
BOND ORDINANCE NO. _____

relating to

TOWN OF ADDISON, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016

Adopted: March 8, 2016

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AN ORDINANCE PROVIDING FOR THE ISSUANCE OF TOWN OF ADDISON, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$29,000,000; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; LEVYING A TAX IN PAYMENT THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT, A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT RELATING TO SUCH BONDS; APPROVING THE PREPARATION OF AN OFFICIAL STATEMENT; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, there are presently outstanding certain obligations of the Town of Addison, Texas (the "Town"), described on Schedule I attached hereto and incorporated herein by reference for all purposes (collectively, the "Refunded Obligation Candidates"), which are secured by and payable from ad valorem taxes levied, assessed and collected, within the limit prescribed by law, on property within the Town in an amount sufficient to pay principal of and interest on such bonds as they become due; and

WHEREAS, it is intended that all or a portion of the Refunded Obligation Candidates shall be designated as Refunded Obligations (as hereinafter defined) in the Pricing Certificate (as hereinafter defined) and shall be refunded pursuant to this Ordinance and the Pricing Certificate; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207") authorizes the Town to issue refunding bonds for the purpose of refunding or defeasing the Refunded Obligations in advance of their maturities, and to accomplish such refunding or defeasance by depositing directly with a paying agent for the Refunded Obligations (or other qualified escrow agent), the proceeds of such refunding bonds, together with other available funds, in an amount sufficient to provide for the payment or redemption of the Refunded Obligations, and provides that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

WHEREAS, the Town desires to authorize the execution of an escrow agreement in order to provide for the deposit of proceeds of the refunding bonds and, to the extent specified pursuant hereto, other lawfully available funds of the Town, to pay the redemption price of the Refunded Obligations when due; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the deposit of funds referred to above, the Refunded Obligations shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to such deposit, and the pledges, liens, trusts and all other covenants, provisions, terms and conditions of the orders authorizing the issuance of the Refunded Obligations shall be, with respect to the Refunded Obligations, discharged, terminated and defeased; and

WHEREAS, the Town Council (the "Town Council") of the Town hereby finds and determines that the issuance and delivery of the refunding bonds hereinafter authorized is in the

public interest and the use of the proceeds in the manner herein specified constitutes a valid public purpose; and

WHEREAS, the Town Council hereby finds and determines that the refunding contemplated in this Ordinance will benefit the Town by providing a present value savings in the debt service payable by the Town, and that such benefit is sufficient consideration for the refunding of the Refunded Obligations; and

WHEREAS, the Town Council has found and determined that it is necessary and in the best interest of the Town and its citizens that it authorize by this Ordinance the issuance and delivery of the amounts reflected above, all in a single issue or all in accordance with and pursuant to the authority granted in Chapter 1207; and

WHEREAS, pursuant to Chapter 1207, the Town has found and determined that the Bonds herein authorized shall mature on the dates, bear interest at the rates and have such other terms and provisions specified in the Pricing Certificate within the parameters set forth in this Ordinance; and

WHEREAS, it is officially found, determined and declared that the meeting at which this Ordinance has been adopted was open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended; therefore

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

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Definitions.

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

“Authorized Officer” means the Town Manager or the Interim Chief Financial Officer of the Town.

“Bond” means any of the Bonds.

“Bond Date” means the date designated as the date of the Bonds by Section 3.02(a) of this Ordinance.

“Bonds” means the Town’s bonds authorized to be issued by Section 3.01 of this Ordinance and designated as “Town of Addison, Texas, General Obligation Refunding Bonds, Series 2016.”

“Business Day” means a day that is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the Town where the Designated Payment/Transfer Office is located are required or authorized by law or executive order to close.

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

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

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named herein, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the Town and such successor.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

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

“EMMA” means the Electronic Municipal Market Access System.

“Escrow Agent” means the Escrow Agent designated in the Pricing Certificate, or any successor thereto.

“Escrow Agreement” means the escrow agreement by and between the Town and the Escrow Agent relating to the Refunded Obligations.

“Escrow Fund” means the fund by that name established by the Escrow Agreement.

“Escrow Securities” means (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of hereof, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (3) 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 hereof, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“Event of Default” means any event of default as defined in Section 10.01 of this Ordinance.

“Initial Bond” means the Initial Bond authorized by Section 3.04(d) of this Ordinance.

“Interest and Sinking Fund” means the interest and sinking fund established by Section 2.02 of this Ordinance.

“Interest Payment Date” means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, as set forth in the Pricing Certificate.

“MSRB” means the Municipal Securities Rulemaking Board.

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

“Paying Agent/Registrar” means the bank identified as the Paying Agent/Registrar in the Pricing Certificate.

“Pricing Certificate” means a certificate or certificates to be signed by the Authorized Officer.

“Purchase Contract” means if the Bonds are sold pursuant to a negotiated sale, the purchase contract between the Town and the Underwriters pertaining to the sale of the Bonds.

“Purchasers” means the initial purchasers of the Bonds (if the Bonds are sold at a competitive sale) or the underwriters of the Bonds (if the Bonds are sold at a negotiated sale) as specified in the Pricing Certificate.

“Record Date” means the close of business on the last Business Day of the month next preceding an Interest Payment Date or such other date as specified in the Pricing Certificate.

“Refunded Obligation Candidates” means the obligations of the Town described in Schedule I attached hereto which are authorized to be designated as Refunded Obligations in the Pricing Certificate.

“Refunded Obligations” means the obligations of the Town to be designated in the Pricing Certificate from the universe of Refunded Obligation Candidates described in Schedule I attached hereto.

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

“Representations Letter” means the Blanket Letter of Representations previously executed by the Town and DTC and on file with DTC.

“Representative” means the representative of the Underwriters, if any, designated in the Purchase Contract.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

“Special Payment Date” means the Special Payment Date prescribed by Section 3.03(b).

“Special Record Date” means the Special Record Date prescribed by Section 3.03(b).

“Town” means the Town of Addison, Texas.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of principal of, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity.

Other Definitions. The capitalized terms defined in the preamble to this Ordinance shall have the meanings assigned to them in the preamble of this Ordinance.

Findings.

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

Table of Contents; Titles and Headings.

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

Interpretation.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

SECURITY FOR THE BONDS; INTEREST AND SINKING FUND

Tax Levy for Payment of the Bonds.

The Town Council hereby declares and covenants that it will provide and levy a tax legally and fully sufficient for payment of the Bonds, it having been determined that the existing and available taxing authority of the Town for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding obligations of the Town.

In order to provide for the payment of the debt service requirements on the Bonds, being (i) the interest on the Bonds, and (ii) a sinking fund for their payment at maturity or a sinking fund of two percent per annum (whichever amount is the greater), there is hereby levied for the current year and each succeeding year thereafter, while the Bonds or interest thereon remain outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the Town at a rate sufficient, within the limit prescribed by law, to pay such debt service requirements, full allowance being made for delinquencies and costs of collection.

The tax levied by this Section shall be assessed and collected each year and deposited into the Interest and Sinking Fund for the payment of the debt service requirements on the Bonds, and the tax shall not be diverted to any other purpose.

Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Ordinance.

To the extent the Town has available funds which may be lawfully used to pay debt service on the Bonds and such funds are on deposit in the Interest and Sinking Fund in advance of the time when the Town Council of the Town is scheduled to set a tax rate for any year, then such tax rate which would otherwise be required to be established pursuant to subsection (a) of this Section may be reduced to the extent and by the amount of such funds in the Interest and Sinking Fund.

If the liens and provisions of this Ordinance shall be discharged in a manner permitted by Article XI, then the collection of such ad valorem tax may be suspended or appropriately reduced, as the facts may permit, and further deposits to the Interest and Sinking Fund may be suspended or appropriately reduced, as the facts may permit. In determining the aggregate principal amount of outstanding Bonds, there shall be subtracted the amount of any Bonds that have been duly called for redemption and for which money has been deposited within the Paying Agent/Registrar for such redemption.

Interest and Sinking Fund.

The Town hereby establishes a special fund or account, to be designated the “Town of Addison, Texas General Obligation Refunding Bonds, Series 2016, Interest and Sinking Fund,” said fund to be maintained at an official depository bank of the Town separate and apart from all other funds and accounts of the Town.

Money on deposit in or required by this Ordinance to be deposited to the Interest and Sinking Fund shall be used solely for the purpose of paying the interest on and principal of the Bonds when and as due and payable in accordance with their terms and this Ordinance.

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Authorization.

The Town’s bonds to be designated “Town of Addison, Texas General Obligation Refunding Bonds, Series 2016,” are hereby authorized to be issued and delivered in accordance with Tex. Const. art. XI, Sec. 5, Chapter 1207, Texas Government Code, as amended, and Section 15.11 of the Town’s Home-Rule Charter.

The Bonds shall be issued in the not to exceed aggregate principal amount of \$29,000,000 for the purpose of providing funds to (i) refund the Refunded Obligations, to the extent provided in the Pricing Certificate, and (ii) pay the costs of issuing the Bonds.

Date, Denomination, Maturities and Interest.

The Bonds shall be dated the date set forth in the Pricing Certificate. The Bonds shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered separately from one upward, except the Initial Bond, which shall be numbered T-1.

The Bonds shall mature on the dates and in the principal amounts set forth in the Pricing Certificate.

Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of (i) the Bond Date, unless otherwise provided in the Pricing Certificate, or (ii) the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the Pricing Certificate. Such interest shall be payable semiannually commencing on the date set forth in the Pricing Certificate, and on each Interest Payment Date thereafter until maturity or prior redemption. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of 12 months of 30 days each.

Medium. Method and Place of Payment.

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

Interest on the Bonds shall be payable to the Owners as shown in the Register at the close of business on the Record Date; provided, however, in the event of nonpayment of interest on a scheduled Interest Payment Date and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") shall be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Town. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the Register at the close of business on the last Business Day next preceding the date of mailing of such notice.

Interest shall be paid by check, dated as of and mailed on the Interest Payment Date, and sent by the Paying Agent/Registrar to each Owner, first class United States mail, postage prepaid, to the address of each Owner as it appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the Owner; provided, however, that the Owner shall bear all risk and expense of such other banking arrangement. At the option of an Owner of at least \$1,000,000 principal amount of the Bonds, interest may be paid by wire transfer to the bank account of such Owner on file with the Paying Agent/Registrar.

The principal of each Bond shall be paid to the Owner on the due date thereof (whether at the maturity date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

If the date for the payment of principal of and interest on the Bonds is not a Business Day, the date for such payment shall be the next succeeding Business Day, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

Unclaimed Payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owners of the Bonds to which the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, any Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the

Town to be used for any lawful purpose. Thereafter, neither the Town, the Paying Agent/Registrar nor any other person shall be liable or responsible to any Owners of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code, any applicable escheat law or similar.

Execution and Registration of Bonds.

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

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

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

On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the initial purchaser, or its designee, executed manually or by facsimile by the Mayor and Town Secretary of the Town, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the initial purchaser or its designee. Upon payment for the Initial Bonds, the Paying Agent/Registrar shall cancel the Initial Bonds and deliver registered definitive Bonds to DTC in accordance with Section 3.10. To the extent the Paying Agent/Registrar is eligible to participate in DTC's FAST System, as evidenced by agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Bonds in safekeeping for DTC.

Ownership.

The Town, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption

premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon, and for all other purposes (except interest will be paid to the person in whose name such bond is registered on the Record Date or Special Record Date, as applicable), whether or not such Bond is overdue, and neither the Town nor the Paying Agent/Registrar: shall be bound by any notice or knowledge to the contrary.

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

Registration. Transfer and Exchange.

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

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

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

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

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

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

Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be cancelled and proper

records shall be made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with the Securities Exchange Act of 1934.

Temporary Bonds.

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

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

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

Replacement Bonds.

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

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

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

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

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

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

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

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

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

Book-Entry-Only System.

Notwithstanding any other provision hereof, upon initial issuance of the Bonds, the Bonds shall be registered in the name of Cede & Co., as nominee of DTC. The definitive Bonds shall be initially issued in the form of a single separate bond for each of the maturities thereof.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Town and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Town and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Town and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners as shown in the Register, as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Town's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive

a certificate evidencing the obligation of the Town to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word “Cede & Co.” in this Ordinance shall refer to such new nominee of DTC.

The Representations Letter previously executed and delivered by the Town, and applicable to the Town’s obligations delivered in book-entry-only form to DTC as securities depository, is hereby ratified and approved for the Bonds.

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

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

Payments to Cede & Co.

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

REDEMPTION OF BONDS BEFORE MATURITY

Limitation on Redemption.

The Bonds shall be subject to redemption before Scheduled Maturity only as provided in this Article IV and in the Pricing Certificate.

Optional Redemption.

The Bonds shall be subject to redemption at the option of the Town at such times, in such amounts, in such manner and at such redemption prices as may be designated and provided for in the Pricing Certificate.

Mandatory Sinking Fund Redemption.

The Bonds designated as “Term Bonds” in the Pricing Certificate (“Term Bonds”), if any, are subject to scheduled mandatory redemption and will be redeemed by the Town, in part, at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund, on the dates and in the respective principal amounts as set forth in the Pricing Certificate.

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select on a pro rata basis in accordance with the operational arrangements of DTC, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.05.

The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.03 shall be reduced, at the option of the Town, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the Town at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Partial Redemption.

If less than all of the Bonds are to be redeemed pursuant to Section 4.02, the Town shall determine the maturities and the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar to select, on a pro rata basis in accordance with the operational arrangements of DTC, and call such Bonds for redemption.

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

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

Notice of Redemption to Owners.

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

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

The Town reserves the right to give notice of its election or direction to redeem Bonds under Section 4.02 conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Town retains the right to rescind such notice at any time prior to the scheduled redemption date if the Town delivers a certificate of the Town to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the Town to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

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

Payment Upon Redemption.

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

Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

Effect of Redemption.

Notice of redemption having been given as provided in Section 4.05 of this Ordinance and subject, in the case of an optional redemption under Section 4.02, to any conditions or rights reserved by the Town under Section 4.05, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the Town defaults in its obligation to make provision for the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

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

Lapse of Payment.

Money set aside for the redemption of the Bonds and remaining unclaimed by the Owners thereof shall be subject to the provisions of Section 3.03(f) hereof.

PAYING AGENT/REGISTRAR

Appointment of Initial Paying Agent/Registrar.

The Authorized Officer is hereby authorized to select and appoint the initial Paying Agent/Registrar for the Bonds, and the initial Paying Agent/Registrar shall be designated in the Pricing Certificate.

The Authorized Officer is hereby authorized and directed to execute and deliver or cause the execution and delivery by the President and Secretary of the Board, a Paying Agent/Registrar Agreement, specifying the duties and responsibilities of the Town and the Paying Agent/Registrar. The Town Council hereby approves the form of Paying Agent/Registrar Agreement as presented.

Qualifications.

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

Maintaining Paying Agent/Registrar.

At all times while any Bonds are outstanding, the Town will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance.

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

Termination.

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

Notice of Change to Owners.

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

Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the

provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Delivery of Records to Successor.

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

FORM OF THE BONDS

Form Generally.

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

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

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

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

CUSIP Registration.

The Town may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the Town nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Legal Opinion.

The approving legal opinion of Bracewell LLP, Bond Counsel, may be printed on the reverse side of or attached to each Bond over the certification of the Town Secretary of the Town, which may be executed in facsimile.

Statement of Insurance.

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

SALE AND DELIVERY OF BONDS, DEPOSIT OF PROCEEDS

Sale of Bonds, Official Statement.

The Bonds shall be sold to the Purchaser in accordance with the terms of this Ordinance. As authorized by Chapter 1207, the Authorized Officer is authorized to act on behalf of the Town in selling and delivering the Bonds and in carrying out the other procedures specified in this Ordinance, including determining the price at which each of the Bonds will be sold, the number and designation of each series or subseries of Bonds to be issued, the form in which the Bonds shall be issued, the years and dates on which the Bonds will mature, the principal amount to mature in each of such years, the selection of the specific maturities or series of Refunded Obligations from the list of Refunded Obligation Candidates, the aggregate principal amount of Refunded Obligations, the aggregate principal amount of the Bonds to be issued by the Town, the rate of interest to be borne by each maturity of the Bonds, the Interest Payment Dates, the dates, prices and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Town and shall be subject to mandatory sinking fund redemption, acquisition of municipal bond insurance, if beneficial, for the Bonds, retaining a verification agent, whether or not the Bonds will be designated as qualified tax-exempt obligations, the selection of the Purchaser in a negotiated transaction or the sale of the Bonds at a competitive sale and all other matters relating to the issuance, sale and delivery of the Bonds and the refunding of the Refunded Obligations, all of which shall be specified in the Pricing Certificate; subject to the following conditions:

the maximum true interest cost of the Bonds shall not be in excess of 3.25%;

the aggregate principal amount of the Bonds authorized to be issued for the purposes described in Section 3.01 shall not exceed \$29,000,000;

the refunding of the Refunded Obligations shall produce a net present value debt service savings of at least 5.00% of the principal amount of the Refunded Obligations; and

no Bond shall mature later than February 15, 2033.

If the Bonds are sold at a negotiated sale, the Authorized Officer is hereby authorized and directed to negotiate, execute and deliver on behalf of the Town one or more Purchase Contracts, providing for the sale of the Bonds to the Purchasers, in such form as determined by the Authorized Officer. The Authorized Officer is hereby authorized and directed to approve the final terms and provisions of each Purchase Contract in accordance with the terms of the Pricing Certificate and this Ordinance, which final terms shall be determined to be the most advantageous reasonably attainable by the Town, such approval and determination being evidenced by its execution thereof by the Authorized Officer. All officers, agents and representatives of the Town are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Bonds.

The Initial Bonds shall initially be registered in the name of the representative of the Purchasers or such other entity as may be specified in the Purchase Contract.

The authority granted to the Authorized Officer under Section 7.01(a) shall expire on a date 180 days from the date of this Ordinance, unless otherwise extended by the Town Council by separate action.

The form and substance of the Preliminary Official Statement, and Notice of Sale, if any, and any addenda, supplement or amendment thereto, are hereby in all respects approved. The Authorized Officer, Mayor, Town Secretary and other appropriate Town officials are each authorized to prepare and complete the Preliminary Official Statement, and Notice of Sale, if any, with such modifications, completions, changes and supplements, as those persons shall approve or authorize for the purpose of preparing and determining and to certify or otherwise represent that the revised Preliminary Official Statement is a “deemed final” official statement as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The use and distribution of the Preliminary Official Statement, and Notice of Sale, if any, in the public offering of the Bonds by the Purchasers is hereby authorized. The Authorized Officer, Mayor, Town Secretary and other appropriate Town officials are hereby authorized and directed to use and distribute or authorize the use and distribution of the final Official Statement and any addenda, supplement or amendment thereto (the “Official Statement”) and to execute the same and deliver appropriate numbers of executed copies thereof to the Purchasers of the Bonds. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Authorized Officer and the Purchasers, may be used by the Purchasers in the public offering and sale thereof. The Town Secretary is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting.

All officers of the Town are authorized to execute such documents, certificates and receipts as they may deem appropriate in Ordinance to consummate the delivery of the Bonds in accordance with the terms of sale therefor. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the Town is hereby authorized and directed to issue a check of the Town payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Bonds or (ii) \$9,500).

The obligation of the Purchasers to accept delivery of the Bonds is subject to the Underwriter being furnished with the final, approving opinion of Bracewell LLP, Bond Counsel for the Town, which opinion shall be dated as of and delivered on the Closing Date.

Control and Delivery of Bonds.

The Authorized Officer is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration

by the Comptroller of Public Accounts of the State and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the initial purchasers thereof under and subject to the general supervision and direction of the Mayor, against receipt by the Town of all amounts due to the Town under the terms of sale.

In the event the Mayor or Town Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tern and the Assistant Town Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tern and the Assistant Town Secretary shall for the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and Town Secretary, respectively.

Deposit of Proceeds.

The proceeds from the sale of the Bonds shall be deposited as set forth in the Pricing Certificate.

Security of Funds.

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

INVESTMENTS

Investments.

Money in the Interest and Sinking Fund created by this Ordinance, at the Town's option, may be invested in such securities or obligations as permitted under applicable law.

Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

Investment Income.

Interest and income derived from Investment of the Interest and Sinking Fund shall be credited to such Fund.

The investment and application of money in the Escrow Fund shall be in accordance with the provisions of the Escrow Agreement.

PARTICULAR REPRESENTATIONS AND COVENANTS

Payment of the Bonds.

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

Other Representations and Covenants.

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

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

Provisions Concerning Federal Income Tax Exclusion.

General. The Town intends that the interest on the Bonds be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code and the applicable Treasury Regulations promulgated thereunder (the "Regulations"). The Town covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would cause (i) the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of sections 103 and 141 through 150 of the Code and the applicable Regulations. In particular, the Town covenants and agrees to comply with each requirement of this Section 9.03; provided, however, that the Town will not be required to comply with any particular requirement of this Section 9.03, if the Town has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement set forth in this Section 9.03 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion will constitute compliance with the corresponding requirement specified in this Section 9.03, inclusive.

No Private Use or Payment and No Private Loan Financing. The Town covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be "private activity bonds" within

the meaning of Section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Town will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Obligations have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and the Regulations promulgated thereunder.

No Federal Guaranty. The Town covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by Section 149(b)(3) of the Code and such Regulations.

No Hedge Bonds. The Town covenants and agrees not to take any action, or knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of Section 149(g) of the Code and the applicable Regulations thereunder. Moreover, the Town will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Obligations have not been used in a manner that would cause the Refunded Obligations or the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the Regulations promulgated thereunder.

No Arbitrage. The Town covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of Section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Town will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Obligations have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code and the Regulations promulgated thereunder.

Arbitrage Rebate. If the Town does not qualify for an exception to the requirements of Section 148(f) of the Code, the Town will take all necessary steps to comply with the requirement that certain amounts earned by the Town on the investment of the “gross proceeds” of the Bonds (within the meaning of Section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Town will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Town allocable to other bond issues of the Town or moneys that do not represent gross proceeds of any bonds of the Town, (ii) determine at such times as are required by the applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other dates as may be permitted under the Regulations, all amounts required to be

rebated to the federal government. Further, the Town will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Information Reporting. The Town covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with Section 149(e) of the Code and the Regulations promulgated thereunder.

Record Retention. The Town will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Refunded Obligations and the Bonds until three years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Town to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

Registration. The Bonds will be issued in registered form.

Deliberate Actions. The Town will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to fail to meet any requirement of section 141 of the Code after the issue date of the Bonds unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations and a Counsel's Opinion is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

Continuing Obligation. Notwithstanding any other provision of this Ordinance, the Town's obligations under the covenants and provisions of this Section 9.03 shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

DEFAULT AND REMEDIES

Events of Default.

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

the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or

default in the performance or observance of any other covenant, agreement or obligation of the Town, which default materially and adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Town.

Remedies for Default.

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

It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Remedies Not Exclusive.

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

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

DISCHARGE

Discharge.

The Bonds may be defeased, refunded and discharged in any manner permitted by applicable law.

CONTINUING DISCLOSURE UNDERTAKING

Annual Reports.

The Town shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the Town, financial information and operating data with respect to the Town of the general type included in the final Official Statement, being information of the type described in the Pricing Certificate, including financial statements of the Town if audited financial statements of the Town are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the Town, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles

appended to the Official Statement, or such other accounting principles as the Town may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Town commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Town shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

If the Town changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Town otherwise would be required to provide financial information and operating data pursuant to this Section.

All financial information, operating data, financial statements, and notices required by this Section to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided pursuant to Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC.

Notice of Certain Events.

The Town shall provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

Principal and interest payment delinquencies;

Non-payment related defaults, if material;

Unscheduled draws on debt service reserves reflecting financial difficulties;

Unscheduled draws on credit enhancements reflecting financial difficulties;

Substitution of credit or liquidity providers, or their failure to perform;

Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

Modifications to rights of the holders of the Bonds, if material;

Bond calls, if material, and tender offers;

Defeasances;

Release, substitution, or sale of property securing repayment of the Bonds, if material;

Rating changes;

Bankruptcy, insolvency, receivership or similar event of the Town;

Note to paragraph 12: For the purposes of the event identified in paragraph 12 of this section, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

The consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

Appointment of successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

The Town shall provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner, notice of a failure by the Town to provide required annual financial information and notices of material events in accordance with Section 12.01 and section (a) above. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Limitations, Disclaimers and Amendments.

The Town shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Town remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Town in any event will give notice of any deposit made in accordance with Article XI that causes Bonds no longer to be Outstanding.

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Town undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Town’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Town does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE TOWN BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE TOWN, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Town in observing or performing its obligations under this Article shall comprise a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Town under federal and state securities laws.

The provisions of this Article may be amended by the Town from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Town, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (A) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the Town (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the Town so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 12.01 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SUBSCRIPTION FOR SECURITIES; APPROVAL OF ESCROW AGREEMENT; PAYMENT OF REFUNDED OBLIGATIONS

Subscription for Securities.

The Authorized Officer is authorized to make necessary arrangements for and to execute such documents and agreements in connection with the purchase of the Escrow Securities required by and referenced in the Escrow Agreement, if any, as may be necessary for the Escrow Fund and the application for the acquisition of the Escrow Securities is hereby approved and ratified.

Appointment of Escrow Agent; Approval of Escrow Agreement; Deposit with Paying Agent for Refunded Obligations.

The Authorized Officer is hereby authorized to select and appoint the Escrow Agent for the Bonds, if any, and the Escrow Agent shall be designated in the Pricing Certificate. The

Authorized Officer is hereby authorized to execute and deliver, or cause the execution and delivery by the Mayor of the Town and Town Secretary, an Escrow Agreement, having such terms and provisions as are approved by the Authorized Officer as evidenced by his execution thereof or the execution thereof by other appropriate Town officials. Alternatively, the Authorized Officer may elect to deposit directly with the paying agent for the Refunded Obligations the proceeds of the Bonds, together with other available funds, in an amount sufficient to provide for the payment or redemption of the Refunded Obligations.

Payment of Refunded Obligations; Redemption of Refunded Obligations.

Following the deposit to the Escrow Fund or with the paying agent for the Refunded Obligations as herein specified, the Refunded Obligations shall be payable solely from and secured by the cash and securities on deposit in the Escrow Fund or such other fund held by the paying agent for the Refunded Obligations for the purpose of refunding the Refunded Obligations and shall cease to be payable from ad valorem taxes, firm banking and financial arrangements having been made for the discharge and final payment or redemption of the Refunded Obligations pursuant to Chapter 1207. The Refunded Obligations are hereby called for redemption prior to maturity on the dates and at the redemption prices set forth in the Pricing Certificate. The Town Secretary is hereby authorized and directed to cause to be delivered to the paying agent/registrar for the Refunded Obligations a certified copy of this Ordinance calling the Refunded Obligations for redemption and a copy of the Pricing Certificate. The delivery of this Ordinance and the Pricing Certificate to the paying agent for the Refunded Obligations shall constitute the giving of notice of redemption to the paying agent for the Refunded Obligations and such paying agent is hereby authorized and directed to give notice of redemption to the owners of the Refunded Obligations in accordance with the requirements of the order(s) authorizing the issuance thereof.

AMENDMENTS

Amendments.

This Ordinance shall constitute a contract with the Owners, be binding on the Town, and shall not be amended or repealed by the Town so long as any Bond remains outstanding except as permitted in this Section. The Town may, without consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Town may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition, or rescission.

MISCELLANEOUS

Changes to Ordinance.

The Mayor and Authorized Officer, in consultation with Bond Counsel, are each hereby authorized to make changes to the terms of this Ordinance if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of Texas.

Partial Invalidity.

If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of the Ordinance.

No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the Town or any person executing any Bonds.

EFFECTIVE IMMEDIATELY

Effective Immediately.

This Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

FINALLY PASSED, APPROVED AND EFFECTIVE THIS MARCH 8, 2016.

TODD MEIER, Mayor
Town of Addison, Texas

ATTEST:

LAURA BELL, Town Secretary
Town of Addison, Texas

APPROVED AS TO FORM:

Brenda N. McDonald, Town Attorney
Town of Addison, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS CANDIDATES

The Authorized Officer may select the specific maturities constituting the Refunded Obligations from the following series of the Town's outstanding bonds:

Combination Tax and Revenue Certificates of Obligation, Series 2008