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ORDINANCE AUTHORIZING ISSUANCE OF \$150,000
WATERWORKS AND SANITARY SEWER SYSTEM
REVENUE BONDS, SERIES 1972

THE STATE OF TEXAS §
COUNTY OF FORT BEND §
TOWN OF BEASLEY §

WHEREAS, the bonds hereinafter authorized were duly and favorably voted at an election held in said Town on the 22nd day of May, 1971; and

WHEREAS, said bonds are to be issued and delivered pursuant to Vernon's Articles 1111 through 1118, as amended; and

WHEREAS, the Town Council of said Town has heretofore determined, and hereby affirmatively determines and declares, that revenue bonds of the Town should be authorized, issued, sold, and delivered for the purposes hereinafter provided; and

WHEREAS, the Town Council wishes to proceed with the issuance and sale of said bonds; Now, Therefore,

BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF BEASLEY THAT:

ARTICLE ONE

DEFINITIONS

Section 1.01: Definitions. Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section 1.01 shall have the respective meanings specified for all purposes of this ordinance, and any ordinance amendatory or supplemental hereto, except the forms prescribed by Article Three hereof:

Additional Parity Bonds:

The term "Additional Bonds" shall mean the additional parity revenue bonds which the Town reserves the right to issue and deliver in the future, as provided by this ordinance.

Average Annual Debt Service Requirements:

The term "Average Annual Debt Service Requirements" shall mean, as of a particular date of calculation, a fraction whose numerator is the total of the principal of and interest on the bonds being considered in such calculation which will become due and payable on all subsequent annual payment dates, and whose denominator is the total number of such annual payment dates, all calculated on the assumption that all payments of principal and interest will be made when due.

Bondholders:

The term "Bondholders" or "Holders of the Bonds" or "Holders" shall mean the registered owners of Bonds which are registered, and the bearers of any Bonds which are not registered. Any reference to a particular percentage or proportion of the Bondholders shall mean the Holders at the particular time of the specified percentage or proportion of the aggregate principal amount of all Bonds then outstanding under this Ordinance exclusive of Bonds held by the Town.

Bonds:

The term "Bond" or "Bonds" shall mean any bond or all bonds, as the case may be, of the issue of \$150,000 Town of Beasley, Texas, Waterworks and Sanitary Sewer System Revenue

Bonds, Series 1972, dated July 1, 1972, authorized and issued pursuant to this Ordinance.

Depository Bank:

The term "Depository Bank" shall mean the bank or banks which the Town selects, in accordance with law, as depository for its funds.

Government:

The term "Government" shall mean the Farmers Home Administration, United States Department of Agriculture, and any successor agency or department of the United States.

Gross Revenues:

The term "Gross Revenues" shall mean all revenues received from the operation or ownership of the System.

Maintenance and Operating Expenses:

The term "Maintenance and Operating Expenses" shall mean the expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the Town Council of said Town, reasonably and fairly exercised by the passage of appropriate ordinances, are necessary to keep the System in operation and render adequate service to said Town and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Bonds or Additional Bonds, shall be included in determining "Maintenance and Operating Expenses". Depreciation, and payments into and out of the various funds

respectively, hereinafter created, shall never be considered as expenses of operation and maintenance.

Net Revenues:

The term "Net Revenues" shall mean the revenues remaining after deduction of Maintenance and Operating Expenses from Gross Revenues.

Ordinance:

The term "the Ordinance" or "this Ordinance" shall mean this bond ordinance and all amendments thereof and supplements thereto.

Paying Agent:

The term "Paying Agent" shall mean the County Office of the Farmers Home Administration, located in Richmond, Texas, or any successor office, at which the Bonds and the interest thereon are payable.

System:

The term "System" shall mean the Town's entire waterworks system, and the Town's sanitary sewer system which is to be acquired in the future, together with all future improvements, extensions, enlargements, additions thereto, and replacements thereof.

Town:

The term "Town" shall mean the Town of Beasley, Texas, or, where appropriate, the Town Council thereof.

Town Council:

The term "Town Council" or "Council" shall mean the Town Council of the Town of Beasley.

ARTICLE TWO

AUTHORIZATION, DESCRIPTION AND EXECUTION OF BONDS

Section 2.01: Designation, Amount and Authorization.

The serial revenue bonds of the Town, designated as "TOWN OF BEASLEY, TEXAS, WATERWORKS AND SANITARY SEWER SYSTEM REVENUE BONDS, SERIES 1972" shall be issued in the aggregate principal amount of \$150,000 for the purpose of extending and improving the Town's waterworks system, under and in strict conformity with the Constitution and laws of the State of Texas.

Section 2.02: Date, Numbers, Denomination, Amount and Maturities: The Bonds shall be dated July 1, 1972, shall be numbered consecutively from 1 to 150, both inclusive, shall be in the denomination of \$1,000 each, aggregating \$150,000, and shall become due and payable on the 1st day of January in each of the years 1974 to 2012, both inclusive, in the respective amounts shown in the following schedule:

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>
1974	\$1,000	1994	\$4,000
1975	1,000	1995	4,000
1976	1,000	1996	4,000
1977	1,000	1997	4,000
1978	2,000	1998	4,000
1979	2,000	1999	4,000
1980	2,000	2000	5,000
1981	2,000	2001	5,000
1982	2,000	2002	5,000
1983	2,000	2003	5,000
1984	2,000	2004	6,000
1985	2,000	2005	6,000
1986	2,000	2006	6,000
1987	2,000	2007	7,000
1988	3,000	2008	7,000
1989	3,000	2009	7,000
1990	3,000	2010	8,000
1991	3,000	2011	8,000
1992	3,000	2012	9,000
1993	3,000		

Section 2.04: Interest Rate and Interest Payment Dates.

Each Bond shall bear interest from the first date of registration shown on the back of each Bond, in accordance with Section 2.07 of this Ordinance, which date shall be the same as the date of delivery of each Bond to the purchaser of such Bond, at the rate of five percent (5%) per annum. Interest shall be payable, without presentation of any Bond, on January 1, 1974, and annually thereafter on January 1st of each year until the principal thereof shall have been paid.

Section 2.05: Medium and Place of Payment. The Bonds and the interest thereon shall be payable, without exchange or collection charges to the Holders thereof, in any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, at the County Office of the Farmers Home Administration, in Richmond, Texas.

Section 2.06: Execution of Bonds. The Bonds shall be signed by the Mayor and countersigned by the Town Secretary of the Town, by their lithographed or printed facsimile signatures, and the official seal of the Town shall be duly impressed, or placed in facsimile, on each of the Bonds. Said facsimile signatures on the Bonds shall have the same effect as if each of such Bonds had been signed manually and in person by each of said officers, and said seal on the Bonds shall have the same effect as if the official seal of said Town had been manually impressed upon each of such Bonds. The registration certificate of the Comptroller of Public Accounts of the State of Texas,

which is to be printed on the back of each of the Bonds, as set forth hereafter in Section 3.02 of this Ordinance, shall be manually subscribed and the official seal of the Comptroller shall be impressed or placed in facsimile upon each of the Bonds.

Bonds may be signed on behalf of the Town by such persons as, at the actual date of the execution of such Bonds, shall be the proper officers of the Town, although at the date of this Ordinance any such person was not such an officer.

In case any officer or officers of the Town who have signed, manually or in facsimile, any of the Bonds shall cease to be such officer before the Bonds shall have been delivered by the Town, such Bonds nevertheless may be delivered as though the person who signed such Bonds had not ceased to be such officer of the Town.

Section 2.07: Registration of Bonds. The Bonds may be registered as to both principal and interest on books kept by the Town for registration and transfer of the Bonds as herein provided. Upon presentation for such purpose at the office of the Town Secretary of the Town, the Town Secretary shall register each Bond so presented as to principal and interest and shall make notation of such registration in the space provided on the back of each Bond. After registration, no transfer of a registered Bond shall be valid unless such Bond is transferred pursuant to a duly executed assignment by the registered owner or such owner's duly authorized agent, in form satisfactory to the Town, such transfer to be made on such books and endorsed on such Bond by the Town Secretary.

A registered Bond may be transferred to bearer in the manner set forth above, and thereby transferability by delivery shall be restored, but such Bond shall be subject to successive registration and transfers in the manner set forth above.

If any Bond is not registered, or is registered to bearer, it shall be in all respects negotiable, and the principal thereof and interest thereon shall be payable to bearer. Both the principal of and interest on any registered Bond, unless registered to bearer, shall be payable only to or on the order of the registered owner or his legal representative. The Town and the Paying Agent may rely on said books of registration for the name and address of each registered owner, and may deem and treat the registered owner of any Bond, as shown on such books, as the absolute owner of such Bond for all purposes.

Each Bond shall be initially registered, on the date such Bond is delivered to the purchaser thereof, in the name of "United States of America, Farmers Home Administration," and the address of the initial registered owner shall be the County Office of the Farmers Home Administration, Richmond, Texas.

Section 2.08: Ownership of Bonds. The Town, the Paying Agent and any other person may treat the registered owner of any registered Bond and the bearer of an unregistered Bond or a Bond registered to bearer as the absolute owner of such Bond

for the purpose of making payment of the principal thereof and the interest thereon and for all other purposes, and neither the Town nor the Paying Agent shall be bound by any notice or knowledge to the contrary, whether such Bond shall be overdue or not. All payments of or on account of interest or principal to the registered owner of any registered Bond, or to the bearer of an unregistered Bond or a Bond registered to bearer, shall be valid and effectual and shall be a discharge of the obligations of the Town and the Paying Agent, to the extent of the sums paid, with respect to the payment of the principal of and interest on the Bonds.

Section 2.09: Mutilated, Lost, Destroyed or Wrongfully Taken Bonds or Coupons. If the Holder of any Bond claims that such Bond has been mutilated, lost, destroyed, or wrongfully taken, the Town may, under the applicable provisions of Section 8.405, Texas Uniform Commercial Code and Article 715a, Vernon's Texas Civil Statutes, as presently existing or as hereafter amended, or any other provision of the laws of the State of Texas, execute a new Bond of like tenor and date in exchange and substitution for the Bond so mutilated, lost, destroyed or wrongfully taken.

Section 2.10: Cancellation of Bonds Paid. All Bonds surrendered to the Town or to the Paying Agent for the purpose of payment or redemption shall be cancelled and no Bonds shall be issued in lieu thereof except as expressly permitted by the provisions of this Ordinance.

ARTICLE THREE

FORM OF BONDS AND CERTIFICATES

Section 3.01: Form of Bonds. The Bonds authorized by this Ordinance shall be in substantially the following form, with such additions, omissions or variations as may be necessary or desirable and permitted by this Ordinance:

No. _____ \$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF FORT BEND
TOWN OF BEASLEY, TEXAS

WATERWORKS AND SANITARY SEWER SYSTEM REVENUE BOND,
SERIES 1972

The Town of Beasley, in the County of Fort Bend, in the State of Texas, FOR VALUE RECEIVED, hereby acknowledges itself indebted to and PROMISES TO PAY to bearer, or if this Bond is registered, to the registered owner hereof, solely from the revenues hereinafter specified, on the FIRST DAY OF JANUARY, 19__, the principal sum of

DOLLARS

(\$ _____), and to pay, solely from such revenues, interest thereon from the date of initial registration shown on the back hereof at the rate of five percent (5%) per annum, interest payable January 1, 1974, and annually thereafter on January 1st of each year until the principal sum hereof shall have been paid. Both principal of and interest on this Bond shall be payable, without exchange or collection charges to the owners

or holders thereof, in any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America at the County Office of the Farmers Home Administration, Richmond, Texas.

THE DATE OF THIS BOND, in conformity with the resolution hereinafter mentioned, is July 1, 1972.

THIS BOND IS ONE OF A SERIES OF 150 BONDS of like tenor and effect, except as to maturity, bond number, and registration date, being numbered consecutively from 1 to 150, both inclusive, in the denomination of \$1,000 each, aggregating \$150,000, and, together with the other Bonds of said series, is issued for the purpose of extending and improving the Town's waterworks system, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Articles 1111 through 1118, Vernon's Texas Civil Statutes, as amended.

AS USED HEREAFTER, "Ordinance" means the Ordinance authorizing this issue of Bonds, including any amendment thereof or supplement thereto.

THIS BOND SHALL NOT BE DEEMED TO CONSTITUTE A DEBT of the Town or a pledge of its faith and credit, but shall be payable, as to both principal and interest, solely from,

and is secured solely by a pledge of and first lien on the revenues to be derived from the ownership and operation of the System, including all additions thereto and extensions thereof, after deduction of the maintenance and operation expenses of the System, all as more fully set out in the Ordinance, to which reference is made for full particulars. The owner or holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Each Bond of this series is in all respects on a parity with and of equal dignity with every other Bond of this series. Reference is made to the Ordinance for a description of the revenues, income and funds charged with and pledged to the payment of the interest on and principal of the Bonds, the nature and extent of the security thereof, and a full statement of the rights, duties, and obligations of the Town and the rights of the holders of the Bonds, to all the provisions of which the holder hereof, by the acceptance of this Bond, assents.

The Ordinance contains provisions permitting the Town to amend the Ordinance, or any Ordinance supplemental thereto, and thereby alter the rights and obligations of the Town and of the owners or holders of the Bonds, with the written consent of the owners or holders of not less than two-thirds of the principal amount of the Bonds then outstanding, and any such amendment shall be binding upon the holder

of this Bond without endorsement hereon or any reference to such amendment, provided that no amendment shall permit (a) an extension of the maturity of the principal of or the interest on any Bonds of this issue, or (b) a reduction in the principal amount of any Bonds or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment. Reference is made to the Ordinance for complete details concerning amendment of the Ordinance and the manner and procedure therefor.

THE TOWN EXPRESSLY RESERVES THE RIGHT TO ISSUE Additional Bonds and Refunding Bonds which will be on a parity with and of equal dignity in all respects with the Bonds of this issue, but such bonds may be issued only pursuant to and subject to the restrictions, terms and limitations contained in the Ordinance, to which reference is hereby made for full particulars.

EACH SUCCESSIVE HOLDER OF THIS BOND is conclusively presumed to forego and renounce his equities in favor of subsequent holders for value and without notice, and to agree that this Bond, unless registered, or if registered to bearer, may be negotiated by delivery by any person having possession thereof, howsoever such possession may have been acquired, and that any holder who shall have taken this Bond from any person for value and without notice has thereby acquired absolute title thereto,

free from any defenses enforceable against any such prior holder and free from all equities and claims of ownership of any such prior holder. The Town and its officials and fiscal agents shall not be affected by any notice to the contrary.

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

IN WITNESS WHEREOF, THE TOWN OF BEASLEY has caused this Bond to be executed by the facsimile signatures of the Mayor and Town Secretary of said Town, respectively, and the official seal of said Town has been duly impressed, or placed in facsimile, on this Bond, all as of the 1st day of July, 1972.

Marvin Hartman
Mayor

COUNTERSIGNED:

Town Secretary

(SEAL)

(FORM OF ENDORSEMENT FOR REGISTRATION
OF BONDS AS TO PRINCIPAL AND INTEREST)

(No writing to be placed hereon except
by the Town Secretary of the Town of Beasley)

This Bond may be registered as to principal and interest on books kept by the Town Secretary of the Town of Beasley upon presentation hereof to said Town Secretary who shall make notation of such registration in the registration blank below, and this Bond may thereafter be transferred only upon a duly executed assignment of the registered owner or his attorney thereunto duly authorized, in such form as shall be satisfactory to said Town, such transfer to be made on such books and endorsed hereon by said Town Secretary. If so registered, this Bond may thereafter be registered to bearer and thereby transferability by delivery shall be restored, but this Bond shall again be subject to successive registrations and transfers as before. If this Bond is not registered, or if it has been so registered to bearer, it shall be in all respects negotiable, and the principal thereof and interest thereon shall be payable to bearer. Both the principal of and interest on this Bond, if registered, unless registered to bearer, shall be payable only to or on the order of the registered owner or his legal representative.

Date of
Registration

Name of
Registered Owner

Signature of
Registrar

Section 3.02: Registration of Bonds by State Comptroller and Certificate. Each of the Bonds shall be registered by the Comptroller of Public Accounts of the State of Texas, as provided by law, and the registration certificate of said Comptroller of Public Accounts shall be printed on the back of each of the Bonds, shall be manually executed, and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the Town of Beasley, Texas, payable from the revenues pledged to its payment by and in the Ordinance authorizing same, and said bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas,

_____, 1972.

Comptroller of Public Accounts
of the State of Texas

Section 3.03: Legal Opinion. The approving opinion of Vinson, Elkins, Searls & Smith, Houston, Texas, market attorneys, may be printed on the back of the Bonds.

ARTICLE FOUR

SECURITY OF BONDS; RATES AND CHARGES

Section 4.01: Pledge. The Net Revenues are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds.

Section 4.02: Security of Bonds. The Bonds shall be payable solely from and shall be equally and ratably secured by an irrevocable first lien on and pledge of the Net Revenues of the System, as those terms are defined in Section 1.01 of this Ordinance. The Holders of the Bonds shall never have the right to demand payment of the principal thereof or the interest thereon out of any funds raised or to be raised by taxation or any other revenues or funds of the Town.

Section 4.03: Rates and Charges. The Town covenants and agrees with the Holders of the Bonds and any Additional Bonds as follows:

(a) That it will at all times fix, maintain, charge, and collect for services rendered by the System rates and charges which will produce Gross Revenues at least sufficient to pay all Maintenance and Operating Expenses of the System, and to provide Net Revenues adequate to pay promptly all of the principal of and interest on all of the Bonds and any Additional Bonds and to make all deposits now or hereafter required to be made into the Funds created by this Ordinance in connection with the Bonds and any Additional Bonds.

(b) If the System should become legally liable for any other obligations or indebtedness, the Town shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

ARTICLE FIVE

FUNDS AND FLOW OF FUNDS

Section 5.01: Creation of Funds. The following special funds of the Town, each of which shall be kept separate and apart from all other funds of the Town at a Depository Bank, are hereby created:

- (1) The Town of Beasley Waterworks and Sanitary Sewer System Revenue Fund (the "Revenue Fund").
- (2) The Town of Beasley Waterworks and Sanitary Sewer System Revenue Bond Fund (the "Bond Fund").
- (3) The Town of Beasley Waterworks and Sanitary Sewer System Revenue Bond Reserve and Contingency Fund (the "Reserve and Contingency Fund").

Money on deposit in the Bond Fund and the Reserve and Contingency Fund shall constitute trust funds held in trust for the benefit of the Holders of the Bonds. Money on deposit in all of the Funds hereby created shall be used solely as provided in this Ordinance until all of the Bonds have been retired as to both principal and interest or due provision has been made for the redemption of all Bonds as herein provided.

Section 5.02: Revenue Fund. The Gross Revenues shall be deposited into the Revenue Fund as received. Money on deposit in the Revenue Fund shall be used for the following purposes and in the following order of priority:

- (a) Payment of Maintenance and Operating Expenses.
- (b) Transfers into the Bond Fund as set forth in Section 5.03 below.
- (c) Transfers into the Reserve and Contingency Fund as set forth in Section 5.04 below.
- (d) Transfers into other funds and accounts of the Town as set forth in Section 5.05 below.

Section 5.03: Bond Fund. There will be deposited into the Bond Fund the following:

- (a) any premium received from the sale of the Bonds;
- (b) such amounts, in equal monthly installments, made on or before the 25th day of each month hereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next interest payment date; and
- (c) such amounts, in equal monthly installments, made on or before the 25th day of each month hereafter, as will be sufficient to pay the next maturing principal of the Bonds.

The Bond Fund shall be used to pay the principal of and interest on the Bonds and any Additional Bonds as such principal matures and such interest comes due.

If the Town fails for any reason to make or cause to be made the transfers set forth in the foregoing paragraph, the deficiency caused by such failure shall be paid into the Bond Fund from the Revenue Fund out of the first available and unallocated Net Revenues, and such payment shall be in addition to the transfers otherwise required to be made from the Revenue Fund to the Bond Fund.

Section 5.04: Reserve and Contingency Fund. On or before the 25th day of each month hereafter the Town shall transfer or cause to be transferred from the Revenue Fund to the Reserve and Contingency Fund substantially equal monthly amounts, so that the amount deposited into the Reserve and Contingency Fund during each calendar year will be equal to ten percent (10%) of the total principal of and interest on the Bonds which will become due and payable on the following January 1st.

If the Town fails for any reason to make or cause to be made the transfers set forth in the foregoing paragraph, the deficiency caused by such failure shall be paid into the Reserve and Contingency Fund from the Revenue Fund out of the first available and unallocated Net Revenues, and such payment shall be in addition to the transfers otherwise required to be made from the Revenue Fund to the Reserve and Contingency Fund.

Payments into the Reserve and Contingency Fund from the Revenue Fund as set forth above shall continue until the amount on deposit in the Reserve and Contingency Fund is not less than \$9,000. So long as the balance in such Fund is not less than \$9,000, no further payments or transfers into such Fund need be made. If the balance on deposit in the Reserve and Contingency Fund at any time or from time to time is less than \$9,000, payments and transfers into such Fund shall commence immediately as set forth above, until the balance on deposit in such Fund is again not less than \$9,000.

Section 5.05: Surplus Revenues. Money remaining on deposit in the Revenue Fund after payment of the Maintenance and Operating Expenses and the transfers set forth in Sections 5.03 and 5.04 may be used by the Town to redeem outstanding Bonds, or to make additional transfers to the Bond Fund and/or the Reserve and Contingency Fund, and thereby reduce the amounts required to be deposited therein, or such money may be transferred to another fund or funds of the Town and used for any lawful purpose of the Town.

Section 5.06: Use of Bond Fund. Money on deposit in the Bond Fund shall be used only to pay the principal of and interest on the Bonds as the same become due and payable, provided that money on deposit in such Fund may be used to redeem bonds only to the extent that such money exceeds the amounts otherwise required to be on deposit therein pursuant to Section 5.03.

Section 5.07: Use of Reserve and Contingency Fund.

Money on deposit in the Reserve and Contingency Fund may be used only (1) to prevent a default in the payment of the principal of and interest on the Bonds as the same become due and payable in the event that the balance on deposit in the Bond Fund is insufficient to make such payments, (2) to pay the cost of any extraordinary repairs or replacements of the System or any part thereof, and (3) to pay the principal of and interest on the last maturing of the Bonds, so long as no Bonds remain outstanding after such payment.

Section 5.08: Security of Funds. Any cash balance in any Fund created by this Ordinance shall be continuously secured by a pledge to the Town of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the Funds to which such obligations are pledged.

Section 5.09: Investments. Money on deposit in the Revenue Fund, the Bond Fund, and the Reserve and Contingency Fund, in excess of current requirements, may be invested or reinvested in direct obligations of, or obligations the principal of and the interest on which are guaranteed by, the United States of America, or in direct obligations of or participation certificates guaranteed by Federal Intermediate Credit Banks, Federal Land Banks, the Federal National

Mortgage Association, the Government National Mortgage Association, Federal Home Loan Banks or Bank for Cooperatives or in such other investments as may hereafter be authorized by law which shall mature or which shall be subject to redemption by the bearer thereof at the option of such bearer in such manner that the money required to be expended from any such Fund will be available at the proper time or times. Alternatively, such Funds may be invested in lawfully insured Certificates of Deposit of State and National Banks when secured by any of the foregoing. All such investments shall belong to the Fund from which money for such investment was taken.

ARTICLE SIX

ACCOUNTING AND AUDITS

Section 6.01: Accounts, Records, and Accounting Reports. The Town covenants and agrees that it will maintain books of records and accounts showing as a separate utility system the accounts of the System, in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the operation of the System and the allocation and application of the revenues thereof, and that such books of the System will be available for inspection by the Holders of any of the Bonds at reasonable hours and under reasonable conditions. The Town will operate the System on the basis of the fiscal year of the Town.

Section 6.02: Audit. After the end of each fiscal year during which the System has been serving customers, the Town will have an audit made by a certified public accountant for the last fiscal year, which shall be submitted to the Town within 75 days after the end of the fiscal year. The audit shall show as to such year the following information relating to the System: (a) a statement in detail of the income, expenditures and withdrawals for such fiscal year; (b) a balance sheet as of the end of such fiscal year; (c) the accountant's comment, if any, regarding the manner in which the Town has carried out the requirements of this Ordinance; (d) a list of the insurance policies in force at the end of the fiscal year, setting out as to each policy the amount thereof, the risk or risks covered, the name of the insurers, and the expiration date of the policy; and (e) such other matters as may be thought proper by the accountant to be included in such audit.

Section 6.03: Copies of Audit and Cost. The Town shall furnish copies of such audits (without cost) to the Municipal Advisory Council of Texas, Austin, Texas, to the Paying Agent, and to any Holder of ten percent (10%) or more of the outstanding Bonds who may so request in writing. The cost of such audits shall be a proper expense of maintenance and operation of the System.

ARTICLE SEVEN

ADDITIONAL BONDS AND REFUNDING BONDS

Section 7.01: Additional Parity Bonds. In addition to inferior lien bonds, the Town reserves the right to issue Additional Parity Bonds from time to time, in one or more installments or series, to enlarge or improve the System or to repair or replace the System or any part thereof, but no Additional Parity Bonds shall be issued unless:

- (a) a certificate is executed by an independent certified public accountant or firm of independent certified public accountants certifying that each of the Funds created by this Ordinance or any ordinance authorizing any previously issued Additional Parity Bonds contains the amount of money then required to be on deposit therein;
- (b) a certificate is executed by an independent certified public accountant or firm of independent certified public accountants certifying that the Net Revenues of the System for the then last preceding fiscal year of the Town were equal to at least one hundred fifty percent (150%) of the Average Annual Debt Service Requirements on all bonds payable from such Net Revenues which will be outstanding after issuance of the proposed Additional Parity Bonds; provided, however, that this

limitation may be waived or modified with the written consent of bondholders representing seventy-five percent (75%) of the then outstanding Bonds and Additional Parity Bonds; and

- (c) a certificate is executed by the Mayor and Town Secretary to the effect that the Town is not in default as to any covenant, condition, or obligation contained in this Ordinance or any ordinance authorizing any previously issued Additional Parity Bonds; and
- (d) the principal of and interest on such Additional Parity Bonds are payable on January 1 in each of the years in which such principal and/or interest matures; and
- (e) The ordinance authorizing the issuance of such installment or series of Additional Bonds provides that the aggregate amount to be accumulated and maintained in the Reserve and Contingency Fund shall be increased (within five years from the date of the Additional Bonds) to an aggregate amount not less than the Average Annual Debt Service Requirements for all outstanding Bonds and Additional Bonds and the installment or series of Additional Bonds then proposed to be issued.

Section 7.02: Refunding Bonds. The Town also reserves the right to issue refunding bonds to refund any Bonds or Additional Parity Bonds the holders of which consent to such refunding. Any refunding bonds so issued shall enjoy complete equality of lien with that portion of the Bonds and/or Additional Parity Bonds, if any, not being refunded, and such refunding bonds shall continue to enjoy the priority of lien enjoyed by the Bonds and/or Additional Parity Bonds being refunded. Refunding bonds may be delivered to the holders of bonds being refunded upon simultaneous surrender and cancellation of the bonds being refunded, or, if then authorized by law, may be sold and delivered to a purchaser with the proceeds of sale being deposited for application to the full payment of the bonds being refunded. Any refunding bonds so issued shall be deemed to be "Bonds" as that term is defined and used in this Ordinance.

ARTICLE EIGHT

APPLICATION OF BOND PROCEEDS

Section 8.01: Bond Proceeds. The proceeds of sale of the Bonds, when received, shall be disbursed in accordance with this Article.

Section 8.02: Construction Fund. There is hereby created the Town of Beasley Waterworks System Construction Fund (the "Construction Fund") which shall be kept at a Depository Bank of the Town, separate and apart from all other funds of the Town.

Section 8.03: Use of Construction Fund. Money on deposit in the Construction Fund will be used only to pay the costs of extending and improving the Town's waterworks system and the costs of issuance of the Bonds, including, without limitation, legal and engineering fees and charges.

Section 8.04: Surplus Proceeds. Any money remaining in the Construction Fund after payment of the costs set forth in Section 8.03 above will be deposited into the Bond Fund and will reduce, to the extent of such deposit, the Town's obligation to make deposits into such Fund.

ARTICLE NINE

PARTICULAR COVENANTS OF THE TOWN

The Town by and through this Resolution covenants as follows:

Section 9.01: Punctual Payment of Bonds. The Town will punctually pay or cause to be paid the interest on and principal of the Bonds according to their terms and will faithfully do and perform and at all times fully observe any and all covenants, undertakings, stipulations and provisions contained herein or in any Bond executed or delivered hereunder.

Section 9.02: Power to Pledge Revenues. The Town has the power to pledge the Net Revenues supporting the Bonds, and has lawfully exercised its power under the Constitution and laws of the State of Texas; and the Bonds shall be ratably secured under said pledge of the Net Revenues in such manner that no Bond shall have preference over any other Bond.

Section 9.03: System and Revenues Not Encumbered.

Upon the construction and acquisition of the System by the Town, neither the System nor the revenues derived therefrom will be in any way encumbered except as provided in this Ordinance.

Section 9.04: Sale or Encumbrance of Facilities. So

long as any of the Bonds remain outstanding, either as to principal or interest, the Town will not sell, dispose of or encumber any of the improvements, facilities or properties constituting the System; provided, however, that this provision shall not prevent the Town from disposing of any portion of the System which has been declared surplus or is no longer needed or useful for the proper operation of the System.

So long as any of the Bonds remain outstanding, either as to principal or interest, the Town will not further encumber the revenues of the System except as the right to do so is reserved herein.

Section 9.05: Maintenance of System. So long as the

Bonds or any part thereof remain outstanding and unpaid, either as to principal or interest, the Town will maintain the System in good operating condition and repair and will operate the System or cause it to be operated in an efficient manner at reasonable cost and in accordance with sound business principles.

Section 9.06: Ordinance is Contract. The provisions of this Ordinance shall constitute a contract between the Town and the Bondholders.

Section 9.07: Consulting Engineers. The Town covenants and agrees that so long as any of the Bonds remain outstanding, it will retain a firm of recognized engineers (herein called the "Consulting Engineers"), who shall submit to the Town such recommendations for maintenance, insurance, operation, repairs, and improvements to the System as such Consulting Engineers may from time to time see fit, and the Town agrees that it will be guided by the recommendations of such Consulting Engineers. The costs of employing the Consulting Engineers shall be considered as an expense of maintenance and operation of the System.

Section 9.08: Successor Paying Agent. If the Paying Agent herein named, or its successor, becomes unable for any reason to act as Paying Agent hereunder, the Town covenants that it will appoint a successor paying agent where the principal and interest on the Bonds may be paid.

Section 9.09: Competing Systems. That to the extent it legally may, the Town further covenants and agrees that while any of the Bonds or Additional Bonds are outstanding no franchise shall be granted for the installation or operation of any competing waterworks or sanitary sewer system; and that the Town will prohibit the operation of any such competing system; and the operation of any such competing system is hereby prohibited.

Section 9.10: Arbitrage Bonds. The Town hereby specially covenants and agrees with the original purchasers of the Bonds and with the owners or holders from time to time of the Bonds that:

1. The Town will promptly proceed to utilize the proceeds of the sale of the Bonds (other than interest during construction) for the purposes set forth in Section 2.01 of this Ordinance;

2. No portion of the Bonds is issued as a part of an issue, all or a major portion of the proceeds of which are reasonably expected to be used directly or indirectly

A. to acquire securities (within the meaning of Section 165(g)(2)(A) or (B) of the Internal Revenue Code) or obligations (other than obligations described in Section 103(a)(1) of the Internal Revenue Code) which may be reasonably expected at the time of the issuance of such issue to produce a yield over the term of the issue which is materially higher (taking into account any discount or premium) than the yield on obligations of the Bonds, or

B. to replace funds which are used directly or indirectly to acquire securities or obligations described in subparagraph A.

3. The Town will take such action in accordance with regulations prescribed from time to time by the Secretary of the Treasury or his delegate to carry out the purposes of

Section 103(d) of the Internal Revenue Code so that no portion of the Bonds shall be classified as an "arbitrage bond" within the meaning of Section 103(d) of the Internal Revenue Code.

ARTICLE TEN

DEFAULT PROVISIONS

Section 10.01: Remedies on Default. The Town agrees that if it defaults in the payment of the principal of or interest on any of the Bonds, or if it defaults in the performance of any duty or covenant provided by law or in this Ordinance, the holder or holders of any Bond or Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the Town to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any such holder may either at law or in equity, by suit, action, mandamus, or other proceeding, enforce and compel the performance of all duties required to be performed by the Town by this Ordinance.

Section 10.02: Remedies Not Waived. No remedy herein specified is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative of any remedy now or hereafter existing at law, in equity, or by statute. No delay or omission to exercise any right or power 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 and power may be exercised from time to time and so often as may be deemed expedient.

ARTICLE ELEVEN

AMENDMENTS

Section 11.01: Amendment of Resolution. The Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding shall have the right, at any time and from time to time, to consent to and approve any amendment of the Ordinance that may be deemed desirable by the Town for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Ordinance; provided, however, that nothing in this Article shall permit (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

Bonds owed or held by or for the account of or for the benefit of the Town shall not be deemed to be outstanding for the purpose of amending the Ordinance.

Section 11.02: Notice and Adoption of Amendment. If the Town desires to amend the Ordinance it shall cause notice of the proposed amendment to be published once a week during two (2)

consecutive weeks in a financial journal or publication of general circulation in the United States. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the City Hall of the Town's principal office for inspection by all Bondholders. If all Bonds are registered, such notice need not be published, but may be mailed to the registered owners by registered mail at the address shown on the books of the Town. If, within thirty (30) days, or such longer period as shall be prescribed by the Town, following the final publication or mailing of such notice, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds outstanding shall have consented to the amendment as herein provided, no Bondholder shall have any right to object to any of the terms and provisions contained therein, or in any manner to question the propriety of the execution thereof, and all the rights of all Bondholders shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such amendment.

Section 11.03: Revocation of Consent. Any consent given by any Bondholder pursuant to the provisions of this Article shall be irrevocable for a period of six (6) months from the date of the first publication or the mailing of such notice, and shall be conclusive and binding on all future Holders of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of first

publication or the mailing of such notice by the Holder who gave such consent or by a successor in title, by filing notice thereof with the Town, but such revocation shall not be effective if the Holders of two-thirds (2/3) aggregate principal amount of the Bonds outstanding have, prior to the attempted revocation, consented to and approved the amendment.

Section 11.04: Proof of Ownership. For the purposes of this Article, the fact of the holding of Bonds by any Bondholder and the amount and number of such Bonds, and the date of his holding same may be provided by the affidavit of the person claiming to be such Holder, or by a certificate executed by any trust company, bank, banker or any other depository, wherever situated, showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depository, the Bonds described in such certificate. The Town may conclusively assume that such ownership continues until written notice to the contrary is served upon the Town.

ARTICLE TWELVE

INSURANCE

Section 12.01: Insurance During Construction. Until the Town's waterworks system has been completed in accordance with the approved plans and specifications, the Town will require the contractor or contractors constructing the same to keep in force Builders' Risk Insurance issued by a responsible insurance company or companies insuring the same during construction against fire, explosion, extended coverage and vandalism in an amount equal to the full insurable value of such construction as the same progresses.

Section 12.02: Insurance After Completion. While any of the Bonds remain outstanding, the Town covenants that it will at all times keep insured such of the System and its appurtenances as are usually insured by corporations operating like properties at similar locations, under the same circumstances, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by such corporations, including (but only if such insurance can be procured at reasonable cost) insurance against damage by floods; provided, however, that at any time while any contractor engaged in construction work shall be fully responsible therefor, the Town shall not be required to carry such insurance. All such policies shall be open to the inspection of the Bondholders and their representatives at all reasonable times.

Section 12.03: Insurance Proceeds. In the event of any loss or damage the Town covenants that it will reconstruct or repair the destroyed or damaged portion of the System and will apply the proceeds of the insurance policies covering such loss or damage solely for that purpose. The Town covenants that it will begin such work of reconstruction or repair promptly after such loss or damage shall occur and will continue and properly complete the same as expeditiously as possible and will pay or cause to be paid all costs and expenses in connection therewith out of the insurance proceeds, to the extent of such proceeds, so that such reconstruction or repair shall

be so completed and the property be free and clear of all mechanics' and other liens and claims. The Town agrees that it will procure the advice and recommendation in writing of the Consulting Engineers concerning such reconstruction before it is undertaken.

Section 12.04: Excess Insurance Proceeds. Any insurance proceeds remaining after the completion of and payment for any such reconstruction or repair shall be deposited to the credit of the Bond Fund and/or the Reserve and Contingency Fund to the extent necessary to cure any deficiencies in those Funds, and any excess over such deficiencies, if any, shall be placed in the Bond Fund.

ARTICLE THIRTEEN

SALE, APPROVAL, REGISTRATION, AND DELIVERY OF BONDS

Section 13.01: Sale of Bonds. The sale of the Bonds to the Government at a price equal to the principal amount thereof, is hereby authorized, approved, ratified and confirmed, subject to the unqualified approving opinion as to the legality of the Bonds by the Attorney General of the State of Texas and Vinson, Elkins, Searls & Smith, Houston, Texas, market attorneys.

Section 13.02: Approval, Registration and Delivery of Bonds. The Mayor of the Town is hereby authorized and directed to take and have charge of the record of the proceedings relating to the Bonds, and the Bonds, and submit the same to the Attorney General of the State of Texas for examination and approval, and thereafter to have them registered by the Comptroller of Public

Accounts of Texas. When said Bonds have been approved by said Attorney General and registered by said Comptroller of Public Accounts, they shall be delivered to the purchaser, in installments or otherwise, upon receipt of the full purchase price for each installment at the time such installment is delivered, and each Bond so delivered shall be registered to the purchaser on the date of delivery.

ARTICLE FOURTEEN

SPECIAL PROVISIONS FOR THE GOVERNMENT

Section 14.01: Application of Article. The terms and provisions of this Article Fourteen shall apply only so long as any Bonds are held by the Government. To the extent that any of the other provisions of this Ordinance conflict with or are inconsistent with the provisions of this Article, the provisions of this Article Fourteen shall be construed as controlling as between the Town and the Government.

Section 14.02: Special Covenants. So long as any Bonds are held by the Government, the Town hereby covenants and agrees:

- (1) To indemnify the Government for all payments made or losses suffered by the Government on behalf of the Town.
- (2) That upon default in the payment of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government, at

- its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Town incur and pay reasonable expenses for repair, maintenance, and operation of the System and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the System, repair, maintain, and operate or rent it.
- (3) Not to sell, transfer, lease, or otherwise encumber the System or any portion thereof, or interest therein, nor permit others to do so, without the prior written consent of the Government.
- (4) Not to borrow any money from any source, enter into any contract or agreement, or incur any other liabilities in connection with making enlargements, improvements or extensions to or for any other purpose in connection with the System (exclusive of normal maintenance) without the prior written consent of the Government.
- (5) To place the proceeds of the Bonds on deposit in an account, in a bank, and in a manner approved by the Government.

- (6) To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the System in good condition.
- (7) To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. No free service or use of the System will be permitted.
- (8) To acquire and maintain such insurance coverage including fidelity bonds as may be required by the Government.
- (9) To establish and maintain such books and records relating to the operation of the System and its financial affairs and to provide for the annual audit thereof in such manner as may be required by the Government, to provide the Government without its request a copy of each such audit, and to make and forward to the Government such additional information and reports as it may from time to time require.
- (10) To provide the Government at all reasonable times access to all books and records relating to the System and access to the property of the System so that the Government may ascertain that the Town is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.

(11) That the financial obligations of the Town under the provisions hereof are payable solely from the revenues and assets of the System.

ARTICLE FIFTEEN

MISCELLANEOUS PROVISIONS

Section 15.01: Benefits of Resolution Provisions.

Nothing in this Ordinance or in the Bonds, expressed or implied, shall give or be construed to give any person, firm or corporation, other than the Town, the Paying Agent, the Government and the Bondholders any legal or equitable right, remedy or claim under or in respect of this Ordinance, or under any covenant, condition or provision herein contained, all the covenants, conditions and provisions contained in this Ordinance or in the Bonds being for the sole benefit of the Town, the Paying Agent, the Government, and the Bondholders.

Section 15.02: Unavailability of Authorized Publication.

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

Section 15.03: Headings. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

Section 15.04: Further Proceedings. The officers, employees and agents of the Town and each of them shall be, and they are hereby, 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 Town all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and of the Bonds to be issued hereunder.

Section 15.05: Repeal, Severability. That all Ordinances or parts thereof, or other action of the Town, which in any manner or to any extent conflict with any provisions of this Ordinance, shall be, and such other Ordinances and actions are hereby, expressly repealed, and in case any one or more words, phrases, clauses, sentences, paragraphs, sections, articles or other parts of this Ordinance or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Ordinance and the application of such word, phrase, clause, sentence, paragraph, section, article or other part of this Ordinance to other persons or circumstances shall not be affected thereby.

Section 15.06: Effective Date of Ordinance. This Ordinance shall take effect and be in full force and effect upon and after its passage.

PASSED AND APPROVED this _____ day of _____, 1972,

Marvin Hartmann
Mayor

ATTEST:

Town Secretary

(SEAL)