

ORDINANCE NO. 087-081

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF TOWN OF ADDISON, TEXAS, WATERWORKS AND SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 1987, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$9,115,000; CALLING FOR REDEMPTION PRIOR TO MATURITY CERTAIN OUTSTANDING OBLIGATIONS OF THE TOWN; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, in accordance with the Constitution and the laws of the State of Texas, specifically Article 1111, et seq., Vernon's Annotated Texas Civil Statutes, as amended, the Town of Addison, Texas (the "Town"), has previously issued waterworks and sewer system revenue bonds payable from and secured by a first and superior lien on and pledge of the net revenues of the Town's combined waterworks and sewer system (the "System"); and

WHEREAS, all of the Town's previously issued waterworks and sewer system revenue bonds aggregating \$7,850,000 are intended to be and shall be refunded pursuant to this Ordinance, those bonds intended to be refunded being described as follows (collectively, the "Refunded Bonds"):

"Town of Addison, Texas, Water and Sewer System Revenue Bonds, Series 1984," dated November 1, 1984, aggregating \$7,850,000 in outstanding principal amount; and

WHEREAS, the City Council hereby finds, determines and declares that the refunding of the Refunded Bonds is necessary and required to restructure the debt of the Town payable from the net revenues of the System, thereby reducing the debt service requirements thereof; and

WHEREAS, the City Council considers it in the best interests of the Town at this time to authorize the issuance and delivery of bonds to refund the amounts thus reflected in accordance with the laws of the State of Texas and the Charter of the Town; and

WHEREAS, the City Council has found and determined that the aforesaid refunding bonds should be issued pursuant to this Ordinance as permitted by the General Laws of the State of Texas, particularly Article 717k, Vernon's Annotated Texas Civil Statutes, as amended; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Article 6252-17, Vernon's Annotated Texas Civil Statutes, as amended; therefore,

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

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.01. Definitions.

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

"Additional Bonds" means the additional revenue bonds authorized to be issued on a parity with the Series 1987 Bonds in accordance with the terms and conditions prescribed in Section 10.02 of this Ordinance.

"Bond Date" means the date designated as the date of the Series 1987 Bonds by Section 3.02(a) of this Ordinance.

"Closing Date" means the date of the initial delivery of and payment for the Series 1987 Bonds.

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

"Credit Enhancement" means the municipal bond guaranty insurance, issued by the Credit Enhancer, covering the Bonds, or any substitute Credit Enhancement.

"Credit Enhancer" means AMBAC Indemnity Corporation, or any successor.

"Escrow Agent" means First City Bank of Dallas, Dallas, Texas.

"Escrow Agreement" means the escrow agreement, dated December 1, 1987, by and between the Town and the Escrow Agent.

"Escrow Fund" means the fund established by the Escrow Agreement to hold cash and securities for the payment of principal and interest on the Refunded Bonds.

"Government Securities" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, which are non-callable prior to the respective maturities of the Series 1987 Bonds and may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form.

"Initial Bond" means the initial Series 1987 Bond authorized by Section 3.04(d) of this Ordinance.

"Interest and Sinking Fund" means the "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds Interest and Sinking Fund, Series 1987," established by Section 7.01 of this Ordinance.

"Interest Payment Date" means the date or dates upon which interest on the Series 1987 Bonds is scheduled to be paid until their respective dates of maturity or

prior redemption, such dates being May 1 and November 1 of each year, commencing May 1, 1988.

"Net Revenues" means all income, revenues and receipts of every nature derived from and received by virtue of the operation of the System (including interest income and earnings received from the investment of moneys in the special Funds created by this Ordinance or ordinances authorizing the issuance of Additional Bonds) after deducting and paying, and making provision for the payment of, current expenses of maintenance and operation of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such expenses for repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the Town and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any bonds payable from and secured by a lien on the net revenues of the System, shall be deducted in determining "Net Revenues." Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred therefor and as may be authorized by law. Depreciation and payments into and out of the Interest and Sinking Fund and the Reserve Fund shall never be considered as expenses of operation and maintenance.

"outstanding" when used in this Ordinance with respect to Series 1987 Bonds or Additional Bonds, as the case may be, means, as of the date of determination, all such bonds theretofore issued and delivered, except:

(i) those bonds theretofore cancelled by the paying agent/registrar or delivered to the paying agent/registrar for cancellation;

(ii) those bonds for which payment has been duly provided by the Town by the irrevocable deposit with the paying agent/registrar of money in the amount necessary to fully pay the principal of and interest thereon to maturity or redemption, as the case may be, provided that, if such bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the ordinance authorizing such bonds or irrevocably provided to be given to the satisfaction of the paying agent/registrar, or waived;

(iii) those bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof as provided in the ordinance authorizing such bonds; and

(iv) those bonds for which the payment of the principal of and interest on has been duly provided by the Town in accordance with the provisions of the ordinance authorizing such bonds by the deposit in trust of money or Government Securities, or both.

"Owner" means the person who is the registered owner of a Series 1987 Bond or Series 1987 Bonds.

"Paying Agent/Registrar" means initially First City Bank of Dallas, Dallas, Texas, or any successor thereto as provided in this Ordinance.

"Record Date" means the fifteenth day of the month next preceding an Interest Payment Date.

"Refunded Bonds" means those certain revenue bonds of the Town intended to be refunded pursuant to this Ordinance, specifically set forth in the preambles hereof.

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

"Reserve Fund" means the "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds Reserve Fund, Series 1987," established by Section 7.01 of this Ordinance.

"Revenue Fund" means the "Town of Addison, Texas, Waterworks and Sewer System Revenue Fund," established by Section 7.01 of this Ordinance.

"Series 1987 Bond" means any of the Series 1987 Bonds.

"Series 1987 Bonds" means the Town's waterworks and sewer system revenue bonds authorized to be issued by Section 3.01 of this Ordinance and designated as "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds, Series 1987," in the aggregate principal amount of \$9,115,000.

"System" means the Town's existing combined waterworks and sewer system, including all properties (real, personal or mixed and tangible or intangible) owned, operated, maintained, and vested in, the Town for the supply, treatment and distribution of treated water for domestic, commercial, industrial and other uses and the collection and treatment of water-carried waste, together with all present and future improvements, extensions, enlargements and additions thereto and replacements thereof.

Section 1.02. Findings.

(a) The declarations, determinations and findings declared, made and found in the preambles to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

(b) The Series 1987 Bonds are payable from and secured by a first lien on the Net Revenues of the System.

Section 1.03. Table of Contents, Titles and Headings.

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

Section 1.04. Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders

and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

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

Section 1.05. Credit Enhancement.

All provisions and references in this Ordinance to the Credit Enhancer or to Credit Enhancement shall be apply only if the Credit Enhancement is in full force and effect and there is no default thereunder by the Credit Enhancer.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Pledge of Security.

The Town hereby covenants and agrees that all of the Net Revenues of the System are hereby irrevocably pledged to the payment of the Series 1987 Bonds and all Additional Bonds, together with the interest thereon, and to the establishment and maintenance of reserves therefor, if any, required by this Ordinance and any future ordinances authorizing any Additional Bonds. It is hereby ordained that the Series 1987 Bonds and the Additional Bonds, if any, and the interest thereon, shall constitute a first lien upon Net Revenues of the System.

Section 2.02. Rates and Charges.

The Town hereby covenants that rates and charges for water and sewer services afforded by the System will be established and maintained to provide revenues sufficient at all times to:

(a) pay all current operating, maintenance, depreciation, replacement and betterment charges and other costs incurred in the maintenance and operation of the System;

(b) establish and maintain the Interest and Sinking Fund and Reserve Fund requirements contained in this Ordinance and in the ordinances relating to any Additional Bonds; and

(c) produce Net Revenues anticipated each year to be not less than 1.25 times the average annual principal and interest requirements of the Bonds from time to time outstanding.

Section 2.03. Bonds as Special Obligations.

The Series 1987 Bonds are special obligations of the Town payable solely from Net Revenues of the System, and the Owners thereof shall never have the right to demand payment thereof out of any other funds raised or to be raised by taxation.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization.

The Town's bonds to be designated the "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds, Series 1987," are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly Article 717k, Vernon's Annotated Texas Civil Statutes, as amended, and the Charter of the Town. The Series 1987 Bonds shall be issued in the aggregate principal amount of \$9,115,000, for the purpose of refunding the Refunded Bonds in order to restructure the debt of the Town payable from the Net Revenues of the System, thereby reducing the debt service requirements thereof and paying the costs of issuing the Series 1987 Bonds.

Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Series 1987 Bonds shall be dated December 1, 1987. The Series 1987 Bonds shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be numbered separately from one upward, except the Initial Bond, which shall be numbered T-1.

(b) The Series 1987 Bonds shall mature on May 1 in the years and in the principal amounts set forth in the following schedule:

<u>Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Years</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>
1988	\$210,000	5.00%	1999	\$340,000	7.20%
1989	185,000	5.50%	2000	360,000	7.35%
1990	185,000	5.75%	2001	385,000	7.45%
1991	205,000	6.00%	2002	430,000	7.50%
1992	205,000	6.20%	2003	450,000	7.60%
1993	225,000	6.40%	2004	490,000	7.70%
1994	220,000	6.60%	2005	535,000	7.80%
1995	245,000	6.70%	2006	575,000	7.90%
1996	270,000	6.85%	2007	1,015,000	7.95%
1997	295,000	6.90%	2008	995,000	8.00%
1998	315,000	7.00%	2009	980,000	8.00%

(c) Interest shall accrue and be paid on each Series 1987 Bond respectively until its maturity or prior redemption, from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rate per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on May 1 and November 1 of each year, commencing May 1, 1988, computed on the basis of a 360-day year of twelve 30-day months.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Series 1987 Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Series 1987 Bonds shall be payable to the Owners as shown in the Register on the Record Date.

(c) In the event that interest is not paid on a scheduled interest payment date and remains unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") shall be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Series 1987 Bond appearing on the Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Interest shall be paid by check, dated as of the Interest Payment Date, and sent first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each Owner as such appears in the Register, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangements.

(e) The principal of each Series 1987 Bond shall be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Series 1987 Bond at the principal corporate trust office of the Paying Agent/Registrar.

(f) If the date for the payment of the principal of or interest on the Series 1987 Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

Section 3.04. Execution and Registration of Series 1987 Bonds.

(a) The Series 1987 Bonds shall be executed on behalf of the Town by the Mayor and City Secretary, by their manual or facsimile signatures, and the official seal of the Town shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Series 1987 Bonds shall have the same effect as if each of the Series 1987 Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Series 1987 Bonds shall have the same effect as if the official seal of the Town had been manually impressed upon each of the Series 1987 Bonds.

(b) In the event that any officer of the Town whose manual or facsimile signature appears on the Series 1987 Bonds ceases to be such officer before the authentication of such Series 1987 Bonds or before the delivery thereof, such facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Series 1987 Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Series 1987 Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered at the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the Town, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Series 1987 Bonds, payable in stated installments to the Purchaser, or its designee, manually signed by the Mayor and the City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver registered definitive Series 1987 Bonds, each definitive Series 1987 Bond having a single, specified maturity and interest rate, in integral multiples of \$5,000, in accordance with instructions received from the Purchaser or its designee. It shall be the duty of the Purchaser or its designee to furnish to the Paying Agent/Registrar, at least five business days prior to the Closing Date, written instructions on forms which the Purchaser or its designee must request of and obtain from, and which shall be provided by, the Paying Agent/Registrar, designating the names in which such definitive Series 1987 Bonds are to be registered, the addresses of the Owners, the respective maturities, interest rates and denominations. If such written instructions are not received within the specified time period, the cancellation of the Initial Bond and delivery of definitive Series 1987 Bonds in exchange therefor may be delayed until such instructions are received.

Section 3.05. Ownership.

(a) The Town, the Paying Agent/Registrar and any other person may treat the person in whose name any Series 1987 Bond is registered as the absolute owner of such Series 1987 Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Series 1987 Bond is overdue, and neither the Town nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Series 1987 Bond shall be valid and effectual and shall discharge the liability of the Town and the Paying Agent/Registrar upon such Series 1987 Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Series 1987 Bond remains outstanding, the Town shall cause the Paying Agent/Registrar to keep at its principal corporate trust office a register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Series 1987 Bonds in accordance with this Ordinance.

(b) The ownership of a Series 1987 Bond may be transferred only upon the presentation and surrender of the Series 1987 Bond at the principal corporate trust office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Series 1987 Bond shall be effective until entered in the Register.

(c) The Series 1987 Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for a Series 1987 Bond or Series 1987 Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Series 1987 Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Series 1987 Bonds exchanged for other Series 1987 Bonds in accordance with this Section.

(d) Each exchange Series 1987 Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the Town and shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 1987 Bond or Series 1987 Bonds in lieu of which such exchange Series 1987 Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration and any subsequent transfer or exchange for a different denomination of any of the Series 1987 Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Series 1987 Bond.

(f) Neither the Town nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Series 1987 Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 30 calendar days after the transfer or exchange date; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Series 1987 Bond.

Section 3.07. Cancellation.

All Series 1987 Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance and all Series 1987 Bonds in lieu of which exchange Series 1987 Bonds or replacement Series 1987 Bonds are authenticated and delivered in accordance with this Ordinance shall be cancelled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such cancelled Series 1987 Bonds to

the Town or may, in accordance with law, destroy such cancelled Series 1987 Bonds and periodically furnish the Town with certificates of destruction of such Series 1987 Bonds.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Series 1987 Bonds, the proper officers of the Town may execute and, upon the Town's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Series 1987 Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Series 1987 Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Town executing such temporary Series 1987 Bonds may determine, as evidenced by their signing of such temporary Series 1987 Bonds.

(b) Until exchanged for Series 1987 Bonds in definitive form, such Series 1987 Bonds in temporary form shall be entitled to the benefit and security of this Ordinance.

(c) The Town, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, the Series 1987 Bonds in definitive form; thereupon, upon the presentation and surrender of the Series 1987 Bond or Series 1987 Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Series 1987 Bonds in temporary form and authenticate and deliver in exchange therefor a Series 1987 Bond or Series 1987 Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Series 1987 Bond or Series 1987 Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Series 1987 Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Series 1987 Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The Town or the Paying Agent/Registrar may require the Owner of such Series 1987 Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Series 1987 Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Series 1987 Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Series 1987 Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Series 1987 Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar, and acceptable to the Town, to save it harmless;

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

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

(c) After the delivery of such replacement Series 1987 Bond, if a bona fide purchaser of the original Series 1987 Bond in lieu of which such replacement Series 1987 Bond was issued presents for payment such original Series 1987 Bond, the Town and the Paying Agent/Registrar shall be entitled to recover such replacement Series 1987 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 Town or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Series 1987 Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Series 1987 Bond, may pay such Series 1987 Bond if it has become due and payable, or may pay such Series 1987 Bond when it becomes due and payable.

(e) Each replacement Series 1987 Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the Town and shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 1987 Bond or Series 1987 Bonds in lieu of which such replacement Series 1987 Bond is delivered.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption.

The Series 1987 Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Optional Redemption.

(a) The Town reserves the option to redeem Series 1987 Bonds maturing on and after May 1, 1998, in whole or in part before their respective scheduled maturity dates, on May 1, 1997, or on any date thereafter, such redemption date or

dates to be fixed by the Town, at a price equal to the principal amount of the Series 1987 Bonds so called for redemption plus accrued interest to the date fixed for redemption.

(b) The Town, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Series 1987 Bonds to be redeemed.

Section 4.03. Partial Redemption.

(a) If less than all of the Series 1987 Bonds are to be redeemed, the Town shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Series 1987 Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

(b) A portion of a single Series 1987 Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Series 1987 Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each \$5,000 portion of a Series 1987 Bond as though it were a single bond for purposes of selection for redemption.

(c) Upon surrender of any Series 1987 Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Ordinance, shall authenticate and deliver an exchange Series 1987 Bond or Series 1987 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 1987 Bond so surrendered, such exchange being without charge, notwithstanding any provision of Section 3.06 to the contrary.

(d) The Paying Agent/Registrar shall promptly notify the Town in writing of the principal amount to be redeemed of any Series 1987 Bond as to which only a portion thereof is to be redeemed.

Section 4.04. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Series 1987 Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Series 1987 Bond (or part thereof) to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Series 1987 Bonds are to be surrendered for payment, and, if less than all the Series 1987 Bonds outstanding are to be redeemed, an identification of the Series 1987 Bonds or portions thereof to be redeemed.

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

Section 4.05. Payment Upon Redemption.

(a) Before or on each redemption date, the Town shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Series 1987 Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the Town and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Series 1987 Bonds being redeemed.

(b) Upon presentation and surrender of any Series 1987 Bond called for redemption at the principal corporate trust office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Series 1987 Bond to the date of redemption from the money set aside for such purpose.

Section 4.06. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.05 of this Ordinance, the Series 1987 Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the Town defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Series 1987 Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Series 1987 Bonds are presented and surrendered for payment on such date.

(b) If the Town shall fail to make provision for payment of all sums due on a redemption date, then any Series 1987 Bond or portion thereof shall continue to bear interest at the rate stated on the Series 1987 Bond until due provision is made for the payment of same.

Section 4.07. Lapse of Payment.

(a) Money that is set aside for the redemption or payment upon maturity of Series 1987 Bonds and remaining unclaimed by the Owners of such Series 1987 Bonds after the due date shall be segregated in a special escrow account and held in trust, uninvested, without interest, for the account of such Owners.

(b) Subject to any applicable escheat or similar law, money that is set aside for the redemption or payment upon maturity of Series 1987 Bonds and remaining unclaimed by the Owners of such Series 1987 Bonds for three years after the due date shall be applied to the next payment or payments on the Series 1987 Bonds thereafter coming due; to the extent any such money remains after the retirement of all outstanding Series 1987 Bonds, it shall be paid to the Town to be used for any lawful purpose. Thereafter, neither the Town, the Paying Agent/Registrar nor any other person shall be liable or responsible to any Owners of such Series 1987 Bonds for any further payment of such unclaimed moneys or on account of any such Series 1987 Bonds.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

First City Bank of Dallas, Dallas, Texas, is hereby appointed as the initial Paying Agent/Registrar for the Series 1987 Bonds.

Section 5.02. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as, and perform the duties and services of, paying agent and registrar for the Series 1987 Bonds.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Series 1987 Bonds are outstanding, the Town will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the Town and the Paying Agent/Registrar. The signature of the Mayor shall be attested by the City Secretary.

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

Section 5.04. Termination.

The Town, upon not less than 60 days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination.

Section 5.05. Notice of Change to Owners.

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

Section 5.06. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Series 1987 Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Series 1987 Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar and the Assignment form to appear on each of the Series 1987 Bonds, (i) shall be substantially in the form set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel, and statement of the Credit Enhancer with respect to the Credit Facility) thereon as, consistently herewith, may be determined by the Town or by the officers executing such Series 1987 Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Series 1987 Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Series 1987 Bonds.

(c) The definitive Series 1987 Bonds, if any, shall be printed, lithographed or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Series 1987 Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.02. Form of the Series 1987 Bonds.

The form of the Series 1987 Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Series 1987 Bonds shall be substantially as follows:

(a) Form of Series 1987 Bonds.

REGISTERED

REGISTERED

No. _____

\$ _____

United States of America
State of Texas
County of Dallas
TOWN OF ADDISON, TEXAS
WATERWORKS AND SEWER SYSTEM
REFUNDING REVENUE BOND
SERIES 1987

INTEREST RATE:

MATURITY DATE:

BOND DATE:

CUSIP NO.

December 1, 1987

The Town of Addison (the "Town"), in the County of Dallas, State of Texas, for value received, hereby promises to pay to

_____ or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on May 1 and November 1 of each year, commencing May 1, 1988.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon. Interest on this Bond is payable by check dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangements. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth day of the month next preceding such interest payment date. In the event that interest is not paid on a scheduled payment date and remains

unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which date shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of the owner of this bond as set forth on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$9,115,000 (herein referred to as the "Bonds") issued pursuant to an ordinance adopted by the governing body of the Town (the "Ordinance"), for the purpose of refunding all of the outstanding revenue bonds (the "Refunded Bonds") of the Town payable from and secured by a first lien on and pledge of the net revenues of the Town's combined waterworks and sewer system (the "System").

The Bonds constitute special obligations of the Town and are payable solely from and equally secured by a first lien on and pledge of the net revenues of the System.

The Town expressly reserves the right to issue additional revenue obligations in all things on a parity with the Bonds, payable solely from and equally secured by a first lien on and pledge of the net revenues of the System; provided, however, that any and all such additional obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Ordinance to which reference is hereby made for more complete and full particulars.

The Town has reserved the option to redeem the Bonds maturing on or after May 1, 1998, in whole or in part, before their respective scheduled maturity dates, on May 1, 1997, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Town shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from

and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the principal corporate trust office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Town, the Paying Agent/Registrar and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the "Record Date" or "Special Record Date," as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the Town, the Paying Agent/Registrar nor any other person shall be affected by notice to the contrary.

Neither the Town nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 30 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and have happened in regular and due time, form and manner as required by law; that the Bonds do not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on the Bonds by irrevocably pledging the net revenues of the System, as hereinabove recited.

The owner hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

IN WITNESS WHEREOF, the Town has caused this Bond to be executed in its name by the manual or facsimile signature of the Mayor of the Town and countersigned by the manual or facsimile signature of the City Secretary, and the official seal of the Town has been duly impressed or placed in facsimile on this Bond.

Mayor, Town of Addison, Texas

City Secretary, Town of Addison, Texas

[SEAL]

0744D

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Series 1987 Bonds if such Certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS
OF THE STATE OF TEXAS

§
§
§

REGISTER NO. _____

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 has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the Town of Addison, Texas, payable from the revenues pledged to its payment by and in the ordinance authorizing same and that said bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

Comptroller of Public Accounts of the
State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING/AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Ordinance.

FIRST CITY BANK OF DALLAS, DALLAS
TEXAS, as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto (print or typewrite name, address and zip code of transferee):

(Social Security or other identifying number: _____)
the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond 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 Bond 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

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) immediately under the name of the Series 1987 Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below";

(ii) in the first paragraph of the Series 1987 Bond, the words "on the maturity date specified above" shall be deleted and the following will be inserted: "on May 1 in each of the years, in principal installments, and bearing interest at the per annum rates in accordance with the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates "</u>
--------------	-------------------------------	-------------------------

(Information to be inserted from schedule in Section 3.02 of this Ordinance)

(iii) in the second paragraph of the Series 1987 Bond, the words "executing the registration certificate appearing hereon" shall be deleted and an additional sentence shall be added to the paragraph as follows: "The initial Paying Agent/Registrar is First City Bank of Dallas, Dallas, Texas.";

(iv) the Initial Bond shall be numbered T-1.

Section 6.03. CUSIP Registration.

The Town 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 Series 1987 Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Series 1987 Bonds shall be of no significance or effect as regards the legality thereof and neither the Town nor bond counsel to the Town are to be held responsible for CUSIP numbers incorrectly printed on the Series 1987 Bonds.

Section 6.04. Legal Opinion.

The approving legal opinion of Hutchison Price Boyle & Brooks, Bond Counsel, may be printed on the reverse side of each Series 1987 Bond over the certification of the City Secretary of the Town, which may be executed in facsimile.

Section 6.05. Statement of Credit Enhancement.

A statement relating to the Credit Enhancement in such form as may be approved by the Credit Enhancer may be printed on the reverse side of each Series 1987 Bond.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.01. Special Funds.

(a) To provide for the payment and security of the Series 1987 Bonds and all Additional Bonds, the "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds Interest and Sinking Fund, Series 1987" and the "Town of Addison, Texas, Waterworks and Sewer System Refunding Revenue Bonds Reserve Fund, Series 1987" are hereby established and shall continue to be kept and maintained at an official depository bank of the Town while any Series 1987 Bonds or Additional Bonds, or interest thereon, remain outstanding.

(b) Moneys deposited in the Interest and Sinking Fund shall be used to pay principal of and interest on the Series 1987 Bonds and Additional Bonds when and as the same become due and payable.

(c) Moneys deposited in the Reserve Fund shall be used to pay principal of and interest on the Series 1987 Bonds and Additional Bonds falling due at any time when there is insufficient money available for such purpose in the Interest and Sinking Fund.

Section 7.02. Revenue Fund.

(a) The Town hereby establishes the "Town of Addison, Texas, Waterworks and Sewer System Revenue Fund" and agrees and covenants with the Owners of the Series 1987 Bonds and the Additional Bonds that all revenues and income 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, which shall

be kept separate and apart from all other funds and accounts of the Town and maintained at an official depository bank of the Town. The reasonable and proper operation and maintenance expenses of the System shall be paid from this fund, and all moneys deposited therein which are not required for the payment of operating and maintenance expenses of the System shall be appropriated and used, to the extent required and in the order of priority prescribed, as follows:

(i) first, to the payment of the amounts required to be deposited in the Interest and Sinking Fund to pay current principal and interest payments to become due on the Series 1987 Bonds and Additional Bonds; and

(ii) second, to the payment of the amounts, if any, required to be deposited in the Reserve Fund to accumulate and maintain the total amount required to be deposited in such fund.

(b) Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof including the curing of any deficiencies with respect to such payments to such funds, may be used for any lawful purpose.

Section 7.03. Interest and Sinking Fund.

(a) The Town hereby covenants and agrees to cause to be deposited to the Interest and Sinking Fund from the Net Revenues of the System in the Revenue Fund an amount equal to the amount required to fully pay the interest on and principal of the Series 1987 Bonds and Additional Bonds falling due on or before each maturity and interest payment date, such payments to be made in substantially equal monthly installments on or before the 1st day of each month beginning on or before the 1st day of February, 1988.

(b) The above monthly deposits to the Interest and Sinking Fund for the payment of principal of and interest on the Series 1987 Bonds and Additional Bonds shall continue to be made as hereinabove prescribed until such time as the total amount on deposit in the Interest and Sinking Fund, together with the amount on deposit in the Reserve Fund, is equal to the amount required to pay all amounts due and owing on all outstanding Series 1987 Bonds and Additional Bonds (principal and interest), or the Series 1987 Bonds and Additional Bonds are no longer outstanding.

(c) Any proceeds of the Series 1987 Bonds not required for the purposes for which the Series 1987 Bonds are being issued, as set forth in Section 3.01 of this Ordinance, shall be deposited in the Interest and Sinking Fund, and shall be taken into consideration in reducing the amount of the monthly deposits hereinabove required which would otherwise be required to be deposited in the Interest and Sinking Fund from the Net Revenues of the System.

Section 7.04. Reserve Fund.

(a) In connection with the issuance of the Series 1987 Bonds, the Town will deposit in the Reserve Fund the amount of \$942,441.56 from the proceeds of the Series 1987 Bonds. The Town hereby agrees with the Owners of the Series 1987 Bonds and all Additional Bonds to accumulate and when accumulated, maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements of all Series 1987 Bonds and Additional Bonds from time to time outstanding (the "Required Reserve").

(b) The Required Reserve shall be accumulated in not more than sixty (60) months from the date of the Series 1987 Bonds or the Additional Bonds, as applicable. For so long as the funds on deposit in the Reserve Fund are equal to the Required Reserve, no additional deposits need to be made therein, but should the Reserve Fund at any time contain less than the Required Reserve, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the Town shall restore such deficiency from the first available Net Revenues on deposit in the Revenue Fund. The money on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds at any time there are not sufficient moneys on deposit in the Interest and Sinking Fund for such purpose.

(c) The Town may, at its option, withdraw all surplus in the Reserve Fund over the Required Reserve and deposit the same in the Revenue Fund.

(d) For the purpose of determining compliance with the requirements of subsection (a) of this Section, investment securities shall be valued from time to time at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

Section 7.05. Deficiencies in Funds.

If, at any time, the Town shall, for any reason, fail to pay into the Interest and Sinking Fund or Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into such funds from the first available and unallocated Net Revenues of the System, and such payments shall be in addition to the amounts otherwise required to be paid into such funds. To the extent necessary, the Town shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 7.06. Excess Revenues.

The Net Revenues of the System, in excess of those required to establish and maintain the special funds as above provided, or as hereafter may be required in connection with the issuance of Additional Bonds, may be used for any lawful purpose.

Section 7.07. Security of Funds.

All moneys on deposit in the funds referred to in this Article shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 7.08. Investment of Certain Funds.

Money in any Fund established and to be maintained as provided in this Ordinance may, at the option of the Town, be invested in the following: (i) obligations of the United States or its agencies and instrumentalities; (ii) direct obligations of the State of Texas or its agencies; (iii) other obligations, the principal

of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (iv) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (v) certificates of deposit issued by state and national banks domiciled in this state that are: (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (B) secured by obligations that are described by clauses (i)-(iv) listed above, which are intended to include all direct agency or instrumentality issued mortgage backed securities rated AAA by a nationally recognized rating agency, or by Chapter 726, Acts of the 67th Legislature, Regular Session, 1981 (Article 2529b-1, Vernon's Texas Civil Statutes), that have a market value of not less than the principal amount of the certificates; and (vi) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described in clause (i) above, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in this state. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds.

ARTICLE VIII

SALE AND DELIVERY OF SERIES 1987 BONDS; DEPOSIT OF PROCEEDS

Section 8.01. Sale of Series 1987 Bonds; Official Statement; Insurance.

(a) The Series 1987 Bonds are hereby officially sold and awarded to Prudential-Bache Securities, Inc. and Boettcher & Company, Inc. (collectively, the "Purchaser") in accordance with the terms and provisions of that certain Purchase Contract relating to the Series 1987 Bonds between the Town and the Purchaser and dated the date of the passage of this Ordinance. The Mayor is hereby authorized and directed to execute and deliver, and the City Secretary is hereby authorized and directed to attest, such Purchase Contract. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable. The Series 1987 Bonds shall initially be registered in the name of Prudential-Bache Securities, Inc., or its designee.

(b) The form and substance of the Official Statement, dated November 24, 1987, and any addenda, supplement or amendment thereto (the "Official Statement") presented to and considered at this meeting, is hereby in all respects approved and adopted by the City Council, and the Mayor and the City Secretary are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies thereof to the Purchaser of the Series 1987 Bonds. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor and the Purchaser of the Series 1987 Bonds, may be used by the Purchaser in the public offering and sale thereof. The City Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting.

(c) All officers of the Town are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Series 1987 Bonds in accordance with the Purchase Contract.

(d) All officers of the Town are authorized to do any and all things and to execute and deliver any and all documents, certificates or other instruments necessary or required for the Credit Enhancement.

(e) The obligation of the Purchaser to accept delivery of the Series 1987 Bonds is subject to the Purchaser being furnished with the final, approving opinion of Hutchison Price Boyle & Brooks, Bond Counsel for the Town, which opinion shall be dated and delivered on the Closing Date.

Section 8.02. Control and Delivery of Series 1987 Bonds.

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

(b) After registration by the Comptroller of Public Accounts, delivery of the Series 1987 Bonds shall be made to the Purchaser under and subject to the general supervision and direction of the Mayor of the Town, against receipt by the Town of all amounts due to the Town under the terms of sale.

Section 8.03. Deposit of Proceeds.

(a) All amounts received on the Closing Date as accrued interest on the Series 1987 Bonds from the Bond Date to the Closing Date, and the sum of \$4,420.00 representing an amount of the proceeds of the Bonds which has not been allocated to any other purpose, shall be deposited to the Interest and Sinking Fund.

(b) The sum of \$7,941,200.00 of the proceeds of the Bonds, and \$942,441.56 of funds transferred by the Town in accordance with Section 9.01, hereof, shall be deposited to the Escrow Fund, which sum shall be applied as provided in the Escrow Agreement.

(c) The sum of \$120,000.00 shall be paid to or upon the order of First Southwest Company, the Town's financial advisor, which sum shall be used to pay the costs and expenses pertaining to the issuance of the Series 1987 Bonds concurrently with the initial delivery thereof. To the extent any of such sum is not used for such purposes, such excess shall be deposited to the Interest and Sinking Fund.

(d) The sum of \$80,000.00 shall be paid to the Credit Enhancer for the Credit Enhancement which the Town is hereby authorized to purchase.

(e) The sum of \$860,000.00 shall be deposited to the Reserve Fund.

(f) To the extent necessary to accomplish fully the purposes of this Ordinance, the Mayor of the Town is authorized to reallocate the funds directed to be used for the purposes specified above.

ARTICLE IX

TRANSFER OF FUNDS; APPROVAL OF ESCROW AGREEMENT

Section 9.01. Transfer of Funds.

(a) The Mayor of the Town is authorized to execute such subscriptions for the purchase of United States Treasury Securities--State and Local Government Series, as may be necessary for the Escrow Fund. In addition, the Town may purchase for investment in the Escrow Fund such obligations of the United States of America that will be appropriate open market investments for the Escrow Fund.

(b) Officials of the Town are directed, upon delivery of the Series 1987 Bonds, to transfer \$942,441.56 from funds on hand in the reserve fund for the Refunded Bonds, to be deposited in the Escrow Fund and used in accordance with the provisions of the Escrow Agreement to purchase such open market investments.

Section 9.02. Approval of Escrow Agreement.

The Escrow Agreement and its execution and delivery by the Mayor of the Town are hereby authorized and approved. The signature of the Mayor shall be attested by the City Secretary of the Town.

ARTICLE X

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 10.01. Payment of Bonds.

On or before each Interest Payment Date for any of the Series 1987 Bonds or date of prior redemption and while any of the Series 1987 Bonds are outstanding and unpaid there shall be made available to the paying agents for such outstanding Series 1987 Bonds, out of the Interest and Sinking Fund and the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Series 1987 Bonds as will accrue or mature on the applicable Interest Payment Date or date of prior redemption.

Section 10.02. Additional Parity Bonds.

(a) In addition to the right to issue bonds of inferior lien as authorized by the laws of the State of Texas, the Town hereby reserves the right to issue Additional Bonds, under and in accordance with this Section, for the purpose of improving, extending, equipping, and repairing the System, and for the purpose of refunding, in any lawful manner, all or any part of the Bonds then outstanding. The Additional Bonds shall be on a parity with the Series 1987 Bonds, payable from and equally secured by a first lien on and pledge of the Net Revenues of the System. Additional Bonds may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(i) A certificate is executed by the Mayor and City Secretary of the Town to the effect that no default exists in connection with any of the covenants or requirements of the ordinances authorizing the issuance of all then outstanding Series 1987 Bonds and Additional Bonds;

(ii) A certificate is executed by the Mayor and City Secretary of the Town to the effect that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein;

(iii) A certificate is executed by a Certified Public Accountant to the effect that, in his opinion, the net earnings of the System either for the last complete fiscal year of the Town, or for any 12 consecutive calendar month period ending not more than 90 days prior to the passage of the ordinance authorizing the issuance of such Additional Bonds, were at least 1.25 times the average annual principal and interest requirements and at least 1.10 times the maximum annual principal and interest requirements for all then outstanding Series 1987 Bonds and Additional Bonds and for the installment or series of Additional Bonds then proposed to be issued. However, (A) should the certificate of the accountant certify that the net earnings of the System for the period covered thereby were less than required above, and (B) a change in the rates and charges for water and sewer services afforded by the System became effective at least 60 days prior to the last day of the period covered by the accountant's certificate, and (C) an independent engineer or engineering firm having favorable reputation with respect to such matters will certify that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate, the net earnings of the System covered by the accountant's certificate would have been, in his or her opinion, equal to at least 1.25 times the average annual principal and interest requirements and at least 1.10 times the maximum annual principal and interest requirements (calculated on a fiscal year basis) of the outstanding Series 1987 Bonds and Additional Bonds after giving effect to the issuance of the proposed Additional Bonds, then, in such event, the coverage specified in the first sentence of this subparagraph (iii) shall not be required for the period specified, and such accountant's certificate will be sufficient if accompanied by an engineer's certificate to the above effect;

(iv) The Additional Bonds are scheduled to mature only on May 1 or November 1, or both, and the interest thereon is scheduled to be paid only on May 1 and November 1;

(v) The ordinance authorizing the issuance of such Additional Bonds 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 such Additional Bonds, and that such additional amount shall be so accumulated within 60 months from the date of the Additional Bonds; 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 Series 1987 Bonds and Additional Bonds and for the installment or series of Additional Bonds then proposed to be issued;

(vi) The ordinance authorizing issuance of the Additional Bonds provides for the accumulation in the Interest and Sinking Fund of amounts sufficient to pay the principal of and interest on such Additional Bonds as same mature.

(b) The term "Net Earnings," as used in this Section, shall mean all income, receipts and revenues derived from the operation of the System, including interest earned on invested moneys in the special Funds created herein for the payment and security of obligations payable from the Net Revenues, after deduction of maintenance and operating expenses but not deducting depreciation, debt service payments on Bonds and other expenditures which, under standard accounting practice, should be classified as capital expenditures. Revenues and receipts resulting solely from the ownership of the System (grants, meter deposits and gifts) and interest earned on construction funds created from Bond proceeds shall not be treated or included as income, revenues or receipts from the operation of the System for purposes of determining "Net Earnings."

(c) Wherever, in this Section, the Town reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the same source of revenues of the Town.

Section 10.03. Maintenance and Operation; Insurance.

The Town covenants and agrees that it shall maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any of the Series 1987 Bonds are outstanding, the Town agrees to maintain insurance on the System for the benefit of the Owners of the Series 1987 Bonds of a kind and 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 Town to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the Town from doing so.

Section 10.04. Records; Accounts; Accounting Reports.

(a) The Town hereby covenants and agrees that so long as any of the Series 1987 Bonds remain outstanding, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System on the basis of the fiscal year fixed by the Town's Charter, and such records and accounts shall be kept separate and apart from all other records and accounts of the Town in accordance with accepted accounting principles prescribed for municipal corporations. The Owner of any Series 1987 Bond or any duly authorized agent or agents of such Owner, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The Town further agrees that as soon as possible following the close of each fiscal year it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(i) a detailed statement of the income and expenditures of the components of the System for such fiscal year;

(ii) a balance sheet as of the end of such fiscal year;

(iii) a detailed statement of the source and disposition of all funds of the System during such fiscal year; and

(iv) the Accountant's comments regarding the manner in which the Town has complied with the covenants and requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System.

(b) Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished, upon written request, to the Purchaser and any subsequent Owners of the Series 1987 Bonds.

Section 10.05. Discharge.

(a) If the Town shall pay or cause to be paid or there shall otherwise be paid to the Owners of the Series 1987 Bonds, the principal of, redemption premium, if any, and interest on the Series 1987 Bonds, at the times and in the manner stipulated in this Ordinance, then the pledge of any money, securities and funds pledged under this Ordinance and all covenants, agreements and other obligations of the Town to the Owners of the Series 1987 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, and the Paying Agent/Registrar shall pay over or deliver all money held by it under this Ordinance to the Town.

(b) Series 1987 Bonds or any principal amount thereof and interest installments for which money shall have been set aside in full payment to maturity or the redemption thereof and held in trust by the Paying Agent/Registrar (through deposit by the Town of funds for such payment or redemption or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed above in this Section. All outstanding Series 1987 Bonds shall be deemed to have been paid, prior to their stated maturity within the meaning and with the effect expressed above in this Section if there shall have been deposited with the Paying Agent/Registrar either money in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which when due will provide moneys which together with the moneys, if any, deposited with the Paying Agent/Registrar at the same time shall be sufficient to pay when due the principal of, premium, if any, and interest to become due on such Series 1987 Bonds on and prior to the stated maturity or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. Neither direct obligations of the United States of America or moneys deposited with the Paying Agent/Registrar pursuant to this Section nor principal or interest payments on any such direct obligations of the United States of America shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on such Series 1987 Bonds. Any cash received from such principal of and interest on such direct obligations of the United States of America deposited with the Paying Agent/Registrar, if not needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the

United States of America (which may be non-interest bearing) maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest on such Series 1987 Bonds on and prior to the stated maturity thereof, and interest earned from such reinvestments shall be paid over to the Town as received by the Paying Agent/Registrar, free and clear of any trust, lien, or pledge. Any payment for direct obligations of the United States of America purchased for the purpose of reinvesting cash as aforesaid shall be made only against delivery of such direct obligations of the United States of America.

Section 10.06. Bonds as Negotiable Instruments.

Each of the Series 1987 Bonds shall be deemed and construed to be an "Investment Security" and, as such, a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

Section 10.07. No-Arbitrage; Rebate.

(a) The Town hereby represents that the proceeds of the Series 1987 Bonds are needed at this time to refund the Refunded Bonds and to pay the costs of issuing the Series 1987 Bonds; that it is not reasonably expected that the proceeds of the Series 1987 Bonds or money deposited in the Interest and Sinking Fund will be used or invested in a manner that would cause the Series 1987 Bonds to be or become "arbitrage bonds" within the meaning of Section 148 of the Code; and that, except for the funds established by this Ordinance, no other funds or accounts have been established or pledged to the payment of the Series 1987 Bonds.

(b) The Town will not take any action or fail to take any action with respect to the investment of the proceeds of the Series 1987 Bonds or any other funds of the Town, including amounts received from the investment of any of the foregoing, that, based upon the facts, estimates and circumstances known on the Closing Date, would result in constituting the Series 1987 Bonds "arbitrage bonds," within the meaning of such Section 148 of the Code, and the Town will not take any deliberate action motivated by arbitrage that would have such result.

(c) Proper officers of the Town charged with the responsibility of issuing the Series 1987 Bonds 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 Town's current expectations.

(d) The Town will comply with the provisions of Section 148(f) of the Code (relating to paying certain excess earnings of investment of proceeds of the Bonds to the United States of America) and the regulations promulgated thereunder.

(e) The Series 1987 Bonds are hereby designated "Qualified Tax Exempt Obligations" for purposes of Section 265 of the Code. Neither the Town nor any of its subordinate entities, if any, reasonably expect to issue in excess of \$10,000,000 aggregate amount of Qualified Tax Exempt Obligations during the calendar year in which the Series 1987 Bonds are issued, and the Town hereby covenants not to designate more than \$10,000,000 aggregate amount of Qualified Tax Exempt Obligations during this calendar year in which the Series 1987 Bonds are issued.

Section 10.08. Further Covenants.

The Town hereby further covenants and agrees as follows:

(a) It has the lawful power to pledge the Net Revenues to the payment of the Series 1987 Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Series 1987 Bonds and Additional Bonds, if any, shall be ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues.

(b) The revenues and income of the System have not been pledged to the payment of any debt or obligation of the Town or of the System other than the Series 1987 Bonds.

(c) So long as any Series 1987 Bonds or Additional Bonds are outstanding, the Town will not sell or encumber the System or any substantial part thereof, and, with the exception of Additional Bonds expressly permitted by this Ordinance to be issued, it will not encumber the Net Revenues unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance.

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

(e) To the extent that it legally may, the Town further covenants and agrees that, so long as any of the Series 1987 Bonds and Additional Bonds remain outstanding, no franchise shall be granted for the installation or operation of any competing waterworks or sewer system; the Town will prohibit the operation of any waterworks or sewer system other than those owned by the Town, and the operation of any such system by anyone other than this Town is hereby prohibited.

(f) Whenever notice to the Owners of the Series 1987 Bonds is required under this Ordinance, such notice shall also be provided to the Credit Enhancer at the address specified in Section 12.02 hereof.

Section 10.09. Amendments.

(a) The Town acknowledges that the covenants and obligations of the Town herein contained are a material inducement to the purchase of the Series 1987 Bonds. This Ordinance shall constitute a contract with the Owners of any Series 1987 Bond from time to time, be binding on the Town, and shall not be amended or repealed by the Town so long as any Series 1987 Bond remains outstanding, except as permitted in this Section.

(b) The Town may, without the consent of or notice to any Owners of Series 1987 Bond, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners of any Series 1987 Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

(c) In addition, the Town may, with the written consent of Owners of Series 1987 Bonds owning a majority in aggregate principal amount of the Series 1987 Bonds then outstanding and affected thereby, amend, add to or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Series 1987 Bonds, no such amendment, addition or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Series 1987 Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Series 1987 Bonds, (ii) give any preference to any Series 1987 Bond over any other Series 1987 Bond, or (iii) reduce the aggregate principal amount of Series 1987 Bonds required for consent to any such amendment, addition or rescission.

(d) Whenever any alteration, modification or amendment of this Ordinance requires the written consent of all or a specified portion of the Owners, the Credit Enhancer's written request shall also be required.

ARTICLE XI REDEMPTION OF CERTAIN OUTSTANDING OBLIGATIONS

Section 11.01. Redemption of Certain Outstanding Revenue Bonds.

The Town hereby calls for the redemption, prior to maturity, the following of the Refunded Bonds on the redemption date and at the redemption price set forth below:

The Refunded Bonds maturing on and after May 1, 1996, are hereby called for redemption prior to maturity on May 1, 1995, at a redemption price equal to the principal amount of the Refunded Bonds so redeemed, plus accrued interest to the date fixed for redemption. Interest on the Refunded Bonds shall cease to accrue on the date of redemption of the Refunded Bonds.

Section 11.02. Authorization to Give Notice of Redemption.

The City Secretary of the Town is hereby authorized and directed to cause a notice of redemption in substantially the form attached to this Ordinance as Exhibit "A" to be filed with the paying agent for the Refunded Bonds not less than 45 days prior to the date of redemption of the Refunded Bonds. Such notice shall authorize and direct the paying agent for the Refunded Bonds to give notice of redemption to the registered owners of the Refunded Bonds in the manner authorized by the ordinance authorizing the issuance of the Refunded Bonds.

Section 11.03. Source of Funds for Redemption.

The source of funds for payment of the redemption price and accrued interest on the Refunded Bonds shall be from the funds escrowed with First City Bank of Dallas, Dallas, Texas, pursuant to the Escrow Agreement approved in Section 9.03 of this Ordinance.

ARTICLE XII

DEFAULT AND REMEDIES

Section 12.01. Remedies in Event of Default.

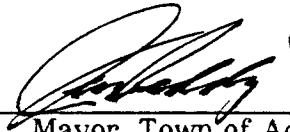
(a) In addition to all the rights and remedies provided by the laws of the State of Texas, the Town covenants and agrees particularly that in the event the Town (i) defaults in payments to be made to the Interest and Sinking Fund and Reserve Fund as required by this Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Owner of any Series 1987 Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the Town to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

(b) No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive. Notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

Section 12.02. Notice to Credit Enhancer.

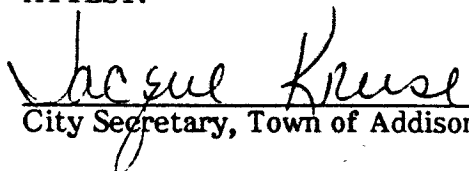
In the event of any default with respect to the Series 1987 Bonds, the Paying Agent/Registrar shall promptly notify the Credit Enhancer in writing by registered or certified mail to the Credit Enhancer, addressed as follows: AMBAC Indemnity Corporation, One State Street Plaza, New York, New York 10004 (or any substitute address of which the Paying Agent/Registrar has received notice).

FINALLY ADOPTED, APPROVED AND EFFECTIVE this 24th day of November, 1987.



Mayor, Town of Addison, Texas

ATTEST:



City Secretary, Town of Addison, Texas

[SEAL]

EXHIBIT "A"

First City Bank of Dallas
P.O. Box 661700
Dallas, Texas 75266-1700
Attention: Corporate Trust Department

RE: Town of Addison, Texas Waterworks and Sewer System Revenue Bonds, Series 1984

Notice is hereby given, on behalf of the Town of Addison, Texas (the "Town"), that the Town has duly called for redemption and payment on the dates shown below the outstanding bonds of the Town described as follows:

Town of Addison, Texas, Waterworks and Sewer System Revenue Bonds, Series 1984, dated November 1, 1984 (the "Series 1984 Bonds"), bonds maturing on and after May 1, 1996, aggregating \$6,850,000. REDEMPTION DATE: May 1, 1995.

As paying agent for the Series 1984 Bonds, you are hereby authorized and directed to give notice of redemption of the Series 1984 Bonds by sending a written notice by first class United States mail, postage prepaid, not less than 30 days before the Redemption Date, to the registered owner of each Series 1984 Bond to be redeemed, at the address shown on the Register. The written notice shall be substantially in the following form:

"NOTICE OF REDEMPTION

TOWN OF ADDISON, TEXAS,
WATERWORKS AND SEWER SYSTEM REVENUE BONDS
SERIES 1984 (the "Bonds")

(name and address of registered owner)

The registration books kept by First City Bank of Dallas, Dallas, Texas, Paying Agent/Registrar for the Bonds, show that you are the registered owner of Bond number(s) _____, maturing on May 1, _____, in the aggregate principal amount of \$ _____.

NOTICE IS HEREBY GIVEN that the Bonds maturing on and after May 1, 1996, aggregating \$ _____ in principal amount, of which the Bond(s) described in the preceding paragraph constitute a part, have been called for redemption by the Town of Addison, Texas, on May 1, 1995 (the "Redemption Date").

NOTICE IS FURTHER GIVEN that due and proper arrangements have been made providing First City Bank of Dallas, Dallas, Texas, the place of payment of said Bonds called for redemption, with funds sufficient to pay the principal amount of the Bonds and the interest thereon to the Redemption Date (the "Redemption Price"). Payment of the Redemption Price shall be made upon presentation and surrender of a redeemed Bond at the principal corporate trust office of First City Bank of Dallas, Dallas, Texas. IN THE EVENT THE BONDS, OR ANY OF THEM, ARE NOT PRESENTED FOR PAYMENT BY THE DATE FIXED FOR THEIR REDEMPTION, THEY SHALL NOT THEREAFTER BEAR INTEREST.

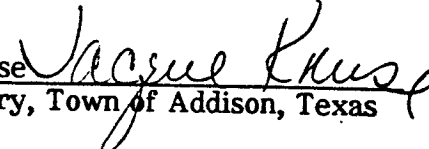
DATED: _____.

FIRST CITY BANK OF DALLAS
Dallas, Texas

Authorized Signatory"

Due and proper provision will be made prior to the Redemption Date at First City Bank of Dallas, Dallas, Texas for the payment of the redemption price of the Series 1984 Bonds, being the principal amount of the Series 1984 Bonds so called for redemption plus accrued interest to the date fixed for redemption.

DATED: _____.

/s/ Jacque Kruse 
City Secretary, Town of Addison, Texas