

AN ORDINANCE PROVIDING FOR THE ISSUANCE OF TOWN OF ADDISON, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 1993, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$7,980,000; PROVIDING FOR THE PAYMENT AND SECURITY THEREOF; CALLING FOR REDEMPTION PRIOR TO MATURITY CERTAIN OUTSTANDING BONDS OF THE TOWN; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, there are presently outstanding certain bonds of the Town of Addison, Texas (the "Town") described on Schedule I hereto, which are secured by and payable from a first lien on and pledge of the net revenues of the Town's waterworks and sewer system; and

WHEREAS, the Town now desires to refund such bonds described on Schedule I hereto (such refunded bonds to be hereinafter referred to as the "Refunded Bonds") and to call such Refunded Bonds for redemption on the date and in the principal amounts set forth on Schedule I; and

WHEREAS, Article 717k, V.A.T.C.S., authorizes the Town to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Bonds, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; and

WHEREAS, Article 717k further authorizes the Town to enter into an escrow agreement with any paying agent for the Refunded Bonds with respect to the safekeeping, investment, reinvestment, administration and disposition of any such deposit, upon such terms and conditions as the Town and such paying agent may agree, provided that such deposits may be invested and reinvested only in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which shall mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or prepayment of the Refunded Bonds; and

WHEREAS, Texas Commerce Bank, National Association, Dallas, Texas is the paying agent for the Refunded Bonds and the Escrow Agreement hereinafter authorized constitutes an escrow agreement of the kind authorized and permitted by said Article 717k; and

WHEREAS, the City Council of the Town hereby finds and declares a public purpose and deems it advisable to refund the Refunded Bonds in order to achieve a total debt service savings and a present value debt service savings of approximately \$502,491; and

WHEREAS, all of the Refunded Bonds mature or are subject to redemption prior to maturity within 20 years of the date of the bonds hereinafter authorized; and

WHEREAS, the City Council has found and determined that it is necessary and in the best interest of the Town and its citizens that it authorize by this Ordinance the issuance and delivery of the bonds hereinafter described in a single series at this time; 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 Texas Civil Statutes, as amended; therefore

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

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions.

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

"Additional Bonds" means the additional revenue bonds authorized to be issued on a parity with the Bonds Similarly Secured in accordance with the terms and conditions prescribed in Section 9.02.

"Bond" means any of the Bonds.

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

"Bonds" means the Town's bonds authorized to be issued by Section 3.01 and designated as "Town of Addison, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 1993."

"Bonds Similarly Secured" means the Series 1987 Bonds, the Bonds and any Additional Bonds.

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

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

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named in this Ordinance, its corporate trust office in Dallas, Texas, or at such other location designated by the Paying Agent/Registrar, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"DTC" shall mean The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" shall mean brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Escrow Agent" means Texas Commerce Bank, National Association, Dallas, Texas.

"Escrow Agreement" means the Escrow Agreement, dated as of April 20, 1993, between the Town and the Escrow Agent.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

"Event of Default" means any event of default as defined in Section 10.01.

"Initial Bond" means the Initial Bond authorized by Section 3.04.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 8.01.

"Interest Payment Date" means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being November 1 and May 1, commencing November 1, 1993.

"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 confirmed or 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 the Bonds Similarly Secured means, as of the date of determination, all such bonds theretofore issued and delivered, except:

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

(ii) those bonds for which payment has been duly provided by the Town by the irrevocable deposit with the paying agent/registrars 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/registrars, 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 direct obligations of, or obligations unconditionally guaranteed by, the United States of America which are non-callable prior to the respective maturities of the Bonds Similarly Secured, or both.

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Paying Agent/Registrar" means initially Ameritrust Texas National Association 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 as set forth in the preambles hereto.

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

"Representation Letter" means the Letter of Representations between the Town, the Paying Agent/Registrar and DTC.

"Reserve Fund" means the Reserve Fund established by Section 8.01.

"Revenue Fund" means the Revenue Fund established by Section 8.01.

"Series 1987 Bonds" means the Town's Waterworks and Sewer System Refunding Revenue Bonds, Series 1987".

"Special Record Date" means the new record date for interest payment established in the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, as described in Section 3.03(b).

"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.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal, redemption premium, if any, or interest on the Bonds as the same become due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity and remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

Section 1.02. Findings.

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

Section 1.03. 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.

(c) All section references shall mean references to sections of this Ordinance unless otherwise designated.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Pledge of Revenues.

The Bonds herein authorized are "Additional Parity Bonds" as described in the ordinance authorizing the Series 1987 Bonds, and the principal thereof and the interest thereon, together with the principal of and interest on the Series 1987 Bonds, are and shall be payable from and secured by an irrevocable first lien on and pledge of the Net Revenues.

Section 2.02. Special Obligations.

The Bonds and the interest thereon shall constitute special obligations of the Town, payable solely from the Net Revenues herein pledged, and the holder or holders of the Bonds shall never have the right to demand payment thereof out of any 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 "Town of Addison, Texas, Waterworks and Sewer System Revenue Refunding Bonds, Series 1993," are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, particularly Article 717k, V.A.T.C.S., as amended, and the Home Rule Charter of the Town. The Bonds shall be issued in the aggregate principal amount of \$7,980,000, for the purpose of providing funds for refunding the Refunded Bonds and paying the costs of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated May 1, 1993. The 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 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 Installments</u>	<u>Interest Rates</u>
1994	\$120,000	2.60%
1995	90,000	3.40%
1996	95,000	3.90%
1997	100,000	4.05%
1998	415,000	4.25%
1999	440,000	4.40%
2000	450,000	4.60%
2001	470,000	4.75%
2002	510,000	4.75%
2003	520,000	4.90%
2004	555,000	5.00%
2005	590,000	5.20%
2006	620,000	5.25%
2007	1,045,000	5.40%
2008	1,000,000	5.40%
2009	960,000	5.40%

(c) Interest shall accrue and be paid on each 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 rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually commencing on November 1, 1993, and on each May 1 and November 1 thereafter until maturity or prior redemption. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of 12 months of 30 days each.

Section 3.03. Medium, Method and Place of Payment.

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

(b) Interest on the Bonds shall be payable to the Owners as shown in the Register at the close of business on the Record Date. In the event of a nonpayment of interest on a scheduled payment date, and for 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 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 Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and sent by the Paying Agent/Registrar to each Owner, first class United States mail, postage prepaid, to the address of each Owner as it appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, the Owner shall bear all risk and expense of such other banking arrangement.

(d) The principal of each 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 Bond at the Designated Payment/Transfer Office.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office 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 have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of non-payment on the date on which such payment is otherwise stated to be due and payable.

(f) Subject to Title 6 of the Texas Property Code, as amended, and further subject to any applicable escheat, unclaimed property, or similar law, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be paid to the Town. Thereafter, neither the Town, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat, unclaimed property, or similar law.

Section 3.04. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the Town by the Mayor and the 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 Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such

facsimile seal on the Bonds shall have the same effect as if the official seal of the Town had been manually impressed upon each of the Bonds.

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

(c) Except as provided below, no 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 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 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 Bonds, payable in stated installments to the initial purchaser, or its designee, manually signed by the Mayor and City Secretary of the Town, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the Purchaser one registered definitive Bond for each year of maturity of the Bonds in the aggregate principal amount of all Bonds for such maturity, registered in the name of Cede & Co., as nominee of DTC.

Section 3.05. Ownership.

(a) The Town, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon, and for all other purposes (except interest will be paid to the person in whose name such bond is registered on the Record Date or Special Record Date, as applicable), whether or not such 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 Bond shall be valid and effectual and shall discharge the liability of the Town and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bonds remain outstanding, the Town shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

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

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or 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 Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange 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 Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, subsequent transfer, or exchange for a different denomination of any of the 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 Bond.

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

Section 3.07. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled and proper records shall be made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such cancelled Bonds to the Town or may in accordance with law destroy such cancelled Bonds and periodically furnish the Town with certificates of destruction of such Bonds.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive 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 Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive 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 Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such 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 Bonds in definitive form; thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and shall authenticate and deliver in exchange therefor Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the 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 Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement 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 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 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 Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(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 Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the Town 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) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Town and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Town or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its

discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable or may pay such Bond when it becomes due and payable.

(e) Each replacement 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 Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book-Entry Only System.

(a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Town and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Ordinance. Without limiting the immediately preceding sentence, the Town and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Town and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Town's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the register, shall receive a Bond certificate evidencing the obligation of the Town to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(c) The execution and delivery of the Representation Letter is hereby approved with such changes as may be approved by the Mayor, and the Mayor is hereby authorized to execute such Representation Letter.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the Town or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the Town or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption.

The 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 Bonds maturing on and after May 1, 2003 in whole or any part, before their respective scheduled maturity dates, on May 1, 2002 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 Bonds 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 Bonds to be redeemed.

Section 4.03. Partial Redemption.

(a) 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 or maturities and in such principal amounts for redemption.

(b) A portion of a single 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 Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each \$5,000 portion of the Bond as though it were a single Bond for purposes of selection for redemption.

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

(d) The Paying Agent/Registrar shall promptly notify the Town in writing of the principal amount to be redeemed of any 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 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 Bond (or part thereof) to be redeemed, at the address shown on the Register at the close of business on the business day next preceding the date of mailing such notice.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the 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 Bonds to be redeemed on such date by setting aside and holding in trust such amounts as are 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 Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office 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 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 4.04 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the Town defaults in its obligation to make provision for the payment of

the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such 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 Bond or portion thereof called for redemption shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same by the Town.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

Ameritrust Texas National Association is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications.

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

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any 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 of the Town.

(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 reserves the right to terminate the appointment of any Paying Agent/Registrar by: (i) giving to such Paying Agent/Registrar 45 days written notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar; provided, that, no such termination shall be effective until a successor paying agent/registrar has assumed the duties of paying agent/registrar for the Bonds.

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

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Bonds, 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 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) thereon as, consistently herewith, may be determined by the Town or by the officers executing such Bonds, as evidenced by their execution thereof.

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

(c) The definitive Bonds shall be typewritten, 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 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 Bonds.

The form of the Bond, 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 Bonds, shall be substantially as follows:

(a) Form of Bond.

REGISTERED

REGISTERED

No. _____

\$ _____

United States of America
State of Texas
COUNTY OF DALLAS
TOWN OF ADDISON, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BOND
SERIES 1993

INTEREST RATE: _____ MATURITY DATE: _____ BOND DATE: May 1, 1993 CUSIP NUMBER: _____

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

_____ or registered assigns, 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 November 1, 1993.

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 corporate trust office in Dallas, Texas, or such other location designated by the Paying Agent/Registrar, (the "Designated Payment/Transfer Office") of the Paying Agent/Registrar executing the registration certificate appearing hereon or, with respect to a successor paying agent/registrar, at the Designated Payment/Transfer Office of such successor. 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 expense of such other 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 of a nonpayment of interest on a scheduled payment date, and for 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 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 Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next 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 Designated Payment/Transfer Office 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 have the same force and effect as if made on the original date payment was due and no additional interest shall be due by reason of nonpayment on the date on which such payment is otherwise stated to be due and payable.

This Bond is one of a series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds"), issued pursuant to a certain ordinance of the Town (the "Ordinance") for the purpose of providing funds with which to refund certain outstanding obligations of the Town and to pay the costs of issuing the Bonds.

This Bond and all the Bonds of the series of which it is a part constitute special obligations of the Town and, together with certain outstanding revenue obligations heretofore issued by said Town (defined and identified in the Ordinance as the "Series 1987 Bonds"), are payable as to both principal and interest solely from and equally secured by a first lien on and pledge of the net revenues of the Town's combined waterworks and sewer system. Reference is hereby made to the Ordinance for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one.

The Town expressly reserves the right to issue further and additional special revenue obligations equally secured by a lien on and pledge of the net revenues of the Town's combined waterworks and sewer system on a parity with the Bonds and the Series 1987 Bonds, provided, however, that any and all such additional parity obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Ordinance and to which reference is hereby made for more complete and full particulars.

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

The Town has reserved the option to redeem the Bonds maturing on or after May 1, 2003 in whole or in part before their respective scheduled maturity dates, on May 1, 2002, 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; 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 Designated Payment/Transfer Office 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.

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 45 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.

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 nor the Paying Agent/Registrar shall be affected by notice to the contrary.

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 have been properly done and performed and have happened in regular and due time, form and manner, as required by law.

IN WITNESS WHEREOF, the Town has caused this Bond to be duly executed under its official seal.

City Secretary,
Town of Addison, Texas

Mayor,
Town of Addison, Texas

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive 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, and that this 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 executed 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.

AMERITRUST TEXAS NATIONAL ASSOCIATION,
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.

Date: _____

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.

Signature Guaranteed:

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 Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and "CUSIP NUMBER" shall be deleted;

(ii) in the first paragraph of the 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 the 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)

(iii) in the second paragraph of the 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 Ameritrust Texas National Association."; and

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

Section 6.04. Legal Opinion.

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

Section 6.05. Statement of Insurance.

A statement relating to a municipal bond insurance policy, if any, to be issued for the Bonds may be printed on or attached to each Bond.

ARTICLE VII

SALE AND DELIVERY OF BONDS, DEPOSIT OF PROCEEDS

Section 7.01. Sale of Bonds, Official Statement.

(a) The Bonds are hereby sold and awarded to Dillon, Read & Co. Inc. and Pryor, McClendon, Counts & Co., Inc. (collectively, the "Purchaser") in accordance with the terms and provisions of that certain Purchase Contract relating to the Bonds between the Town and the Purchaser. The form and substance of such Purchase Contract are hereby approved and the Mayor and City Secretary are hereby authorized and directed to execute and attest, respectively, such Purchase Contract. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall be initially registered in the name of such Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement for the Bonds, and any addenda, supplement or amendment thereto, (the "Official Statement") presented to and considered at this meeting, are hereby in all respects approved and adopted and hereby deemed final as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Mayor and City Secretary of the Town are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies thereof to the Purchasers. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor and the Purchasers, may be used by the Purchasers 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. The use and distribution of the Preliminary Official Statement, and the preliminary public offering of the Bonds by the Purchasers is hereby ratified, approved and confirmed.

(c) All officers of the Town are authorized to execute such documents, certificates and receipts, and to make such elections with respect to the tax-exempt status of Bonds, as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the provisions and terms of this Ordinance.

Section 7.02. Control and Delivery of 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 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 Bonds shall be made to the initial purchasers thereof under and subject to the general supervision and direction of the Mayor, against receipt by the Town of all amounts due to the Town under the terms of sale.

Section 7.03. Deposit of Proceeds.

(a) All amounts received on the Closing Date as accrued interest on the Bonds from the Bond Date to the Closing Date shall be deposited to the Interest and Sinking Fund.

(b) \$7,652,521.14 of Bond proceeds shall be deposited to the Escrow Fund and shall be applied as provided in the Escrow Agreement.

(c) \$163,434.23 of Bond proceeds shall be deposited as directed by the Mayor and used to pay the costs and expenses pertaining to the issuance of the Bonds, including the bond insurance premium for the municipal bond guaranty insurance policy for the Bonds, the acquisition of which is hereby authorized and approved. To the extent any of such amount is not used for such purposes, such excess shall be deposited to the Interest and Sinking Fund.

(d) Any remaining Bond proceeds shall be deposited into the Interest and Sinking Fund.

(e) To the extent necessary to accomplish fully the purposes of this Ordinance, the Mayor is authorized to reallocate the funds (except the accrued interest received on the Bonds) directed to be used for the purposes specified above.

ARTICLE VIII

FUNDS AND ACCOUNTS

Section 8.01. Special Funds.

To provide for the payment and security of the Bonds Similarly Secured, the establishment of the following funds by the ordinance that authorized the issuance of the Series 1987 Bonds is hereby confirmed:

(i) the "Revenue Fund";

- (ii) the "Interest and Sinking Fund"; and
- (iii) the "Reserve Fund".

The Town shall continue to keep and maintain the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund at an official depository bank of the Town while any Bonds Similarly Secured, or interest thereon, remain outstanding.

Section 8.02. Revenue Fund.

(a) The Town hereby agrees and covenants with the Owners of the Bonds Similarly Secured 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. 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 Bonds Similarly Secured; 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 8.03. Interest and Sinking Fund.

(a) Moneys deposited in the Interest and Sinking Fund shall be used to pay principal of and interest on the Bonds Similarly Secured when and as the same become due and payable.

(b) 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 Bonds Similarly Secured 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 the month following the delivery of the Bonds.

(c) The above monthly deposits to the Interest and Sinking Fund for the payment of principal of and interest on the Bonds Similarly Secured 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 Bonds Similarly Secured (principal and interest), or the Bonds Similarly Secured are no longer outstanding.

(d) Any proceeds of the Bonds not required for the purposes for which the Bonds are being issued, as set forth in Section 7.03, 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 8.04. Reserve Fund.

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

(b) The Town hereby agrees with the Owners of the Bonds Similarly Secured 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 Bonds Similarly Secured from time to time outstanding (the "Required Reserve").

(c) On the Closing Date, the City shall retain in the Reserve Fund an amount equal to the Required Reserve, as such amount is calculated after giving effect to the issuance of the Bonds, and any amount in excess of such Required Reserve shall be disposed as provided in subsection (d) of this Section. Any additional amount required, as a result of the issuance of any Additional Bonds, to be deposited into the Reserve Fund in order to maintain a balance therein at least equal to the Required Reserve shall be accumulated in not more than sixty months from the date of the 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.

(d) 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.

(e) 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 8.05. 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 8.06. 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 8.07. 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 8.08. 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 and subject to applicable law, 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 Similarly Secured.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 9.01. Payment of the Bonds.

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

Section 9.02. Additional 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 Similarly Secured then outstanding. The Additional Bonds shall be on a parity with the Outstanding Bonds Similarly Secured, 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 Bonds Similarly Secured;

(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 Bonds Similarly Secured 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 Bonds Similarly Secured 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 requirement 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

Bonds Similarly Secured 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 9.03. 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 the ordinances relating to the Bonds Similarly Secured; 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 Similarly Secured from time to time outstanding.

Section 9.04. 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 Bonds Similarly Secured are outstanding the Town agrees to maintain insurance on the System for the benefit of the Owners of the Bonds Similarly Secured 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 9.05. Records, Accounts, Accounting Reports.

(a) The Town hereby covenants and agrees that so long as any of the Bonds Similarly Secured 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 Bond Similarly Secured 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 any Owners of the Bonds Similarly Secured.

Section 9.06. 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 Bonds Similarly Secured and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Bonds Similarly Secured 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 Net Revenues 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 and the Bonds.

(c) So long as any of the Bonds Similarly Secured 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 and the ordinances authorizing any Bonds Similarly Secured.

(d) No free service of the System shall be allowed, and should the Town or 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 Bonds Similarly Secured 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.

Section 9.07. Other Representations and Covenants.

(a) The Town will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance and in each Bond; the Town will promptly pay or cause to be paid the principal of and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the Town will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

(b) The Town is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Town in accordance with their terms.

Section 9.08. Federal Tax Covenants.

(a) The Town hereby represents that the proceeds of the Bonds are needed at this time to refund the Refunded Bonds and to pay the costs of issuing the Bonds; that it is not reasonably expected that the proceeds of the Bonds or money deposited in the Interest and Sinking Fund or the Reserve Fund will be used or invested in a manner that would cause the Bonds to be or become "arbitrage bonds," within the meaning of Section 148 of the Code; and that, except for the Interest and Sinking Fund and Reserve Fund, no other funds or accounts have been established or pledged to the payment of the 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 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 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) The Town will comply with the provisions of Section 148 and Section 149(d) of the Code and the regulations promulgated thereunder.

(d) The Town will invest all unspent proceeds of any of the Refunded Bonds, if any, and investment earnings thereon from the Closing Date to the date such proceeds are allocated to the Bonds at a yield that is not materially higher than the yield on such Refunded Bonds and, after the date such proceeds are allocated to the Bonds, at a yield not materially higher than the yield on the Bonds. For this purpose, such proceeds will be allocated to the Bonds on the same date and to the same extent that proceeds of the Bonds are used to pay principal on such Refunded Bonds. Alternatively, the Town will invest such proceeds in the tax-exempt obligations (the interest on which

is not subject to the federal alternative minimum tax) or other investments not described in Section 148(b)(2) of the Code.

(e) The Town will not take any action, or fail to take any action, which action or omission would (i) result in the interest payable on the Bonds being includable in gross income for federal tax purposes; (ii) result in the Bonds being treated as "private activity bonds" within the meaning of Section 141(a) of the Code; or (iii) result in the Bonds being treated as "federally guaranteed" within the meaning of Section 149(b) of the Code.

(f) It is the understanding of the Town that the covenants contained herein are intended to assure compliance with the Code and the regulations and rulings issued by the Internal Revenue Service. In the event that regulations or rulings are hereafter issued which modify or expand provisions of the Code, as applicable to the Bonds, the Town will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter issued which impose additional requirements which are applicable to the Bonds, the Town agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exclusion of interest on the Bonds for federal tax purposes under Section 103 of the Code.

(g) Proper officers of the Town charged with the responsibility of issuing the 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.

(h) The covenants and representations made or required by this Section are for the benefit of the Owners and may be relied upon by the Owners and Bond Counsel for the Town.

Section 9.09. Amendments.

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

(b) The Town may, without the consent of or notice to any Owners of the Bonds, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners of any 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 Bonds owning a majority in aggregate principal amount of the 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 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 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 Bonds,

(ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition or rescission.

ARTICLE X

DEFAULT AND REMEDIES

Section 10.01. Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

- (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement or obligation of the Town, which default materially and adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Town.

Section 10.02. Remedies for Default.

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

(b) All such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 10.03. Remedies Not Exclusive.

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

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

ARTICLE XI
DISCHARGE

Section 11.01. Discharge by Payment.

When all or any portion of the Bonds have been paid in full or when all or any portion of the Bonds have become due and payable, whether at maturity or otherwise, and the Town shall have provided for the payment of the whole amount due or to become due on such Bonds then outstanding by depositing with the Paying Agent/Registrar for payment of such Bonds the entire amount due or to become due thereon, and the Town shall also have paid or caused to be paid all sums payable under this Ordinance by the Town with respect to such Bonds, including the compensation due or to become due the Paying Agent/ Registrar, then the Paying Agent/Registrar, upon receipt of a letter of instructions from the Town requesting the same, shall discharge and release the lien of this Ordinance with respect to such Bonds and execute and deliver to the Town such releases or other instruments as shall be requisite to release the lien hereof.

Section 11.02. Discharge by Deposit.

(a) The Town may discharge its obligation to pay the principal of and interest on all or any portion of the Bonds and its obligation to pay other sums payable or to become payable under this Ordinance by complying with the following procedures:

(i) the Town shall deposit or cause to be deposited with the Paying Agent/Registrar an amount of money that, together with the interest earned on or capital gains or profits to be realized from the investment of such money, will be sufficient to pay the principal of and accrued interest on such Bonds to maturity or to the date fixed for prior redemption of such Bonds and to pay such other amounts as may be reasonably estimated by the Paying Agent/Registrar to become payable under this Ordinance with respect to the Bonds being provided for, including the compensation due or to become due the Paying Agent/Registrar;

(ii) the Town shall establish or cause to be established a separate escrow account fund with the Paying Agent/Registrar for the deposit pursuant to subdivision (i) of this subsection (a);

(iii) the Town shall make provision for the investment of such moneys by the Paying Agent/Registrar in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and which may be in book-entry form, maturing and/or bearing interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds;

(iv) the Town shall make provision for the payment to the Owners at the date of maturity or redemption of the full amount to which the Owners of the appropriate Bonds would be entitled by way of principal and interest to the date of such maturity;

(v) the Town shall make provision for the sending of written notice by first class postage prepaid United States mail to the Owner of each appropriate Bond then outstanding

within 30 days following the date of such deposit that such moneys are so available for such payment; and

(vi) the Town shall provide the Paying Agent/Registrar with an opinion of nationally recognized bond counsel acceptable to the Paying Agent/Registrar to the effect that the deposit specified in subdivision (i) of this subsection (a) will not cause the interest on any of the Bonds to become includable in the gross income of the Owners thereof.

(b) Upon compliance with subsection (a) of this Section, the Bonds for the payment of which provision is thus made shall no longer be regarded as outstanding and unpaid, and the Paying Agent/Registrar, upon receipt of a letter of instructions from the Town requesting the same, shall discharge and release the lien of this Ordinance as to such Bonds and shall execute and deliver to the Town such releases or other instruments as shall be requisite to release the lien hereof.

(c) Following final payment of the principal of and interest on the appropriate Bonds any moneys, interest earnings, profits or capital gains over and above the amounts necessary for such purposes shall be paid to the Town.

ARTICLE XII

ESCROW AGREEMENT; REDEMPTION OF REFUNDED BONDS

Section 12.01. Approval of Escrow Agreement.

The Escrow Agreement in substantially the form presented at the meeting at which this Ordinance is approved, 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.

Section 12.02. Purchase of Securities for Escrow Fund.

The Mayor and the Director of Finance, either or both of such officials, are authorized to make necessary arrangements for the purchase of such United States Treasury Securities - State and Local Government Series, as may be necessary for the Escrow Fund. In addition to or in lieu of such securities, the Town may use proceeds of the sale of the Bonds to purchase for investment in the Escrow Fund such obligations of the United States of America, or such obligations fully guaranteed by the United States of America, that will be appropriate open market investments for the Escrow Fund.

Section 12.03. Redemption of Refunded Bonds.

(a) The Refunded Bonds described on Schedule I are hereby called for redemption prior to their maturity on the date set forth in Schedule I, at the price of par plus accrued interest to the date of redemption. The redemption price of the Refunded Bonds shall be paid from the funds deposited into the Escrow Fund.

(b) Execution and delivery of the Escrow Agreement shall constitute notice to the paying agent for the Refunded Bonds of redemption thereof prior to maturity pursuant to this Ordinance. The paying agent for the Refunded Bonds is hereby authorized and directed to give notice of such

redemption to the owners thereof in the form and manner prescribed in the ordinance that authorized the issuance of the Refunded Bonds.

Section 12.04. Payment of Paying Agency Fees. Prior to the Closing, the Town shall ascertain from the paying agent for the Refunded Bonds the amount of all future fees and expenses for its paying agency services with respect to the Refunded Bonds. Concurrently with the sale and delivery of the Bonds, the Town shall cause an amount sufficient to pay such future fees and expenses to be paid to such paying agent.

ARTICLE XIII MUNICIPAL BOND GUARANTY INSURANCE

Section 13.01. Additional Definitions.

(a) "AMBAC Indemnity" means AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company.

(b) "Municipal Bond Guaranty Insurance Policy" or "Policy" means the municipal bond insurance policy issued by AMBAC Indemnity insuring the payment when due of the principal of and interest on the Bonds as provided therein.

Section 13.02. Municipal Bond Guaranty Insurance.

In the event and to the extent that the Bonds are insured by AMBAC Indemnity and AMBAC Indemnity has not defaulted in its obligations under the Policy, the City hereby makes the covenants and representations set forth in this Article XIII. In the event that the Bonds are not insured by AMBAC Indemnity, such covenants and representations shall have no force and effect.

Section 13.03. Consent of AMBAC Indemnity.

(a) Any provision of this Ordinance expressly recognizing or granting rights in or to AMBAC Indemnity may not be amended in any manner which affects the rights of AMBAC Indemnity hereunder without the prior written consent of AMBAC Indemnity.

(b) AMBAC Indemnity's consent shall be required in addition to Owner consent, when required, for (i) the execution and delivery of any supplemental ordinance or any amendment, supplement or change to or modification of other documents relating to the security for the Bonds; (ii) removal of the Paying Agent/Registrar and selection and appointment of any successor paying agent/registrar; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Owner consent.

(c) Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, AMBAC Indemnity shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Paying Agent/Registrar for the benefit of the Owners.

Section 13.04. Payment Pursuant to Municipal Bond Guaranty Insurance Policy.

(a) As long as the Policy shall be in full force and effect, the City and the Paying Agent/Registrar will comply with the following provisions:

(i) If payment of principal or interest due on the Bonds has not been made to the Paying Agent/Registrar, the Paying Agent/Registrar or any registered owner to whom such payment is due, shall so notify AMBAC Indemnity by telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. AMBAC Indemnity, on the later of the date due for payment or within one business day after receipt of notice of nonpayment, will deposit sufficient moneys with United States Trust Company of New York, as insurance trustee for AMBAC Indemnity or any successor insurance trustee (the "Insurance Trustee").

(ii) The Paying Agent/Registrar shall, after giving notice to AMBAC Indemnity as provided in (i) above, make available to AMBAC Indemnity and, at AMBAC Indemnity's direction, to the Insurance Trustee, the registration books of the City maintained by the Paying Agent/Registrar, and all records relating to the funds and accounts maintained under this Ordinance.

(iii) The Paying Agent/Registrar shall provide AMBAC Indemnity and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from AMBAC Indemnity under the terms of the Municipal Bond Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (A) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from AMBAC Indemnity and (B) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from AMBAC Indemnity.

(iv) The Paying Agent/Registrar shall, at the time it provides notice to AMBAC Indemnity pursuant to (i) above, notify Owners of Bonds entitled to receive the payment of principal or interest thereon from AMBAC Indemnity (A) as to the fact of such entitlement, (B) that AMBAC Indemnity will remit to them all or a part of the interest payments next coming due, (C) that should they be entitled to receive full payment of principal from AMBAC Indemnity, they must present and surrender their Bonds together with any appropriate instrument of assignment for payment to the Insurance Trustee, and not the Paying Agent/Registrar and (D) that should they be entitled to receive partial payment of principal from AMBAC Indemnity, they must present and surrender their Bonds for payment thereon first to the Paying Agent/Registrar, who shall note on such Bonds the portion of the principal paid by the Paying Agent/Registrar, and then, along with an appropriate instrument of assignment, to the Insurance Trustee, which will then pay the unpaid portion of principal. The Insurance Trustee shall disburse to registered owners of Bonds or the Paying Agent/Registrar, the payment due less any amount held by the Paying Agent/Registrar for payment of principal of or interest on Bonds and legally available therefor.

(v) In the event that the Paying Agent/Registrar has notice that any payment of principal of or interest on a Bond which has become due for payment and which is made to a Owner by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent/Registrar shall, at the time AMBAC Indemnity is notified pursuant to (i) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from AMBAC Indemnity to the

extent of such recovery if sufficient funds are not otherwise available and the Paying Agent/Registrar shall furnish to AMBAC Indemnity its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent/Registrar and subsequently recovered from the Owners and the dates on which such payments were made.

(vi) In addition to those rights granted AMBAC Indemnity under this Ordinance, AMBAC Indemnity shall, upon remittance and transfer of Bonds and coupons or appropriate instruments of assignment, become the Owner thereof, and to evidence such ownership (A) in the case of claims for past due interest, the Paying Agent/Registrar shall note AMBAC Indemnity's rights as owner on the registration books of the City maintained by the Paying Agent/Registrar upon receipt from AMBAC Indemnity of proof of payment of interest thereon to the registered owners of the Bonds and (B) in the case of claims for past due principal the Paying Agent/Registrar shall note AMBAC Indemnity's rights as owner on the registration books of the City maintained by the Paying Agent/Registrar upon surrender of the Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

(b) Notwithstanding anything in this Ordinance to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by AMBAC Indemnity pursuant to the Municipal Bond Guaranty Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and shall run to the benefit of AMBAC Indemnity, and AMBAC Indemnity shall be subrogated to the rights of such Owners.

Section 13.05. Notice Provisions.

(a) While the Policy is in effect, the City shall furnish to AMBAC Indemnity:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the City and a copy of any audit and annual report of the City;

(ii) a copy of any notice to be given to the Owners, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Bonds; and

(iii) such additional information it may reasonably request.

(b) The City shall notify AMBAC Indemnity of any failure of the City to provide relevant notices, certificates, or any other required information.

(c) The City will permit AMBAC Indemnity to discuss the affairs, finances and accounts of the City or any information AMBAC Indemnity may reasonably request regarding the security for the Bonds with appropriate officers of the City. The City will permit AMBAC Indemnity to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(d) Notwithstanding any other provision of this Ordinance, the City shall immediately notify AMBAC Indemnity if at any time there are insufficient moneys to make any payments of

principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

Section 13.06. Investments.

(a) The funds established in this Ordinance may be invested in any of the following obligations:

(A) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in subparagraph (B) below), or

(B) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(b) Subject to the limitations of applicable law, the funds established in this Ordinance, other than funds deposited or escrowed for the defeasance of any of the Bonds, may be invested in any of the following obligations:

(A) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

Export - Import Bank
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development
(PHA's)
Federal Housing Administration;

(B) bonds, notes or other evidences of indebtedness rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(C) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(D) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase;

(E) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation;

(F) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. or any successors thereto; or (ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(G) investment agreements approved in writing by AMBAC Indemnity Corporation [supported by appropriate opinions of counsel] with notice to Standard & Poor's Corporation; and

(H) other forms of investments approved in writing by AMBAC with notice to Standard & Poor's Corporation.

(c) The value of the above investments shall be determined as follows:

"Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(iii) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(iv) as to any investment not specified above: the value thereof established by prior agreement between the City, the Trustee and AMBAC Indemnity Corporation.

Section 13.07. Paying Agent/Registrar.

Any notice required to be given to the City, the Paying Agent/Registrar or the Owners regarding the resignation, termination or removal of the Paying Agent/Registrar shall also be provided to AMBAC Indemnity.

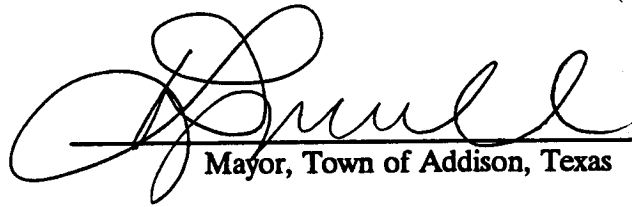
Section 13.08. AMBAC As Third Party Beneficiary; Interested Parties.

(a) To the extent that this Ordinance confers upon or gives or grants to AMBAC any right, remedy or claim under or by reason of this Ordinance, AMBAC is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

(b) Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, AMBAC Indemnity, the Paying Agent/Registrar and the Owners, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, AMBAC Indemnity, the Paying Agent/Registrar and the Owners.


[Execution Page Follows]

FINALLY PASSED, APPROVED AND EFFECTIVE this APR 20 1993.



Mayor, Town of Addison, Texas

ATTEST:



City Secretary, Town of Addison, Texas

[SEAL]

Published
5/20/93



SCHEDULE I

Town of Addison, Texas
Waterworks and Sewer System Refunding Revenue Bonds
Series 1987

<u>Maturity</u>	<u>Amount</u>
May 1, 1998	\$315,000
May 1, 1999	340,000
May 1, 2000	360,000
May 1, 2001	385,000
May 1, 2002	430,000
May 1, 2003	450,000
May 1, 2004	490,000
May 1, 2005	535,000
May 1, 2006	575,000
May 1, 2007	1,015,000
May 1, 2008	995,000
May 1, 2009	980,000

The above referenced bonds have been called for redemption on May 1, 1997, at the price of par plus accrued interest to the redemption date.