

**CERTIFICATE FOR ORDINANCE**

**THE STATE OF TEXAS  
COUNTY OF HUNT  
CITY OF LONE OAK**

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§

We, the undersigned officers and/or members of the City Council (the "Council") of the above-named City hereby certify as follows:

1. The Council convened in a REGULAR MEETING ON THE 28TH DAY OF AUGUST, 2006, at the designated meeting place (the "Meeting"), and the roll was called of the duly constituted officers and/or members of the Council, to wit:

Harold Slemmons, Mayor  
JoAnn Klotz, Mayor Pro Tem  
Lisa Willis  
Wes Owen  
Billy Fannin  
Alan Walters

Dianne Dockery, City Secretary

and all of such persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

**ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE "CITY OF LONE OAK, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2006," AND ENACTING OTHER PROVISIONS RELATED THERETO**

the ("Ordinance") was duly introduced for the consideration of the Council. It was then duly moved and seconded that the Ordinance be passed; and, after due discussion, the motion, carrying with it the passage of the Ordinance, prevailed with all members of the Council shown above as being present voting "Aye," except as set forth below:

ABSTAIN:      None;                      NAY:              None.

2. A true, full and correct copy of the Ordinance is attached to and follows this Certificate; the Ordinance has been duly recorded in the Council's minutes of the Meeting; the above and foregoing paragraph is a true, full and correct excerpt from the Council's minutes of the Meeting pertaining to the passage of the Ordinance; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the Council as indicated therein; each of the officers and members of the Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that the Ordinance would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose; the Meeting was open to the public; and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Government Code, as amended.

SIGNED AND SEALED this August 28, 2006.

*Lorain Lockery*  
City Secretary

*Harold Blumman*  
Mayor



CITY OF LONE OAK

SIGNATURE PAGE FOR CERTIFICATE FOR ORDINANCE

**ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF THE "CITY OF LONE OAK, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2006," AND ENACTING OTHER PROVISIONS RELATED THERETO**

**THE STATE OF TEXAS           §  
COUNTY OF HUNT           §  
CITY OF LONE OAK           §**

**WHEREAS**, the City Council (the "Council") of the City of Lone Oak, Texas (the "Issuer") deems it advisable to issue Certificates of Obligation in the amount of \$200,000 for paying all or a portion of the City's contractual obligations to be incurred by the City to finance the costs of constructing a new water well and improvements and renovations to City water lines and sewer lines and equipment, and paying legal, fiscal and engineering fees in connection with the foregoing, including the costs of issuing the Certificates.

**WHEREAS**, the Certificates of Obligation hereinafter authorized and designated are to be issued, secured and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code (the Certificate of Obligation Act of 1971); and

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

**WHEREAS**, said notice has been duly published in a newspaper of general circulation in said City, said newspaper being a "newspaper" as defined in Section 2051.044, Texas Government Code; and

**WHEREAS**, the City received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

**WHEREAS**, it is considered to be to the best interest of the City that said interest-bearing Certificates of Obligation be issued.

**WHEREAS**, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code.

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LONE OAK, 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:

"City Council" means the City Council of the Issuer.

"Certificates" means the "City of Lone Oak, Texas Certificates of Obligation, Series 2006," dated August 1, 2006, authorized by this Ordinance. "Certificates" 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.

“Bond Counsel” means Winstead Sechrest & Minick P.C., 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” means any day that 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.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto.

“Issuer” means the City of Lone Oak, Texas, a municipal corporation and political subdivision of the State.

“Ordinance” means this ordinance and all amendments hereof and supplements hereto.

“Paying Agent/Registrar” means the bank, trust company, financial institution or other entity so named in accordance with the provisions of Section 5 of this Ordinance.

“Purchaser” means the initial purchaser of the Certificates designated in Section 16 of this Ordinance.

“Registered Owner” means the registered owner of the Certificates from time to time as shown in the books kept by the Paying Agent/Registrar as bond registrar and transfer agent.

“State” means the State of Texas.

**Section 2. Recitals, Amount, and Purpose of the Certificates.** 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 Certificates are hereby authorized to be issued and delivered in the maximum aggregate principal amount of \$200,000 FOR THE PURPOSE OF CONSTRUCTING A NEW WATER WELL AND IMPROVEMENTS AND RENOVATIONS TO CITY WATER LINES AND SEWER LINES AND EQUIPMENT, AND PAYING LEGAL, FISCAL AND ENGINEERING FEES IN CONNECTION WITH THE FOREGOING, INCLUDING THE COSTS OF ISSUING THE CERTIFICATES (the “Project”).

**Section 3. Designation, Date, Denominations, Numbers, and Maturities of Certificates.** Each Certificate issued pursuant to this Ordinance shall be designated: “CITY OF LONE OAK, TEXAS CERTIFICATE OF OBLIGATION, SERIES 2006,” and initially there shall be issued, sold, and delivered hereunder one fully registered Certificate, numbered R-1, without interest coupons, with the Certificates being dated August 1, 2006, and with any Certificate issued in replacement thereof being in the denomination and principal amount of \$200,000 (or such amount as remains outstanding from time to time taking into account the installment payments of the Certificate by the Issuer) and numbered consecutively from R-2 upward, payable to the registered owner thereof, or to the registered assignee or assignees of said certificate or any portion or portions thereof (in each case, the “Registered Owner”), and said Certificates shall mature and be payable in the amounts and on the dates specified in the FORM OF CERTIFICATE set forth in this Ordinance.

**Section 4. Interest.** The Certificates shall bear interest from the Delivery Date specified in the FORM OF CERTIFICATES set forth in this Ordinance to the date of maturity, or redemption prior to

maturity, if permitted, of the Certificates, at the rate of 5.346%. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATES set forth in this Ordinance.

**Section 5. Characteristics of the Certificates.** (a) Registration, Transfer, Conversion and Exchange; Authentication. The Issuer shall keep or cause to be kept at the office of American National Bank, Greenville, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer of the Certificates (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 Certificates to which payments with respect to the Certificates 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 Certificates shall be made in the manner provided and with the effect stated in the FORM OF CERTIFICATES 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 paragraph (c) of this Section, 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 Certificate that initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Certificates 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 Certificates, 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 Certificates and shall properly and accurately record all payments on the Certificates on the Registration Books, and shall keep proper records of all transfers of Certificates, and all replacements of Certificates, 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 Certificates (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Certificates 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 10 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) shall be payable with respect to principal and interest, and (vii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Certificates, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF CERTIFICATES 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 CERTIFICATES.

(d) Substitute Paying Agent/Registrar. The Issuer covenants with the Registered Owner of the Certificates that at all times while the Certificates are 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 Certificates under this Ordinance, and that the Paying Agent/Registrar will be one 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 Certificates, 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 Certificates, 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) Limitation on Transfers. *Notwithstanding any provision of this Ordinance to the contrary, the Certificates may be transferred only in whole, and the Certificates may not be transferred to any person, firm or other entity, unless prior to such transfer the Registered Owner of the Certificates obtains and delivers to the Issuer a certificate, executed by the person, firm or other entity to whom the Certificates are to be transferred (the "Transferee") and in form acceptable to the Issuer, certifying that: (A) the Transferee is an "accredited investor" within the meaning of Regulation D promulgated by the Securities and Exchange Commission under the Securities Act of 1933, as amended, or a state or national bank organized under the laws of the United States; (B) the Transferee has sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the*

*investment represented by the purchase of the Certificates; (C) the Transferee has made its own inquiry and analysis with respect to the Certificates and the security therefor, and other material factors affecting the security and payment of the Certificates, and has not relied upon any statement by the Issuer's financial consultants or legal advisors in connection with such inquiry or analysis or in connection with the offer and sale of the Certificates; (D) the Transferee has either been furnished with or has had access to all necessary information that it desires in order to enable it to make an informed decision concerning the investment evidenced by the Certificates, and the Transferee has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the purpose for which the proceeds of the Certificates will be utilized, and the security therefor, so that it has been able to make an informed decision to purchase the Certificates; (E) the Transferee is purchasing the Certificates for its own account and not with a view to, and with no then present intention of, distributing or reselling the Certificates or any part thereof and that in the event the Transferee sells or otherwise disposes of the Certificates that such sale or disposition shall be made only to an investor described in (A), above, and that such investor shall execute and provide to the Transferee and to the Issuer a certificate as required by and to the effect provided in this subsection; and (F) the Transferee further acknowledges that it is responsible for consulting with its advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws, it may have with respect to subsequent purchasers of the Certificates if and when any such future disposition of the Certificates may occur. Upon receipt and acceptance of said certificate, the Issuer shall notify the Paying Agent/Registrar in writing that the requirements of this section have been satisfied and the name of the person, firm or other entity to whom the Certificates are to be transferred.*

(f) Closing. On the closing date, the initial Certificate No. R-1 representing the entire principal amount of the Certificates, payable to the Purchaser, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, and with the date of delivery inserted thereon by the Paying Agent/Registrar, will be delivered to the Purchaser or its designee.

**Section 6. Form of Certificates.** The form of the Certificates, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificate initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as provided in Exhibit A hereto, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

**Section 7. Interest and Sinking Fund; Surplus Revenues; Perfection of Security Interest.**

(a) Interest and Sinking Fund. A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the Issuer at an official depository bank of the Issuer. Said 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 Certificates. All ad valorem taxes levied and collected for and on account of the Certificates shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any part of the Certificates is outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax that will be sufficient to raise and produce the money required to pay the interest on the Certificates as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal installments of the Certificates as such principal matures or is subject to mandatory sinking fund redemption (but never less than 2% of the original amount of the Certificates as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowances 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 any part of the Certificates 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 Certificates, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) Surplus Revenue Pledge. Pursuant to Section 1502.052, Texas Government Code, the Certificates are additionally secured by revenues of the Issuer's waterworks and sewer system that remain after the payment of all maintenance and operation expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any 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 this Section, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of this Section, if Surplus Revenues or other lawfully available moneys of the Issuer are actually on deposit 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 in the Interest and Sinking Fund.

(c) Perfection of Security Interest. Article 1208, Texas Government Code, as amended, applies to the issuance of the Certificates of Obligation and the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and Surplus Revenues granted by the Issuer under this Section, is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Certificates of Obligation a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

**Section 8. Remedies of Registered Owner.** In addition to all rights and remedies of any Registered Owner of the Certificates provided by the laws of the State of Texas, 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 Certificates when due, or fails to make the payments required by this Ordinance, the Registered Owner of the Certificates 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 Certificates and shall be cumulative of all other existing remedies.

**Section 9. Use of Certificate Proceeds.** The proceeds of the issuance of the Certificates shall be deposited in a special account of the Issuer and used for the purposes for which the Certificates are hereby authorized to be issued.

**Section 10. Construction Fund; Investments; Security for Funds.** (a) 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 2006 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 and to pay costs of issuance 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 7 of this Ordinance.

(b) Investments. The Issuer may place proceeds of the Certificates (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 Certificates will be used as soon as practicable for the purposes for which the Certificates are issued.

(c) 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 11. Issuer Officers' Duties.** (a) The Mayor is hereby instructed and directed to do any and all things necessary in reference to the issuance of the Certificates and to make money available for the payment of the Certificates in the manner provided by law and this Ordinance.

(b) The Mayor and City Secretary are authorized to execute the Certificates on behalf of the Issuer and to do any and all things proper and necessary to carry out the intent hereof.

**Section 12. Defeasance of Certificates.** (a) The Certificates and the interest thereon shall be deemed to be paid, retired, and no longer outstanding ("Defeased Certificates") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificates, 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 Certificates shall have become due and payable. At such time as Certificates shall be deemed to be Defeased Certificates hereunder, as aforesaid, such Certificates and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the taxes or revenues 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 Certificates that is made in conjunction with the payment arrangements specified in (i) or (ii) above in this paragraph 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 Certificates for redemption; (2) gives notice of the reservation of that right to the Registered Owners of the Defeased Certificates 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 Certificates 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 Certificates 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 (i) or (ii) of paragraph (a) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates, 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 (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

(d) Until the Defeased Certificates 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 13. Damaged, Mutilated, Lost, Stolen, or Destroyed Certificates.** (a) Replacement Certificates. In the event a 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 a Certificate shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Certificates, 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 5(a) of this Ordinance for Certificate issued in conversion and exchange for other Certificate.

**Section 14. Custody, Approval, and Registration of Certificates; Bond Counsel's Opinion; Engagement of Bond Counsel, CUSIP Numbers and Contingent Insurance Provision, If Obtained.** The Mayor of the Issuer is hereby authorized to have control of the Certificates issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificates pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificates said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Certificates, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificates. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers, if any, may, at the option of the Issuer, be printed on the Certificates issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates. In addition, if bond insurance is obtained, the Certificates may bear an appropriate legend as provided by the insurer.

The obligation of the initial purchaser to accept delivery of the Certificates is subject to the initial purchaser being furnished with the final opinion of Winstead, Sechrest & Minick P.C., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Certificates to the initial purchaser. The engagement of such firm as bond counsel to the Issuer in connection with issuance, sale and delivery of the Certificates 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 and the Mayor is hereby authorized to execute such engagement letter.

**Section 15. Covenants Regarding Tax Exemption of Interest on the Certificates.**  
(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificates as an obligation described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Certificates or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the 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 Certificates, 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 Certificates or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(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 Certificates (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

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

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

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

(A) proceeds of the Certificates invested for a reasonable temporary period until such proceeds are needed for the purpose for which the Certificates are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the 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 Certificates;

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

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Certificates) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Certificates have been paid in full,

100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (8), 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 Certificates. 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 Certificates, 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 Certificates under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Certificates, the 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 Certificates under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Superintendent to execute any documents, certificates 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 Certificates.

(d) 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 the Issuer obtains an opinion of nationally recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Certificates. 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.

(e) Allocation of Certificate Proceeds. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the construction and acquisition of the Project on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed. The foregoing notwithstanding, the Issuer shall not expend proceeds of the sale of the Certificates or investment earnings thereon more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Certificates, or (2) the date the Certificates are retired, unless the Issuer obtains an opinion of nationally recognized bond counsel that such expenditure will not adversely affect the status, for federal income tax purposes, of the Certificates or the interest thereon. 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) Designation as Qualified Tax-Exempt Obligations. The Issuer hereby designates the Certificates as “qualified tax-exempt obligations” as defined in section 265(b)(3) of the Code. In furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in which the Certificates are issued, the Issuer (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificates, will result in more than \$10,000,000 of “qualified tax-exempt obligations” being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Certificates are issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Certificates will not be considered “private activity bonds” within the meaning of section 141 of the Code.

(f) Information Report. The Issuer shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

**Section 16. Sale of Certificates.** (a) The Certificates are hereby sold and shall be delivered to AMERICAN NATIONAL BANK (the “Purchaser”), subject to the provisions of Section 3 hereof. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Certificates shall initially be registered in the name of the Purchaser or its designee.

**Section 17. Further Procedures.** The Mayor, Mayor Pro-tem, City Secretary and City Manager (if any) 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 Ordinance to carry out the terms and provisions of this Ordinance, the Certificates, and the sale of the Certificates. In case any officer whose signature shall appear on the Certificates shall cease to be such officer before the delivery of such Certificates, 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 18. No Continuing Disclosure Undertaking.** The sale of the Certificates is exempt from Securities and Exchange Commission Rule 15c2-12. Consequently, the Issuer makes no undertaking with respect to such Rule or with respect to the provision of on-going financial and operating data.

**Section 19. 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 Certificates so as to:

- (1) Make any change in the maturity of the Certificates;
- (2) Reduce the rate of interest borne by the Certificates;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on the Certificates;
- (4) Modify the terms of payment of principal or of interest on the Certificates 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 Certificates 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 Certificates shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the Registered Owner of the Certificates 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 Certificates 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 Certificates, the Issuer shall rely solely upon the registration of the ownership of such Certificates on the Registration Books kept by the Paying Agent/Registrar.

**Section 20. Interest Earnings On Certificate Proceeds.** Interest earnings derived from the investment of proceeds from the sale of the Certificates shall be used along with other proceeds of the

Certificates for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on certificate proceeds that are required to be rebated to the United States of America pursuant to Section 15 hereof in order to prevent the Certificates from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

**Section 21. Effective Date of Ordinance.** In accordance with the provisions of Section 1201.028, Texas Government Code, this Ordinance shall be effective immediately upon its adoption by the City Council on first and final reading.

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**EXHIBIT A**

**FORM OF CERTIFICATES**

THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN WHOLE, AND TRANSFER OF OWNERSHIP OF THIS CERTIFICATE IS SUBJECT TO CERTAIN OTHER LIMITATIONS SET FORTH IN THE CERTIFICATE ORDINANCE. REFERENCE IS HEREBY MADE TO THE CERTIFICATE ORDINANCE FOR A DESCRIPTION OF SUCH LIMITATIONS.

NO. R-__	UNITED STATES OF AMERICA STATE OF TEXAS CITY OF LONE OAK, TEXAS CERTIFICATE OF OBLIGATION SERIES 2006	PRINCIPAL AMOUNT \$ _____
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Interest Rate  _____ %	Delivery Date  _____	Final Maturity Date  August 1, 2018
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

THE CITY OF LONE OAK, in Hunt County, Texas (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner"), the Principal Amount shown above, in installments paid on the dates set forth in the following schedule:

Date	Principal Installment
8/1/2007	\$11,000
8/1/2008	13,000
8/1/2009	14,000
8/1/2010	15,000
8/1/2011	15,500
8/1/2012	16,000
8/1/2013	16,500
8/1/2014	17,000
8/1/2015	19,000
8/1/2016	20,500
8/1/2017	21,000
8/1/2018	21,500

The Issuer promises to pay interest on each unpaid principal installment hereof (calculated on the basis of a 360-day year of twelve 30-day months) from the Delivery Date set forth above at the Interest Rate per annum specified above. Interest is payable on February 1, 2007, and semiannually on each August 1 and February 1 thereafter to the date of payment of the principal installment specified above; except that, if this Certificate is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment

date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Certificate, if any, for which this Certificate is being exchanged is due but has not been paid, then this Certificate shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The principal of and interest on this Certificate shall be payable to the Registered Owner by check or draft mailed by American National Bank, Greenville, Texas (the "Paying Agent/Registrar"), to the person in whose name this Certificate is registered at the close of business on the Record Date for each payment date, which shall be the last day (whether or not a business day) of the calendar month next preceding such payment date; provided payment of the final amount due on this Certificate shall be made only upon presentation and surrender of this Certificate to the Paying Agent/Registrar. In addition, interest and principal 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. In the event of a non-payment 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 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 business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of the Registered Owner of a Certificate appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity or upon the redemption of this Certificate at the option of the Issuer prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Certificate for payment at the principal 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 the principal of or interest on this Certificate shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal 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 one of a series of Certificates dated August 1, 2006, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$200,000 for the purpose of financing the costs of constructing a new water well and improvements and renovations to City water lines and sewer lines and equipment, and paying legal, fiscal and engineering fees in connection with the foregoing, including the costs of issuing the Certificates.

ON FEBRUARY 1, 2011, or any date thereafter, the Certificates may be redeemed prior to their scheduled maturity, at the option of the Issuer, with funds derived from any available and lawful source,

as a whole, or in part, at a price equal to the outstanding principal balance plus interest accrued to the date of redemption.

UPON THE REDEMPTION of a portion of the principal of this Certificate, the Paying Agent/Registrar shall note in the Registration Books the amount of such partial redemption, the date said payment was made and the remaining unpaid principal balance of this Certificate. The principal amount of the Certificate required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount which, at least 10 days prior to a mandatory redemption date shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

AT LEAST 10 days prior to the date fixed for any optional redemption, but not payment of principal installments (for which no notice shall be required), of the Certificate or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of the Certificate at its address as it appeared on the Registration Books on the day such notice of redemption is mailed; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Certificate. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificate or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Certificate or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

THIS CERTIFICATE IS issuable solely as a fully registered Certificate, without interest coupons, in the denomination of the aggregate principal hereof. As provided in the Certificate Ordinance, this Certificate may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned and transferred for a like fully registered Certificate, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with 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 or assignees in whose name 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. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning and transferring this Certificate 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 (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) within 15 days prior to a redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate 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 the Certificates.

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 have been performed, existed, and been done in accordance with law; that this Certificate is a general obligation of said 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 said 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 surplus net 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 obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Certificate Ordinance.

THE ISSUER ALSO HAS RESERVED THE RIGHT to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owner of the Certificates.

BY BECOMING the Registered Owner of this Certificate, the Registered Owner thereby acknowledges all of the terms and provisions of the Certificate Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate and the Certificate 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 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.

\_\_\_\_\_  
City Secretary

\_\_\_\_\_  
Mayor

(CITY SEAL)

[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 Registration Certificate of the  
Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Certificate has been issued under the provisions of the Certificate Ordinance described in the text of this Certificate; and that this Certificate has been issued in replacement of, or in exchange for, a Certificate that 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

American National Bank, Greenville, Texas  
Paying Agent/Registrar

By

\_\_\_\_\_  
Authorized Representative

[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: \_\_\_\_\_

Dated: \_\_\_\_\_

Signature Guaranteed:

---

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

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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.

[FORM OF REGISTRATION CERTIFICATE OF  
THE COMPTROLLER OF PUBLIC ACCOUNTS]

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)