving of notice as required by Chapter 252, Texas Local
Government Code, of its intention to issue the bonds
authorized under this Ordinance.

(d) Such notice was posted for the time required by
law at the City Hall of the City, and the City has not
received any petition for a referendum concerning the
issuance of such bonds.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. In this Ordinance, the fol-
lowing terms shall have the following meanings, unless the
context clearly indicates otherwise:

"Maintenance and Operation Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the payment of bonds payable from Net

Board.
"Issuance Date" shall mean the date on which the Bonds are delivered to and paid for by the Texas Water Development

such Bond.
October 1 thereafter until maturity or earlier redemption of any Bond, shall mean October 1, 1988, and each April 1 and "Interest Payment Date", when used in connection with

Bonds.
"Gross Revenues" shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System (but excluding any utility deposits), the interest income from the investment or deposit of money in any of the funds created or maintained pursuant to this Ordinance and any other revenues hereafter pledged to the payment of all Parity

successor to the City as owner of the System.
"City" shall mean the Village of Jamaica Beach, Texas, and, where appropriate, the Village Council thereof and any

Bonds, Series 1987, authorized by this Ordinance.
"Bonds" or "Series 1987 Bonds" shall mean the Village of Jamaica Beach, Texas, Water and Sewer System Revenue

Bonds.
"Average Annual Principal and Interest Requirements" shall mean the average annual principal and interest requirements for all Prior Lien Bonds, which, upon the issuance of the Bonds, are hereby determined to be \$ _____ and which shall be recomputed upon the issuance of each series of Additional Parity Bonds and set forth in each ordinance authorizing the issuance of Additional Parity

"Additional Prior Lien Bonds" shall mean the additional parity revenue bonds permitted to be issued by the City pursuant to Section 6.1 of this Ordinance.

"Registrar" shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts registered to, each owner.

"Record Date" shall mean March 15 for interest payments due on April 1 and September 15 for interest payments due on October 1.

"Prior Lien Bonds" shall mean the Bonds and each series of Additional Parity Bonds from time to time issued pursuant to Section 6.1 of this Ordinance, but only to the extent such Parity Bonds remain Outstanding within the meaning of this Ordinance.

"Paying Agent" shall mean the Registrar.

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

"Outstanding" when used with reference to Prior Lien Bonds, shall mean, as of a particular date, all such bonds theretofore and thereupon delivered except: (a) any such bond cancelled by or on behalf of the City at or before said date, (b) any such bond defeased or no longer considered Outstanding pursuant to the provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law and (c) any such bond in lieu of or in substitution for which another bond shall have been delivered pursuant to the ordinance authorizing the issuance of such bond.

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

"Net Revenues" shall mean all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

Revenues), and all payments under contracts now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

Section 3.3: Numbers, Denomination, Interest Rates and Maturities. The Bonds shall be issued bearing the numbers, in the principal amounts, and bearing interest at the rates set forth in the following schedule, and may be transferred

Section 3.2: Designation, Date, and Interest. The Bonds shall be designated as "Village of Jamaica Beach, Texas, Water and Sewer System Revenue Bonds, Series 1987," and shall be dated December 1, 1987. The Bonds shall bear interest from the later of the Issuance Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360 day year of twelve 30 day months, interest payable on October 1, 1988, and semiannually thereafter on April 1 and October 1 of each year until maturity or prior redemption.

Section 3.1: Authorization and Authorized Amount. The Bonds shall be issued in fully registered form, without coupons, in the total authorized aggregate amount of \$1,250,000 for the purpose of acquiring, extending, constructing, improving and repairing, any and all sewer improvements and facilities of the City, pursuant to Article III et seq, Vernon's Texas Civil Statutes, as amended.

TERMS OF THE BONDS

ARTICLE III

Section 2.2: Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The 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. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Bonds.

"Registrar" shall mean First Republic Bank, Houston, Texas, and its successors in that capacity.
"System" shall mean the water and sewer system of the City, including all future extensions, replacements, additions and improvements to said System.

Section 3.4: Execution of Bonds; Seal. The Bonds shall be signed on behalf of the City by the Mayor and counter- signed by the City Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Bond Number	Principal Amount	Year of Maturity	Interest Rate
R-1	\$ 35,000	1989	5.70%
R-2	40,000	1990	5.95%
R-3	45,000	1991	6.15%
R-4	45,000	1992	6.35%
R-5	50,000	1993	6.60%
R-6	55,000	1994	6.80%
R-7	60,000	1995	7.00%
R-8	65,000	1996	7.20%
R-9	70,000	1997	7.40%
R-10	75,000	1998	7.55%
R-11	80,000	1999	7.70%
R-12	85,000	2000	7.80%
R-13	95,000	2001	7.90%
R-14	100,000	2002	8.00%
R-15	110,000	2003	8.10%
R-16	115,000	2004	8.15%
R-17	125,000	2005	8.15%

and exchanged as set out in this Ordinance. The Bonds shall mature, subject to prior redemption in accordance with this Ordinance, on April 1 in each of the years and in the amounts set out in such schedule. Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

If the date for the payment of principal or interest shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized by law or executive order to close, and payment on such date shall have

Section 3.7. Payment of Principal and Interest. The Registrar is hereby appointed as the registrar and paying agent for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Registrar. The interest on each Bond shall be paid by check payable on the interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register. Any accrued interest payable at maturity or earlier redemption shall be paid upon presentation and surrender of the Bond to which such interest appertains.

Section 3.6. Authentication. Except for the Bonds to be initially issued, which need not be authenticated, only such Bonds as shall bear thereon a certificate of authentication, substantially in the form provided in Section 4.1 of this Ordinance, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bond so authenticated was delivered by the Registrar hereunder.

Section 3.5: Approval By Attorney General; Registration by Comptroller. The Bonds to be initially issued shall be delivered to the Attorney General of Texas for examination and approval and shall be registered by the Comptroller of Public Accounts of the State of Texas. The manually executed registration certificate of the Comptroller of Public Accounts substantially in the form provided in Section 4.1 of this Ordinance shall be affixed or attached to the Bonds to be initially issued.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall authenticate and deliver in

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

Section 3.9. Owners. The City, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Section 3.9 shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Bond to the extent of the sums paid.

Section 3.8. Successor Registrars. The City covenants that at all times while any Bonds are outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Registrar for the Bonds. The City reserves the right to change the Registrar for the Bonds on not less than 60 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or a copy thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

the same force and effect as if made on the original date such payment was due.

exchange therefor, within 72 hours after such presentation, a new bond or bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the bond or bonds so presented.

All bonds shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Registrar for a bond or bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the bond or bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange bonds in accordance with the provisions of this Section 3.10. Each bond delivered in accordance with this Section 3.10 shall be entitled to the benefits and security of this Ordinance to the same extent as the bond or bonds in lieu of which such bond is delivered.

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

The Registrar shall not be required to transfer or exchange any bond called for redemption during the period beginning 45 days prior to the date fixed for redemption and ending on the date fixed for redemption; provided, however, that this limitation shall not apply to the exchange by the Owner of the unredeemed portion of a bond called for redemption in part.

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

Section 3.12. Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Registrar of a mutilated bond, the Registrar shall authenticate and deliver in exchange therefor a replacement bond of like maturity, interest rate and principal amount, bearing a number not

2.12.1000
1000
1000

contemporaneously outstanding. The City or the Registrar may require the Owner of such bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar.

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

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

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

(3) Paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and

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

If, after the delivery of such replacement bond, a bona fide purchaser of the original bond in lieu of which such replacement bond was issued presents for payment such original bond, the City and the Registrar shall be entitled to recover such replacement bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken bond has become or is about to become due and payable, the City in its discretion may, instead of

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Registrar at least thirty days prior to the date fixed for redemption by sending written notice by first class mail to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which Bonds are to be surrendered for payment and, if less than all Bonds Outstanding are to be redeemed, the numbers of the Bonds or portions thereof to be redeemed. Any notice given as provided in this Section 3.13 shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for

Principal amounts may be redeemed only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 3.10 hereof, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 3.13: Optional Redemption. The City reserves the right, at its option, to redeem prior to maturity the Bonds maturing on or after April 1, 1996, in whole or from time to time in part, on April 1, 1995, and on any date thereafter, at par plus accrued interest on the Bonds called for redemption to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities to be redeemed, and if less than all of the Bonds within a stated maturity are to be redeemed, the City shall select the particular Bonds or portions thereof to be redeemed.

Each replacement Bond delivered in accordance with this Section 3.12 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

issuing a replacement Bond, authorize the Registrar to pay such Bond.

The Village of Jamaica Beach, Texas, a municipal corporation duly incorporated under the laws of the State of Texas (herein the "City") for value received, promises to pay, but solely from certain Net Revenues as hereinafter

REGISTERED OWNER:
PRINCIPAL AMOUNT: DOLLARS

INTEREST RATE: MATURITY DATE: ISSUANCE DATE: CUSIP:

VILLAGE OF JAMAICA BEACH, TEXAS
Water and Sewer System Revenue Bond
Series 1987

NUMBER REGISTERED
R-
AMOUNT REGISTERED

United States of America
State of Texas

(Face of Bond)

Section 4.1: Forms. The form of the Bonds, including the form of the Registrar's authentication certificate, the form of assignment, and the form of the Comptroller's Registration Certificate for the bonds to be initially issued, shall be substantially as follows, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Ordinance:

FORM OF BONDS AND CERTIFICATES

ARTICLE IV

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

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS aggregating \$1,250,000, issued pursuant to an ordinance adopted by the Village Council of the City (herein the "Ordinance") for the purpose of acquiring, extending, constructing, improving and repairing any and all sewer

(Back Panel of Bond)

City Secretary

XXXXXXXXXX

Mayor

XXXXXXXXXX

TEXAS

(AUTHENTICATION CERTIFICATE) (SEAL) VILLAGE OF JAMAICA BEACH,

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

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

provided, to the Registered Owner identified above or registered assigns, on the date specified above, upon presentation and surrender of this bond at the principal corporate trust office of First Republic Bank, Houston, Texas (the "Registrar"), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate shown above, calculated on the basis of a 360 day year of twelve 30 day months, from the later of the issuance date shown above, or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable by check payable on October 1, 1988, and each April 1 and October 1 thereafter until maturity or earlier redemption, mailed to the registered owner of record as of the previous September 15 and March 15 as shown on the books of registration kept by the Registrar. The date of this bond is December 1, 1987, but interest shall accrue on the principal amount hereof from the Issuance Date.

Improvements and facilities of the City, pursuant to Article 1111 et seq, Vernon's Texas Civil Statutes, as amended.

THIS BOND AND THE SERIES OF WHICH IT IS A PART are special obligations of the City that are equally and ratably payable from and secured by a first lien on certain Net Revenues of the City's water and sewer system which are pledged to and set aside for the payment of the bonds of this series and all other bonds issued on a parity therewith, in the interest and sinking fund and reserve fund maintained for the payment of all such bonds, all as more fully described and provided for in the Ordinance. This bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and do not constitute an indebtedness or general obligation of the City. The owner hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

THE CITY RESERVES THE RIGHT to redeem bonds maturing in the years 1996 and thereafter, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 1995, and on any date thereafter at par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. Reference is made to the Ordinance for complete details concerning the manner of redeeming the Bonds.

NOTICE OF ANY REDEMPTION shall be given at least thirty (30) days prior to the date fixed for redemption by first class mail, addressed to the registered owners of each bond to be redeemed in whole or in part at the address shown on the books of registration kept by the Registrar. When Bonds or portions thereof have been called for redemption, and due provision has been made to redeem the same, the principal amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the amounts called for redemption shall terminate on the date fixed for redemption.

THIS BOND is transferable only upon presentation and surrender at the principal corporate trust office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance.

Comptroller of Public Accounts
of the State of Texas
XXXXXXXXXXXX

(SEAL)

WITNESS MY SIGNATURE AND SEAL OF OFFICE THIS

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the Village of Jamaica Beach, Texas, payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this bond has this day been registered by me.

OFFICE OF THE COMPTROLLER

REGISTER NO.

THE STATE OF TEXAS

FORM OF REGISTRATION CERTIFICATE
OF COMPTROLLER OF PUBLIC ACCOUNTS

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

THE CITY HAS RESERVED THE RIGHT to issue additional parity revenue bonds, subject to the restrictions contained in the Ordinance, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the aforesaid Net Revenues in the same manner and to the same extent as this bond and the series of which it is a part.

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

attorney to transfer the within bond on the books kept for
registration thereof, with full power of substitution in the
premises.
irrevocably constitutes and appoints
the within bond and all rights thereunder, and hereby
(Please insert Social Security or Taxpayer Identification
Number of Transferee)
(Please print or type name, address, and zip code of
Transferee)

For value received, the undersigned hereby sells,
 assigns, and transfers unto

ASSIGNMENT

FORM OF ASSIGNMENT

By _____
 Authorized Signature
 Date of Authentication _____

_____ Austin, Texas

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

FORM OF AUTHENTICATION CERTIFICATE

Section 5.1: Pledge and Source of Payment. The city hereby covenants and agrees that all Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds hereinafter set forth, in order to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal, interest and any redemption premiums on the Prior Lien Bonds, and all expenses of paying same. The Prior Lien Bonds shall constitute special obligations of the City that shall be payable solely from, and shall be equally and ratably secured by a first lien on, the Net Revenues, as collected and received by the City from the operation and ownership of the System, which Net Revenues shall, in the manner hereinafter provided, be set aside for and pledged to the payment of the Prior Lien Bonds in the Prior Lien Bond Interest and Sinking Fund and the Prior Lien Bond Reserve Fund as hereinafter provided, and the Prior Lien Bonds shall be in all respects on a parity with and of equal dignity with one another. The Owners of the Prior Lien Bonds shall never have the right to demand payment of either the principal or interest on the Prior Lien Bonds out of any funds raised or to be raised by taxation.

SECURITY AND SOURCE OF
PAYMENT FOR ALL PRIOR LIEN BONDS

ARTICLE V

Section 4.2: Legal Opinion and Cusip Numbers. The approving opinion of Vinson & Elkins, Houston, Texas, and CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Registered Owner
 NOTICE: The signature above must correspond to the name of the registered owner as shown on the face of this bond in every particular, without any alteration, enlargement or change whatsoever.

Signature Guaranteed: _____

DATED: _____

The Revenue Fund shall be maintained as a separate account on the books of the City. The Prior Lien Bond Interest and Sinking Fund and the Prior Lien Bond Reserve Fund shall be maintained at an official depository bank of the City, separate and apart from all other funds and accounts of the City, shall constitute trust funds which shall be held in trust for the benefit of the holders of the Prior Lien Bonds, and the proceeds of which shall be and are hereby pledged to the payment of the Prior Lien Bonds. All of the Funds named above shall be used solely as provided in this Ordinance so long as any Prior Lien Bonds remain outstanding.

- (a) Waterworks and Sewer System Revenue Fund (the "Revenue Fund");
- (b) Prior Lien Waterworks and Sewer System Revenue Bond Interest and Sinking Fund (the "Prior Lien Bond Interest and Sinking Fund"); and
- (c) Prior Lien Waterworks and Sewer System Revenue Bond Reserve Fund (the "Prior Lien Bond Reserve Fund").

Section 5.3: Special Funds. The following special funds shall be maintained and accounted for as hereinafter provided so long as any of the Prior Lien Bonds remain outstanding:

The City covenants that it will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

- (a) to pay all Maintenance and Operation Expenses; and
 - (b) to produce Net Revenues in each fiscal year at least equal to the amount necessary to meet the debt service requirements on all bonds payable from Net Revenues, to maintain the funds established and required by this Ordinance, and to pay any other outstanding obligations payable from the Net Revenues of the System.
- Section 5.2: Rates and Charges. So long as any Prior Lien Bonds remain outstanding, there shall be fixed, charged and collected rates and charges for the use and services of the System, which shall be fully sufficient at all times:

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Section 5.4: Flow of Funds. All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Money from time to time on deposit to the credit of the Revenue Fund shall be applied as follows, in the following order of priority:

- (a) First, to pay Maintenance and Operation Expenses and to provide for the payment of all obligations incurred by the City for Maintenance and Operation Expenses, which may include an operating reserve equal to one month's estimated Maintenance and Operation Expenses.

- (b) Second, to make all deposits into the Prior Lien Bond Interest and Sinking Fund required by this Ordinance and any ordinance authorizing the issuing the issuance of Additional Prior Lien Bonds.

- (c) Third, to make all deposits into the Prior Lien Bond Reserve Fund required by this Ordinance and any ordinance authorizing the issuance of Additional Prior Lien Bonds.

- (d) Fourth, to make all deposits required by any ordinances authorizing the issuance of subordinate Lien obligations.

- (e) Fifth, for any lawful purpose.

Whenever the total amounts on deposit to the credit of the Prior Lien Bond Interest and Sinking Fund and the Prior Lien Bond Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all Outstanding Prior Lien Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Prior Lien Bond Interest and Sinking Fund or the Prior Lien Bond Reserve Fund, interest income on the amounts in such Funds may be transferred to the Revenue Fund, and such Prior Lien Bonds shall not be regarded as being Outstanding except for the purpose of being paid with the money on deposit in such Funds.

Section 5.5: Prior Lien Bond Interest and Sinking Fund. On or before the last business day of each month so long as any Prior Lien Bonds remain Outstanding, there shall be

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Section 5.6: Prior Lien Bond Reserve Fund. Immediately upon the delivery of the Bonds, there shall be deposited into the Prior Lien Bond Reserve Fund, from the City's existing Municipal Services Fund, the sum of \$65,000. On or before the last business day of each month thereafter so long as any Prior Lien Bonds remain Outstanding, after making the transfers into the Prior Lien Bond Interest and Sinking Fund required in the preceding Section, there shall be transferred into the Prior Lien Bond Reserve Fund from the Revenue Fund

Money deposited to the credit of the Prior Lien Bond Interest and Sinking Fund shall be used solely for the purpose of paying principal (either at maturity or prior redemption or to purchase Prior Lien Bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the Prior Lien Bonds, plus all bank charges and other costs and expenses relating to such payment. On or before each principal and/or interest payment date for the Prior Lien Bonds, the City shall transfer from the Prior Lien Bond Interest and Sinking Fund to the paying agents for the Prior Lien Bonds amounts equal to the principal, interest and redemption premiums payable on the Prior Lien Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment. The paying agents for the Prior Lien Bonds shall totally destroy all paid Prior Lien Bonds and shall provide the City with appropriate certificates of destruction.

*Next provide
call call memo
- 04/15 in amount*

- (1) Amounts which, together with amounts on deposit therein, will be sufficient to pay the next maturing principal of the Prior Lien Bonds, including the principal amounts of, and any redemption premiums on, any Prior Lien Bonds payable as a result of the exercise or operation of any redemption provision contained in this Ordinance or in any ordinance authorizing the issuance of Additional Prior Lien Bonds.
- (11) Amounts which, together with amounts on deposit therein, will be sufficient to pay the interest scheduled to become due on the Prior Lien Bonds on the next interest payment date; and

*2
All funds
to pay bond 4440*

transferred into the Prior Lien Bond Interest and Sinking Fund from the Revenue Fund the following:

Section 5.8: Investment of Funds; Transfer of Investment Income. Money in each Fund maintained pursuant to Article V of this Ordinance may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America or any of its agencies or instrumentalities, or in any other obligations permitted by law; provided that all such deposits and investments shall be made in such manner that the money required to be expended

Section 5.7: Deficiencies in Funds. If in any month there shall not be deposited into the Prior Lien Bond Interest and Sinking Fund and the Prior Lien Bond Reserve Fund the full amounts required by this Ordinance, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated money in the Revenue Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during any succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

(after taking into account any other amounts in the Prior Lien Bond Reserve Fund) such amounts, in equal monthly installments, as will be sufficient to accumulate therein, by no later than sixty (60) months from the date of each series of Prior Lien Bonds, money and investments in an aggregate amount at least equal to the Average Annual Principal and Interest Requirements. After such amount has accumulated in the Prior Lien Bond Reserve Fund and so long thereafter as the Prior Lien Bond Reserve Fund contains such amount, no further deposits shall be required to be made into the Prior Lien Bond Reserve Fund; but if and whenever the balance in the Prior Lien Bond Reserve Fund is reduced below such amount, monthly deposits into the Prior Lien Bond Reserve Fund shall be resumed and continued in amounts at least equal to one-sixtieth (1/60th) of such deficiency until the Prior Lien Bond Reserve Fund has been restored to such amount. Whenever the Prior Lien Bond Reserve Fund contains more than such amount, the City may transfer any excess amount to the Revenue Fund. The Prior Lien Bond Reserve Fund shall be used to pay the principal of and interest on the Prior Lien Bonds at any time when there is not sufficient money available in the Prior Lien Bond Interest and Sinking Fund for such purpose and it may be used to pay and retire the last Prior Lien Bonds to mature or be redeemed.

from any such Fund will be available at the proper time or times, and provided further that in no event shall such investments of money in the Prior Lien Bond Reserve Fund mature later than the final maturity date of the Prior Lien Bonds. All such investments shall be valued in terms of current market value no less frequently than the last business day of the fiscal year, except that any direct obligations of the United States of America-State and Local Government Series shall be continuously valued at their par value or principal face amount. All such investments shall be promptly sold when necessary to prevent any default in connection with the Prior Lien Bonds.

Section 5.9: Security for Uninvested Funds. So long as any Prior Lien Bonds remain outstanding, all uninvested money on deposit in, or credited to, Funds maintained pursuant to Article IV of this Ordinance shall be secured by a pledge of security as provided by law in the State of Texas.

ARTICLE VI

ADDITIONAL BONDS

Section 6.1: Additional Prior Lien Bonds. The City reserves the right to issue, for any lawful purpose, including the refunding of any previously issued Prior Lien Bonds or any other bonds or obligations of the City issued in connection with the System, one or more series of Additional Prior Lien Bonds payable from and secured by a first lien on and pledge of the Net Revenues of the System, on a parity with the Bonds and any other Additional Prior Lien Bonds then Outstanding; provided, however, that no Additional Prior Lien Bonds may be issued unless:

(a) The Additional Prior Lien Bonds mature on April 1, and interest is payable on April 1 and October 1;

(b) The Prior Lien Bond Interest and Sinking Fund and the Prior Lien Bond Reserve Fund each contains the amount of money then required to be on deposit therein;

(c) For either the preceding fiscal year of the City or any consecutive 12 calendar month period ending not more than ninety (90) days preceding the adoption of the ordinance authorizing such Additional Prior Lien Bonds,

Section 7.1: Punctual Payment of Prior Lien Bonds. The City will punctually pay or cause to be paid the interest on and principal of all Prior Lien Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this

COVENANTS AND PROVISIONS
RELATING TO PRIOR LIEN BONDS

ARTICLE VII

Section 6.2: Subordinate Lien Obligations. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on and pledges of the Net Revenues that are junior and subordinate to the Lien on and Pledge of Net Revenues securing payment of the Prior Lien Bonds. Such subordinate Lien obligations may be further secured by any other source of payment lawfully available for such purposes.

(d) Provision is made in the ordinance authorizing the Additional Prior Lien Bonds then proposed to be issued for additional payments into the Prior Lien Bond Interest and Sinking Fund sufficient to provide for the payment of principal of and interest on such Additional Prior Lien Bonds and for additional payments into the Prior Lien Bond Reserve Fund so that the Prior Lien Bond Reserve Fund will in not later than five years from the date of such Additional Prior Lien Bonds contain a balance of not less than the Average Annual Principal and Interest Requirements.

Net Revenues are certified by the City Administrator to have been at least equal to 125% of the Average Annual Principal and Interest Requirements after giving effect to the issuance of the Additional Prior Lien Bonds to be issued; provided, however, that the requirements of this paragraph 5.1(c) shall not apply to the issuance of any series of refunding bonds that will not have the result of increasing the Average Annual Principal and Interest Requirements on the Prior Lien Bonds; and

Section 7.5: Accounts, Records, and Audits. So long as any Prior Lien Bonds remain outstanding, the City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues. The City shall after the close of each of its fiscal years cause an audit report

Section 7.4: Insurance. The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent insurance is customarily carried by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. The cost of all such insurance together with any additional insurance, shall be a part of the Maintenance and Operation Expenses.

Section 7.3: Sale or Encumbrance of System. So long as any Prior Lien Bonds remain outstanding, the City will not sell, dispose of or, except as permitted in this Ordinance, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which has been declared surplus or is no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 7.2: Maintenance of System. So long as any Prior Lien Bonds remain outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or order of any governmental, administrative or judicial body promulgating same.

Ordinance and in any ordinance authorizing the issuance of Additional Prior Lien Bonds.

of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared, the City shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas, the major municipal rating agencies and any holders of Prior Lien Bonds who shall request same. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 7.6: Competition. To the extent it legally may, the City will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

Section 7.7: Pledge and Encumbrance of Net Revenues. The City covenants and represents that it has the lawful power to pledge the Net Revenues to the payment of the Prior Lien Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the Prior Lien Bonds, the Net Revenues are not and will not be pledged to the payment of any debt or obligation of the City, or otherwise encumbered unless such pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Prior Lien Bonds.

Section 7.8: Bondholders Remedies. This Ordinance shall constitute a contract between the City and the holders of the Bonds and this Ordinance shall be and remain irrevocable until the Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the holder or holders of any of the Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any holder of any of the Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges

cost?
All values?

for the use and services of the System, the deposit of the Gross Revenues into the special funds as herein provided, and the application of Gross Revenues and Net Revenues in the manner required by this Ordinance.

Section 7.9: Defeasance. The City may defease the provisions of this Ordinance and discharge its obligation to the holders of any or all of the Bonds to pay principal and interest thereon in any manner permitted by law, including, without limitation, by depositing with any paying agent for Bonds or with the State Treasurer of the State of Texas either: (i) cash in an amount equal to the principal amount and of the Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, direct obligations of, or obligations the principal of and interest on which are guaranteed by the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of the Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance. Upon such deposit, Bonds shall no longer be regarded to be outstanding or unpaid, and the lien on and pledge of Net Revenues securing the Bonds shall thereupon cease and terminate.

Section 7.10: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 7.11: No Recourse Against City Officials. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Prior Lien Bonds or for any claim based thereon or on this Ordinance against any official or employee of the City or any person executing any Prior Lien Bonds.

Same clause from CO Bonds?

Section 8.5: Tax Exemption. The City covenants that it shall make such use of the proceeds of the Bonds, regulate investments of proceeds thereof and take such other and further actions as may be required by Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Code") and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code ("Regulations"), necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes. Without limiting the generality of the foregoing covenant, the City hereby covenants as follows:

(b) The remaining proceeds from the sale of the Bonds shall be used for the purposes set forth in Section 3.1 of this Ordinance.

(a) Accrued interest shall be deposited into the Interest and Sinking Fund.

Section 8.3: Application of Proceeds of Bonds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be applied as follows:

Section 8.2: Notice of Sale. The Village Council hereby ratifies, authorizes and approves, in connection with the sale of the Bonds, the posting of the notice of sale for the Bonds in accordance with the requirements of Chapter 252, Texas Local Government Code.

Section 8.1: Sale of the Bonds. Sale of the Bonds is hereby awarded to the Texas Water Development Board, for the principal amount of the Bonds, subject to the approving opinion as to the legality of the Bonds of the Attorney General of the State of Texas and of Vinson & Elkins, bond counsel for the City.

PROVISIONS CONCERNING SALE AND APPLICATION
OF PROCEEDS OF SERIES 1987 BONDS

ARTICLE VIII

Section 7.12: Paying Agent May Own Bonds. The Paying Agent, in its individual or any other capacity, may become a holder or pledgee of the Bonds with the same rights it would have if it were not Paying Agent.

- (a) The City will not use, nor permit to be used, more than 10 percent of the net proceeds of the Bonds in the trade or business of any person (other than use as a member of the general public) other than a governmental unit ("private-use proceeds"). For purposes of this Section, the term "net proceeds" means the proceeds derived from the sale of the Bonds, plus interest earnings thereon, less any amounts deposited in a reasonably required reserve or replacement fund; the term "person" includes any individual, corporation, partnership, unincorporated association or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, means any activity other than an activity carried on by a governmental unit;
- (b) The City will not use, nor permit to be used, more than 5 percent of the net proceeds of the Bonds in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds. Further, the amount of private-use proceeds of the Bonds ("excess private-use proceeds") will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;
- (c) Principal of and interest on the Bonds will be paid solely from Net Revenues. Further, no person using more than 10 percent of the net proceeds of the Bonds in a trade or business, other than a governmental unit, shall make payments (other than as a member of the general public), directly or indirectly, accounting for more than 10 percent of such principal of and interest on the Bonds;
- (d) The City will not use, nor permit to be used, an amount exceeding the lesser of (1) \$5,000,000 or (11) 5 percent of the net proceeds of the Bonds to finance loans to

persons other than governmental units, directly or indirectly;

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

The City will monitor the yield on the investment of the proceeds of the Bonds and moneys pledged to the repayment of the Bonds and will restrict the yield on such investments to the extent required by the Code or the Regulations. Without limiting the generality of the foregoing, the City will take appropriate steps to restrict the yield on all proceeds of the Bonds on hand on a date that is three years from the date of delivery of the Bonds to a yield which is not materially higher than the yield on the Bonds (in both cases calculated in accordance with the Code and Regulations);

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

The City will take all necessary steps to comply with the requirement that "excess arbitrage profits" earned on the investment of the "gross proceeds" of the Bonds (within the meaning of Section 148(f)(6)(B) of the Code), if any, be rebated to the federal government. Specifically, the City will (1) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate such "excess arbitrage profits"

(h)

(g)

(f)

(e)

Section 8.6: Rebate Exception. It is hereby found and determined by the Village Council of the City that the City will use at least 95% of the net proceeds of the Bonds for local governmental activities of the City (including governmental units the jurisdiction of which is entirely within the jurisdiction of the City) and reasonably expects that the aggregate amount of all tax-exempt bonds (other than "private activity bonds" within the meaning of Section 141 of the Code) issued by the City (and all subordinate entities of the City) during the 1988 calendar year will not exceed \$5,000,000. Accordingly, the City expects to qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States. If the City does not qualify for such exception, the City has covenanted in this Ordinance that it will take

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

separately from records of amounts on deposit in the funds and accounts of the City or mon- able to other bond issues of the City or mon- eyes which do not represent gross proceeds of any bonds of the City, (ii) calculate, not less often than annually, the amount of "ex- cess arbitrage profits," if any, earned from the investment of the gross proceeds of the Bonds and (iii) pay, not less often than ev- ery fifth anniversary date of the delivery of the Bonds, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person oth- er than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a "prohibited payment" within the meaning of Temp. Treas. Reg. §1.103-15AT.

Section 9.3: Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Village Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the

Section 9.2: Severability. If any Section, paragraph, clause or provision of this Ordinance shall not affect any of the remaining provisions of this Ordinance.

Section 9.1: Further Proceedings. The Mayor, the City Secretary, and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

MISCELLANEOUS

ARTICLE IX

Section 8.7: Qualified Tax Exemption Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" for the purpose of Section 265(b) of the Code. In connection therewith, the District represents (a) that the aggregate amount of tax-exempt obligations during calendar year 1988, including the Bonds, which have been designated as "qualified tax-exempt obligations" under Section 265(b) (3) of the Code does not exceed \$10,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the City during calendar year 1988, including the Bonds, will not exceed \$10,000,000. For purposes of this Section 21, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of Section 141 of the Code, other than "qualified 501(c) (3) bonds" within the meaning of Section 145 of the Code. In addition, for purposes of this Section 21, the City includes all governmental units which are "subordinate entities" of the City, within the meaning of Section 265(b) of the Code.

all necessary steps to comply with the requirement that "rebatable arbitrage earnings" on the investment of the "gross proceeds" of the Bonds, within the meaning of Section 148(f) of the Code, if any, be rebated to the federal government.

[SEAL]

Village of Jamaica Beach, Texas
City Secretary

T. D. White

ATTEST:

Mayor
Village of Jamaica Beach,
Texas

Shirley Ann Moran

PASSED AND APPROVED this 28th day of December, 1987.

Section 9.6: Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 9.5: Paying Agent/Registrar Agreement. The form of agreement setting forth the duties of the Registrar is hereby approved, and an appropriate official of the City is hereby authorized to execute such agreement for and on behalf of the City.

Section 9.4: Declaration of Emergency. It is hereby officially found and determined that a case of emergency and urgent public necessity exists which requires the holding of the meeting at which this Ordinance is passed and further requires that this Ordinance be passed finally and take effect immediately on the date of its introduction, such emergency and urgent public necessity being that the proceeds from the sale of the Bonds are required as soon as possible and without delay for the purposes set forth herein.

general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Article 6252-17, Vernon's Texas Civil Statutes, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The Village Council further ratifies, approves and confirms such written notice and the contents and posting thereof.