

CITY OF LEONARD, TEXAS

ORDINANCE NO. 110822-10

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF LEONARD, TEXAS COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2022; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATE; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT.

THE STATE OF TEXAS	§
COUNTY OF FANNIN	§
CITY OF LEONARD	§

WHEREAS, the City Council (the "City Council") of the City of Leonard, Texas (the "Issuer") deems it advisable to issue a Certificate in the amount of \$1,750,000 (the "Certificate") for paying all or a portion of the Issuer's contractual obligations incurred for (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer's waterworks system, including water chlorination facilities, water lines, water storage facilities, pumps, valves, meters and related infrastructure improvements; and (ii) legal, fiscal and engineering fees in connection with these projects; and

WHEREAS, the Certificate hereinafter authorized and designated is to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Act"); and

WHEREAS, the City Council has heretofore passed a resolution authorizing and directing the City Secretary to give notice of intention to issue the Certificate; and

WHEREAS, said notice has been duly published in a newspaper of general circulation in the Issuer, said newspaper being a "newspaper" as defined in § 2051.044, Texas Government Code and duly posted on the Issuer's internet website; and

WHEREAS, the Issuer received no petition from the qualified electors of the Issuer protesting the issuance of such Certificate; and

WHEREAS, no bond proposition to authorize the issuance of bonds for the same purpose as any of the projects being financed with the proceeds of the Certificate was submitted to the voters of the Issuer during the preceding three years and failed to be approved; and

WHEREAS, it is considered to be to the best interest of the Issuer that an interest bearing Certificate be issued.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LEONARD, TEXAS:

Section 1. **DEFINITIONS.** Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Ordinance, or any Ordinance amendatory or supplemental hereto, shall be construed, are used, and are intended to have meanings as follows:

“Act” - Subchapter C of Chapter 271, Texas Local Government Code and Chapter 1502, Government Code, as amended.

“Bond Counsel” - McCall, Parkhurst & Horton L.L.P., or such other firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Issuer.

“Business Day” - Any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in the State or in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Certificate” - The “City of Leonard, Texas Combination Tax and Revenue Certificate of Obligation, Series 2022,” dated November 15, 2022, authorized by this Ordinance. “Certificate” shall mean and include collectively the Certificate initially issued and delivered pursuant to this Ordinance and all substitute Certificates exchanged therefor, as well as all other substitute Certificates and replacement Certificates issued pursuant hereto, and the term “Certificate” shall mean any of such Certificates.

“City Council” - The City Council of the Issuer.

“Code” - The Internal Revenue Code of 1986, and any amendments thereto.

“Date of Delivery” - The date the Certificate is initially delivered to the Purchaser in exchange for the purchase price therefor.

“Issuer” - City of Leonard, Texas a duly incorporated municipality and political subdivision of the State.

“Ordinance” - This ordinance and all amendments hereof and supplements hereto.

“Paying Agent/Registrar” - The bank, trust company, financial institution or other entity so named in accordance with the provisions of Section 4 of this Ordinance.

“Project” - Collectively, those public improvements for the Issuer being financed with the proceeds of the Certificate, to wit: to pay all or a portion of the Issuer’s contractual obligations incurred for (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the Issuer’s waterworks system, including water chlorination facilities, water lines, water storage facilities, pumps, valves, meters and related infrastructure improvements; and (ii) legal, fiscal and engineering fees in connection with these projects.

“Purchaser” - The initial purchaser of the Certificate designated in Section 17.

“Registered Owner” - The registered owner of the Certificate from time to time as shown in the books kept by the Paying Agent/Registrar as the registrar and transfer agent for the Certificate.

“State” - The State of Texas.

Section 2. RECITALS, AMOUNT AND PURPOSE OF THE CERTIFICATE. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and

effect as if set forth in this Section. The Certificate is hereby authorized to be issued and delivered in the principal amount of \$1,750,000 FOR THE PURPOSE OF PAYING ALL OR A PORTION OF THE ISSUER'S CONTRACTUAL OBLIGATIONS INCURRED WITH RESPECT TO THE ACQUISITION AND CONSTRUCTION OF THE PROJECT.

Section 3. DESIGNATION, DATE, NUMBERS, AND MATURITY OF CERTIFICATES. Each Certificate issued pursuant to this Ordinance shall be designated: "CITY OF LEONARD, TEXAS COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2022," and there shall be issued, sold and delivered hereunder one fully registered Certificate, without interest coupons, dated November 15, 2022 and finally maturing December 1, 2042, with principal payable in installments on the dates and in the manner specified in the FORM OF CERTIFICATE. The Certificate shall be issued in the principal amount stated above and shall be numbered R-1, with any Certificate issued in replacement thereof being in the denomination and principal amount hereinafter stated and numbered consecutively from R-2 upward, payable to the Registered Owner or to the registered assignee of said Certificate (in each case, the "Registered Owner"). The Certificate shall bear interest from the Date of Delivery specified in the FORM OF CERTIFICATE, at the rate specified in the FORM OF CERTIFICATE. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE.

Section 4. CHARACTERISTICS OF THE CERTIFICATE.

(a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the office of Southside Bank in Tyler, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer of the Certificate (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations and transfers as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Registered Owner of the Certificate to which payments with respect to the Certificate shall be mailed, as herein provided; but it shall be the duty of the Registered Owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration and transfer of a substitute Certificate. Registration of assignments and transfers of the Certificate shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATE set forth in this Ordinance. Each substitute Certificate shall bear a letter and/or number to distinguish it from each other Certificate.

Except as provided in Section 4(c) hereof, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel a Certificate surrendered for transfer or the Certificate when paid in full. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or

person so as to accomplish the foregoing transfer of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Certificate in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Certificate as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, said Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Certificate which initially was issued and delivered pursuant to this Ordinance, approved by the Office of the Attorney General of Texas (the "Attorney General"), and registered by the Office of the Comptroller of Public Accounts of the State of Texas (the "Comptroller").

(b) Payment of Certificate and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificate, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificate and shall properly and accurately record all payments on the Certificate on the Registration Books, and shall keep proper records of all transfers of the Certificate, and all replacements of the Certificate, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. 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 (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of the Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Certificate (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificate to be payable only to the Registered Owner thereof, (ii) may and shall be redeemed prior to its scheduled maturity (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 30 days prior to any such redemption date), (iii) may be transferred and assigned, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) the principal of and interest on the Certificate shall be payable, and (vii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificate, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificate initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Certificate issued in exchange for any Certificate the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF CERTIFICATE.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the Registered Owner of the Certificate that at all times while the Certificate is outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Certificate under this Ordinance, and that the Paying Agent/Registrar will be a single entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 40 days written notice to the Paying Agent/Registrar, to be effective not later than 30 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying

Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificate, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Registered Owner of the Certificate, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Closing. On the Date of Delivery, the initial Certificate No. R-1 representing the entire original principal amount of the Certificate, payable to the Purchaser or its designee, executed by manual or facsimile signature of the Mayor (or in the absence of the Mayor, the Mayor Pro-tem) and City Secretary of the Issuer, approved by the Attorney General, and registered and manually signed by the Comptroller, and with the Date of Delivery inserted thereon by the Paying Agent/Registrar, shall be delivered to the Purchaser or its designee upon payment of the purchase price therefor.

Section 5. FORM OF CERTIFICATE. The form of the Certificate, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Comptroller's Registration Certificate to be attached to the Certificate initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

(a) FORM OF CERTIFICATE

NO. R-1	UNITED STATES OF AMERICA	PRINCIPAL
	STATE OF TEXAS	AMOUNT
	CITY OF LEONARD, TEXAS	\$1,750,000
	COMBINATION TAX AND REVENUE	
	CERTIFICATE OF OBLIGATION	
	SERIES 2022	

DATE OF DELIVERY: NOVEMBER 29, 2022

REGISTERED OWNER: SOUTHSIDE BANK

PRINCIPAL AMOUNT: ONE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS

The City of Leonard, in Fannin County, Texas (the "Issuer"), being a political subdivision of the State of Texas, for value received, promises to pay, from the sources described herein, to the Registered Owner specified above, or registered assigns (in each case, the "Registered Owner"), the principal amount specified above, and to pay interest thereon, from the Date of Delivery set forth above, on the balance of said principal amount from time to time remaining

unpaid. This Certificate shall finally mature on December 1, 2042, but shall be payable in installments on the dates and in the principal installment amounts, and shall bear interest at a rate of ____%, calculated on the basis of a 360-day year of twelve 30-day months, as set forth in the following schedule:

<u>Payment Date</u>	<u>Principal Installment (\$)</u>	<u>Payment Date</u>	<u>Principal Installment (\$)</u>
12/1/2023		12/1/2033	
12/1/2024		12/1/2034	
12/1/2025		12/1/2035	
12/1/2026		12/1/2036	
12/1/2027		12/1/2037	
12/1/2028		12/1/2038	
12/1/2029		12/1/2039	
12/1/2030		12/1/2040	
12/1/2031		12/1/2041	
12/1/2032		12/1/2042	

The principal of and interest on this Certificate is payable in lawful money of the United States of America, without exchange or collection charges. The Issuer shall pay interest on this Certificate on December 1, 2023 and on each June 1 and December 1 thereafter to the date of the final maturity hereof or to the date of redemption prior to maturity. The last principal installment of this Certificate shall be paid to the Registered Owner hereof upon final maturity, or upon the date fixed for its redemption prior to maturity, at the corporate trust office of Southside Bank in Tyler, Texas which is the "Paying Agent/Registrar" for this Certificate. The payment of all other principal installments of and interest on this Certificate shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each principal and interest payment date by check or draft, dated as of such principal and interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate (the "Certificate Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared at the close of business on the last day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

Any accrued interest due in connection with the payment of the final installment of principal of this Certificate shall be paid to the Registered Owner upon at the designated corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Certificate that on or before each principal payment date, interest payment date, and accrued interest payment date for this Certificate it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Certificate, when due.

If the date for the payment of this Certificate shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date

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

This Certificate is dated as of November 15, 2022 and is authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$1,750,000 for the purpose of paying all or a portion of the Issuer's contractual obligations incurred with respect to the acquisition and construction of the Project (as defined in the Ordinance).

On _____, 20__ or on any date thereafter, the unpaid principal of this Certificate is subject to redemption, in whole or in part, and may be redeemed prior to the scheduled maturity date by the Issuer, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date of redemption, without premium. The Issuer shall give written notice of its direction to redeem the principal amount of this Certificate to the Paying Agent/Registrar and the Registered Owner of this Certificate by United States mail, first-class postage prepaid, no later than 20 days prior to the Redemption Date.

This Certificate is issuable solely as a single fully registered Certificate, without interest coupons in the denomination of \$1,750,000 or the remaining principal amount of the outstanding Certificate of this series if an exchange of a Certificate is made after a reduction in the principal amount of the series, either by a payment of a scheduled installment of principal or as a result of redemption of part of the Certificate prior to maturity (the "Authorized Denomination"). As provided in the Ordinance, this Certificate may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned and transferred for a like aggregate principal amount Certificate, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, in the Authorized Denomination, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with the proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate to the assignee this Certificate is to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate from time to time by the Registered Owner. In the case of the assignment and transfer of this Certificate, the reasonable standard or customary fees and charges of the Paying Agent/Registrar will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment and transfer, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following Payment Date.

In the event any Paying Agent/Registrar for this Certificate is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owner of this Certificate.

It is hereby certified, recited, and covenanted that this Certificate has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance and delivery of this Certificate has been performed, existed, and been done in accordance with law; that this Certificate is a general obligation of the Issuer, issued on the full faith and credit thereof; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate is additionally secured by and payable from a pledge of the revenues of the Issuer's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Ordinance.

The Issuer has reserved the right, subject to the restrictions referred to in the Ordinance, to amend the provisions of the Ordinance under the conditions provided in the Ordinance.

By becoming the registered owner of this Certificate, the Registered Owner thereby acknowledges all of the terms and provisions of the Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Ordinance is duly recorded and available for inspection in the official minutes and records of the Issuer, and agrees that the terms and provisions of this Certificate and the Ordinance constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate to be signed with the manual or facsimile signature of the Mayor (or in the Mayor's absence, the Mayor Pro-Tem) of the Issuer and countersigned with the manual or facsimile signature of the City Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Certificate.

(signature)
City Secretary

(signature)
Mayor

(SEAL)

(b) FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION
CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Certificate is not accompanied by an executed
Comptroller's Registration Certificate)

It is hereby certified that this Certificate has been issued under the provisions of the Ordinance described in the text of this Certificate; and that this Certificate has been issued in replacement of, or in exchange for, a Certificate which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated _____

SOUTHSIDE BANK,
Tyler, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

(c) FORM OF ASSIGNMENT

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

(Please print or typewrite name and address,
including zip code, of Transferee)

_____ the
within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints
_____, attorney, to register the transfer of the
within Certificate on the books kept for registration thereof, with full power of substitution in the
premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor institution
participating in a securities transfer
association recognized signature guarantee
program.

NOTICE: The signature above must
correspond with the name of the registered
owner as it appears upon the front of this
Certificate in every particular, without
alteration or enlargement or any change
whatsoever.

(d) FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE

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

§
§
§

REGISTER NO. _____

I hereby certify that this Certificate has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this _____.

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. TAX LEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Certificate, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Certificate. All ad valorem taxes levied and collected for and on account of the Certificate shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while the Certificate or interest thereon remains outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Certificate (but never less than 2% of the original amount of the Certificate as a sinking fund each year) as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of its Certificate as such principal becomes due for payment on each installment payment date; and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while the Certificate or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificate as such interest comes due and such principal matures are hereby pledged for such payment, within the limit prescribed by law.

Section 7. SURPLUS REVENUES. The Certificate is additionally secured by and payable from a pledge of the revenues of the Issuer's combined Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding) that are payable from all or part of the net revenues of the Issuer's Waterworks and Sewer System, constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to Section 6, to the extent necessary to pay the principal and interest on the Certificate. Notwithstanding the requirements of Section 6 of this Ordinance, if Surplus Revenues or other

lawfully available moneys of the Issuer are actually on deposit or budgeted and appropriated to be deposited in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes that otherwise would have been required to be levied pursuant to this Section may be reduced to the extent and by the amount of the Surplus Revenues or other lawfully available funds then on deposit or budgeted and appropriated to be deposited in the Interest and Sinking Fund. If Surplus Revenues are budgeted and appropriated for deposit into the Interest and Sinking Fund, the Issuer:

(i) shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificate to be paid from Surplus Revenues until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificate;

(ii) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient Surplus Revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificate; and

(iii) shall at all times maintain and collect sufficient System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the System, produce revenues in an amount not less than the debt service requirements of all outstanding revenue bonds of the Issuer and other obligations of the Issuer which are secured in whole or in part by a pledge of revenues of the System and for which the Issuer is budgeting the repayment of such obligations from the revenues of the System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds except System rates and charges, sufficient for the repayment of System debt service requirements.

The Issuer reserves the right, without condition or limitation, to issue other obligations secured in whole or in part by a parity lien on and pledge of the Surplus Revenues, for any purpose permitted by law.

Section 8. REMEDIES OF REGISTERED OWNER. In addition to all rights and remedies of any Registered Owner of the Certificate provided by the laws of the State, the Issuer and the City Council covenant and agree that in the event the Issuer defaults in the payments of the principal of or interest on the Certificate when due, or fails to make the payments required by this Ordinance, the Registered Owner of the Certificate shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the Issuer to observe and perform any covenant, obligation or condition prescribed in this Ordinance. No delay or omission by any Registered Owner to exercise any right or power accruing to him upon default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies mentioned in this Ordinance shall be available to the Registered Owner of the Certificate and shall be cumulative of all other existing remedies.

Section 9. USE OF CERTIFICATE PROCEEDS. The proceeds of the issuance of the Certificate shall be deposited in the Construction Fund created by Section 19 of this Ordinance and used for the purposes for which the Certificate is hereby authorized to be issued.

Section 10. INVESTMENTS. The City Council may place proceeds of the Certificate (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Certificate will be used as soon as practicable for the purposes for which the Certificate is issued.

Section 11. SECURITY FOR FUNDS. All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

Section 12. ISSUER OFFICER'S DUTIES.

(a) The Mayor, Mayor Pro-tem, City Secretary and City Administrator of the Issuer are hereby instructed and directed to do any and all things necessary in reference to the issuance of the Certificate and to make money available for the payment of the Certificate in the manner provided by law and this Ordinance.

(b) The Mayor (or in the absence of the Mayor, the Mayor Pro-tem) and the City Secretary are authorized to execute the Certificate to which this Ordinance is attached on behalf of the Issuer and to do any and all things proper and necessary to carry out the intent hereof.

Section 13. DEFEASANCE OF CERTIFICATE.

(a) The Certificate and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificate shall have become due and payable. At such time as the Certificate shall be deemed to be a Defeased Certificate hereunder, as aforesaid, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem tax herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem the Defeased Certificate that is made in conjunction with the payment arrangements specified in subsection 13(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificate for redemption; (2) gives notice of the reservation of that right to the

Registered Owner of the Defeased Certificate immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificate and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificate may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 13(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificate, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificate.

(d) Until the Defeased Certificate shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Certificate the same as if it had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

Section 14. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATE.

(a) Replacement Certificate. In the event the Certificate is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new Certificate of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate, in replacement for such Certificate in the manner hereinafter provided.

(b) Application for Replacement Certificate. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificate shall be made by the Registered Owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate, the Registered Owner applying for a replacement Certificate shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Certificate, the Registered Owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate, as the case may be. In every case of damage or mutilation of a Certificate, the Registered Owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event the Certificate shall have matured, and no default has occurred which is then

continuing in the payment of the principal of or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Certificate. Prior to the issuance of a replacement Certificate, the Paying Agent/Registrar shall charge the Registered Owner of such Certificate with all legal, printing, and other expenses in connection therewith. Every replacement Certificate issued pursuant to the provisions of this Section by virtue of the fact that the Certificate is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance.

(e) Authority for Issuing Replacement Certificate. In accordance with Subchapter B, Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement Certificate without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Certificate is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificate in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Certificates issued in exchange for another Certificate.

Section 15. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATE;
BOND COUNSEL'S OPINION; ENGAGEMENT OF BOND COUNSEL; ATTORNEY
GENERAL ISSUANCE FEE.

(a) The Mayor (or in the absence of the Mayor, the Mayor Pro-tem) of the Issuer is hereby authorized to have control of the Certificate issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificate pending its delivery and its investigation, examination, and approval by the Attorney General, and registration by the Comptroller. Upon registration of the Certificate said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificate, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's bond counsel may, at the option of the Issuer, be printed on the Certificate issued and delivered under this Ordinance, but shall not have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Certificate.

(b) The obligation of the Purchaser to accept delivery of the Certificate is subject to the Purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, which opinion shall be dated as of and delivered on the date of the initial delivery of the Certificate to the Purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificate is hereby approved and confirmed. The execution and delivery of an engagement letter between the Issuer and such firm, with respect to such services as bond counsel, is hereby authorized in such form as may be approved by the Mayor (or in the absence of the Mayor, the Mayor Pro-tem) and the Mayor (or in the absence of the Mayor, the Mayor Pro-tem) is hereby authorized to execute such engagement letter.

(c) In accordance with the provisions of Section 1202.004, Texas Government Code, in connection with the submission of the Certificate to the Attorney General for review and approval, a statutory fee (an amount equal to 0.1% principal amount of the Certificates, subject to a minimum of \$750 and a maximum of \$9,500) is required to be paid to the Attorney General upon the submission of the transcript of proceedings for the Certificate. The Issuer hereby authorizes Bond Counsel to pay such fee to the Attorney General on the Issuer's behalf, such amount to be reimbursed to Bond Counsel on the Date of Delivery.

Section 16. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATE.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Certificate as an obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Certificate or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

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

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

(6) to refrain from using any portion of the proceeds of the Certificate, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces

a materially higher yield over the term of the Certificate, other than investment property acquired with --

(A) proceeds of the Certificate invested for a reasonable temporary period of 3 years or less or, in the case of refunding bonds, for a period of 90 days or less until such proceeds are needed for the purpose for which the Certificate or refunding bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the rules and regulations of the United States Department of the Treasury ("Treasury Regulations"), and

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

(7) to otherwise restrict the use of the proceeds of the Certificate or amounts treated as proceeds of the Certificate, as may be necessary, so that the Certificate does not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Certificate or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Certificate in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);

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

(10) to assure that the proceeds of the Certificates will be used solely for new money projects.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (9), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the Registered Owner. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Proceeds. The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificate. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Certificate, the Issuer 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 Certificate under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificate, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificate under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor, the Mayor Pro-tem, City Administrator and/or City Secretary to execute any documents, certificate or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Certificate.

(d) Allocation of, and Limitation on, Expenditures for the Project. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for Project on its books and records in accordance with the requirements of the Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificate, or (2) the date the Certificate is retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Certificate. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Certificate. For purpose of the foregoing, the Issuer may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Certificate. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Reimbursement. This Ordinance is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

(g) Written Procedures for Federal Tax Law Compliance. Unless superseded by another action of the Issuer, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the Issuer hereby adopts and establishes the instructions attached hereto as Exhibit A as its written procedures.

Section 17. SALE OF CERTIFICATE. The Certificates are hereby sold and shall be delivered to Southside Bank (the "Purchaser"), for cash for the par value thereof, pursuant to the Purchase Agreement dated the date of the adoption of this Ordinance. The Certificate shall initially be registered in the name of the Purchaser. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable.

Section 18. INVESTMENT EARNINGS ON CERTIFICATE PROCEEDS. Investment earnings derived from the investment of proceeds from the sale of the Certificate shall be used along with other Certificate proceeds for the purpose for which the Certificate is issued set forth in Section 2 hereof; provided that after completion of such purpose, if any of such investment earnings remain on hand, such investment earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any investment earnings on Certificate proceeds which are required to be rebated to the United States of America pursuant to Section 16 hereof in order to prevent the Certificate from being arbitrage bonds shall be so rebated and not considered as investment earnings for the purposes of this Section.

Section 19. CONSTRUCTION FUND. The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the "Series 2022 Certificate of Obligation Construction Fund" for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 6 of this Ordinance.

Section 20. NO RULE 15c2-12 UNDERTAKING. The Issuer has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") due the offering of the Certificate not being within the purview of the Rule. The Issuer is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the Issuer or the Certificate; provided, however, that in consideration of the purchase of the Certificate by the Purchaser, for so long as the Purchaser is the holder of the Certificate, the Issuer shall provide to the Purchaser the Issuer's most current audited financial statement upon written request from the Purchaser, when and if available.

Section 21. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of the Registered Owner, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the Registered Owner, (ii) grant additional rights or security for the benefit of the Registered Owner, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the Registered Owner, (v) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (iv) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be materially inconsistent with the provisions of this Ordinance and that shall not, in the opinion of nationally-recognized bond counsel, materially adversely affect the interests of the Registered Owner.

(b) Except as provided in paragraph (a) above, the Registered Owner shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of the Registered Owner, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Ordinance or the Certificate so as to:

- (1) Make any change in the maturity of the Certificate;
- (2) Reduce the rate of interest borne by the Certificate;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on the Certificate;
- (4) Modify the terms of payment of principal or of interest on the Certificate or impose any condition with respect to such payment; or
- (5) Change the requirement of with respect to Registered Owner consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to the Registered Owner of the Certificate a copy of the proposed amendment.

(d) Whenever at any time within one year from the date of mailing of such notice the Issuer shall receive an instrument or instruments executed by the Registered Owner, which instrument or instruments shall refer to the proposed amendment and which shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and the Registered Owner of the Certificate shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of a Certificate pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the such consent and shall be conclusive and binding upon all future Registered Owner of the Certificate during such period. Such consent may be revoked at any time after six months from the date of said consent by the Registered Owner who gave such consent, or by a successor in title, by filing notice with the Issuer.

For the purposes of establishing ownership of the Certificate, the Issuer shall rely solely upon the registration of the ownership of such Certificate on the Registration Books kept by the Paying Agent/Registrar.

Section 22. FURTHER PROCEDURES. The Mayor, Mayor Pro-tem, City Administrator and City Secretary of the Issuer and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and

directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Certificate and the sale of the Certificate. In case any officer whose signature shall appear on the Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

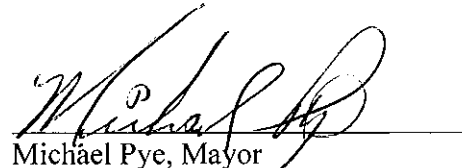
Section 23. GOVERNING LAW. This Ordinance shall be construed and enforced in accordance with the laws of the State and the United States of America.

Section 24. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

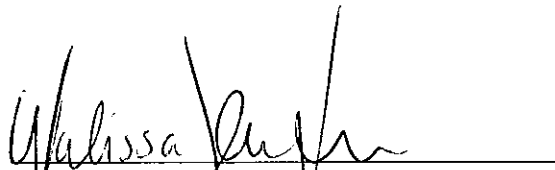
Section 25. CONTINUED PERFECTION OF SECURITY INTEREST. Chapter 1208, Texas Government Code, applies to the issuance of the Certificate and the pledge of the ad valorem taxes and surplus revenues granted by the Issuer under Sections 6 and 7 of this Ordinance, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while the Certificate is outstanding and unpaid such that the pledge of the taxes or surplus revenues granted by the Issuer under Sections 6 and 7 of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Certificate the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 26. APPROPRIATION. To pay the debt service coming due on the Certificate prior to receipt of the taxes, if any, levied to pay such debt service, there is hereby appropriated from current funds on hand, which are hereby certified to be on hand and available for such purpose, an amount sufficient to pay such debt service, and such amount shall be used for no other purpose.

DULY PASSED AND APPROVED by the City Council of the City of Leonard, Texas, on the 8th day of November, 2022.


Michael Pye, Mayor
City of Leonard Texas

ATTEST:


Melissa Verde, City Secretary
City of Leonard, Texas

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE CITY OF LEONARD, TEXAS COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2022; LEVYING AN ANNUAL AD VALOREM TAX AND PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID CERTIFICATE; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT.

EXHIBIT A

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

These procedures, together with any federal tax certifications, provisions included in the bond ordinance or other authorizing document (the "Ordinance") with respect to the issuance and sale of Obligations (as defined below), letters of instructions and/or memoranda from bond counsel and any attachments thereto (the "Closing Documents"), are intended to assist the Issuer in complying with federal guidelines related to the issuance of any tax-exempt debt such as the Certificate (the "Obligations").

A. Arbitrage Compliance. Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. The Responsible Person (as defined below) will review the Closing Documents periodically (at least once a year) to ascertain if an exception to arbitrage compliance applies.

Procedures applicable to Obligations issued for construction and acquisition purposes. With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the Issuer's City Administrator (such officer, together with other employees of the Issuer who report to such officer, is collectively, the "Responsible Person") will:

1. Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed with the Obligations (the "Project") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations are entered into within 6 months of the date of closing of the Obligations (the "Issue Date") and that (ii) the Project must proceed with due diligence;
2. Monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within 3 years of the Issue Date;
3. Monitor the yield on the investments purchased with proceeds of the Obligations and restrict the yield of such investments to the yield on the Obligations after 3 years of the Issue Date;
4. Monitor all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the Sinking Fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period; and
5. Ensure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more.

Procedures applicable to Obligations with a debt service reserve fund. In addition to the foregoing, if the Issuer issues Obligations that are secured by a debt service reserve fund, the Responsible Person will:

1. Assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

Procedures applicable to Escrow Accounts for Refunding Issues. In addition to the foregoing, if the Issuer issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:

1. Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
2. Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and
3. Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at the yield on the applicable obligations or otherwise applied (see Closing Documents).

Procedures applicable to all Tax-Exempt Obligation Issues. For all issuances of Obligations, the Responsible Person will:

1. Maintain any official action of the Issuer (such as a reimbursement resolution) stating the Issuer's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
2. Ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
3. Assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every 5 years after the Issue Date and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. Generally, to be tax-exempt, only an insignificant amount of the proceeds of each issue of Obligations can benefit (directly or indirectly) private businesses. The Responsible Persons will review the Closing Documents periodically (at least once a year) for the purpose of determining that the use of the facilities financed or refinanced with the proceeds of the Obligations (the "Project") do not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Persons will:

Develop procedures or a "tracking system" to identify all property financed with tax-exempt debt;

Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;

Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;

Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);

Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, the employees of the Issuer, the agents of the Issuer or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;

Monitor and record whether, at any time the Obligations are outstanding, any person, other than the Issuer, has a naming right for the facilities or any other contractual right granting an intangible benefit;

Monitor and record whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and

Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the Project.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt Obligations, such records shall be maintained until the three (3) years after the refunding Obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the Issuer's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the City Council whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking City Council approval to engage or utilize existing advisors and agents for such purposes.