

ORD # 09-04

ORDINANCE OF THE CITY OF COMMERCE, TEXAS

AUTHORIZING THE ISSUANCE OF

**CITY OF COMMERCE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATE OF
OBLIGATION
SERIES 2009**

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**ORDINANCE AUTHORIZING THE ISSUANCE
OF CERTIFICATES OF OBLIGATION**

**STATE OF TEXAS
COUNTY OF HUNT
CITY OF COMMERCE**

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WHEREAS, the City Council of the City of Commerce (the "Issuer") deems it advisable to issue Certificates of Obligation in the amount of \$1,160,000 for paying all or a portion of the Issuer's contractual obligations incurred in connection with water and sewer line replacements and relocations resulting from highway construction in the City, and for payment of legal, fiscal and engineering fees in connection with this project; and

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271, Local Government Code and Chapter 1502, Government Code, as amended; and

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

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

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

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

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COMMERCE:

Section 1. AMOUNT AND PURPOSE OF THE CERTIFICATE. The City Council of the Issuer hereby incorporates the recitals set forth in the preamble hereto as if set forth in full at this place and further finds and determines that said recitals are true and correct. The certificate of obligation of the City of Commerce, Texas (the "Issuer") is hereby authorized to be issued and delivered in the aggregate principal amount of \$1,160,000 for paying all or a portion of the Issuer's contractual obligations incurred in connection with water and sewer line replacements and relocations resulting from highway construction in the City, and for payment of legal, fiscal and engineering fees in connection with this project(the "Project").

Section 2. DESIGNATION, DATE, DENOMINATION, PAYMENT DATES AND INTEREST RATE OF CERTIFICATE. The Certificate issued pursuant to this Ordinance shall be designated: CITY OF COMMERCE, TEXAS COMBINATION TAX AND REVENUE CERTIFICATE OF OBLIGATION, SERIES 2009," and there shall be issued, sold, and delivered hereunder one fully registered Certificate, without interest coupons, dated April 1, 2009, in the principal amount stated above, numbered R-1, with any Certificate issued in replacement thereof

being in the denomination and principal amount of \$1,160,000 or the remaining principal amount of the outstanding Certificates of this series if an exchange of a Certificate is made after a reduction in the principal amount of the series as a result of a payment or prepayment of an installment of principal ("Authorized Denominations"), and numbered consecutively from R-2 upward, payable to the Registered Owner thereof, or to the registered assignee of said Certificate (in each case, the "Registered Owner"). Principal on the Certificate shall be payable in installments in the amounts and on the dates specified in the FORM OF CERTIFICATE set forth in this Ordinance. The Certificate shall bear interest from the date of delivery to the date of payment or prepayment of a principal installment of the Certificate at a rate of ____% per annum, calculated on the basis of a 360-day year of twelve 30-day months. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF CERTIFICATE set forth in this Ordinance

Section 3. CHARACTERISTICS OF THE CERTIFICATE.

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

Except as provided in the form of the Comptroller's Registration Certificate attached hereto as Exhibit A, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate, date and manually sign said Certificate, and no such Certificate shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel a Certificate surrendered for transfer or the Certificate when paid in full. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing transfer of any Certificate or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Certificate in the manner prescribed herein. Pursuant to

Subchapter D, Chapter 1201, Texas Government Code, the duty of transfer of the Certificate as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, said Certificate shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Certificate which initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Certificate and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Certificate, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificate and shall properly and accurately record all payments on the Certificate on the Registration Books, and shall keep proper records of all transfers of the Certificate, and all replacements of the Certificate, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of the Registered Owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Certificate, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Registered Owner of the Certificate, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

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

Section 4. FORM OF CERTIFICATE. The form of the Certificate, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Certificate initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as provided in Exhibit A hereto, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

Section 5. TAX LEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Certificate, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the interest on and principal of the Certificate. All ad valorem taxes levied and collected for and on account of the Certificate shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while the Certificate or interest thereon are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Certificate as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Certificate as such principal becomes due for payment on each installment payment date (but never less than 2% of the original amount of the Certificate as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while the Certificate or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificate as such interest comes

due and such principal matures are hereby pledged for such payment, within the limit prescribed by law.

Section 6. SURPLUS REVENUES. The Certificate is additionally secured by and payable from a pledge of the revenues of the Issuer's combined Waterworks and Sewer Systems remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are payable from all or part of the Net Revenues of the Issuer's Waterworks and Sewer Systems, constituting "Surplus Revenues." The Issuer shall deposit such Surplus Revenues to the credit of the Interest and Sinking Fund created pursuant to Section 5, to the extent necessary to pay the principal and interest on the Certificates. Notwithstanding the requirements of Section 5, if Surplus Revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, or if Surplus Revenues are budgeted for deposit into the Interest and Sinking Fund in advance of the times when payments are scheduled to be made with respect to the Certificates in each fiscal year, then the amount of taxes that otherwise would have been required to be levied pursuant to Section 5 may be reduced to the extent and by the amount of such Surplus Revenues.

Section 7. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions:

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

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

(1) Make any change in the final maturity or any other date fixed hereby for the payment of an installment of principal of the Certificate;

(2) Reduce the rate of interest borne by the Certificate;

(3) Reduce the amount of the principal of, or redemption premium, if any, payable on the Certificate;

(4) Modify the terms of payment of principal or of interest or redemption premium the Certificate or impose any condition with respect to such payment; or

(5) Change the requirement with respect to approval by the registered owner of the Certificate necessary for consent to such amendment.

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

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

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

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

Section 8. DEFEASANCE OF CERTIFICATE.

(a) The Certificate or a portion of the principal amount thereof and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Certificate") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of the Certificate, plus interest thereon to the due date (whether such due date be by reason of payment, final maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until the Defeased Certificate shall have become due and payable. At such time as the Certificate or a portion thereof shall be deemed to be a Defeased Certificate hereunder, as aforesaid,

such Certificate or portion thereof and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities.

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

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

Section 9. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATE.

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

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

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Certificate shall have finally matured, and no default has occurred that is then continuing in the payment of the principal of or interest on the Certificate, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Certificate) instead of issuing a replacement Certificate, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuing Replacement Certificate. In accordance with Chapter 1201, Subchapter D, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificate in the form and manner and with the effect, as provided in Section 3(a) of this Ordinance for a Certificate issued in exchange for another Certificate.

Section 10. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATE; CERTIFICATE COUNSEL'S OPINION AND ENGAGEMENT OF CERTIFICATE COUNSEL; USE OF CUSIP NUMBERS; APPROVAL OF ATTORNEY GENERAL REVIEW FEE. (a) The Mayor is hereby authorized to have control of the Certificate initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Certificate pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Certificate the Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to the

Certificate, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Certificate issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificate. In addition, if bond insurance is obtained, the Certificate may bear an appropriate legend as provided by the insurer.

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

(c) In accordance with the provisions of Section 1202.004, Tex. Gov't Code Ann., in connection with the submission of the Certificate by the Attorney General of Texas for review and approval, a statutory fee (an amount equal to 0.1% principal amount of the Certificate, subject to a minimum of \$750 and a maximum of \$9,500) is required to be paid to the Attorney General upon the submission of the transcript of proceedings for the Certificate. The Issuer hereby authorizes and directs that a check in the amount of the Attorney General filing fee for the Certificate, made payable to the "Texas Attorney General," be promptly furnished to the Issuer's Bond Counsel, for payment to the Attorney General in connection with his review of the Certificate.

Section 11. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE CERTIFICATE. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Certificate as an obligation described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

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

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

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

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

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

(1) proceeds of the Certificate invested for a reasonable temporary period of 3 years or less until such proceeds are needed for the purpose for which the bond is issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

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

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

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

paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(i) to assure that the proceeds of the Certificate will be used solely for new money projects or to refund debt obligations that were issued after December 31, 2003 and prior to January 1, 2009.

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

For purposes of the foregoing (a) and (b), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Certificate. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Certificate, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Certificate under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements that are applicable to the Certificate, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Certificate under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Superintendent to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code, as are consistent with the purpose for the issuance of the Certificate.

Section 12. SALE OF CERTIFICATE. The Certificate is hereby sold and shall be delivered to _____ (the "Purchaser") for cash for the par value thereof, pursuant to the pursuant to the Private Placement Letter dated the date of the adoption of this Ordinance. The Certificate shall initially be registered in the name of the Purchaser. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable.

Section 13. FURTHER PROCEDURES. The Mayor of the Issuer (or the Mayor Pro-tem in the absence of the Mayor) and City Secretary of the Issuer and all other officers, employees and agents of the Issuer, and each of them, shall be and are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal, if required, and on behalf of the Issuer the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether herein mentioned, as may be necessary or desirable in order to carry out the

terms and provisions of this Ordinance, the Certificate and the sale of the Certificate. In case any officer whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 14. NO RULE 15c2-12 UNDERTAKING; PROVISION OF INFORMATION TO THE PURCHASER. (a) The offering of the Certificate is exempt from Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") by virtue of the private placement exemption set forth in the Rule. The Issuer is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the Issuer or the Certificate.

(b) In consideration for the purchase of the Certificate by the Purchaser, the Issuer agrees as follows:

- (i) The Issuer will provide the Purchaser with its audited annual financial statements within one hundred eighty (180) days after each fiscal year end; and
- (ii) The Issuer agrees to deliver to the Purchaser any other financial information regarding the Issuer that the Purchaser may reasonably request from time to time.

Section 15. DISPOSITION OF PROJECT; ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. (a) The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Certificate. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

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

if it obtains an opinion of nationally-recognized bond counsel that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 16. GOVERNING LAW. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 17. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 18. DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATION. The Issuer hereby designates the Certificate as a "qualified tax-exempt bond" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in which the Certificate is issued, the Issuer (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificate, will result in more than \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011) of "qualified tax-exempt bonds" being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Certificate is issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000 (\$30,000,000 for taxable years beginning after December 31, 2008 and ending prior to January 1, 2011); and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Certificate will not be considered a "private activity bond" within the meaning of section 141 of the Code.

Section 19. CONTINUED PERFECTION OF SECURITY INTEREST. Chapter 1208, Government Code, applies to the issuance of the Certificate and the pledge of the ad valorem taxes granted by the Issuer under Section 5 of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificate are outstanding and unpaid such that the pledge of the taxes granted by the Issuer under Section 5 of this Ordinance is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Certificate the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Exhibit A

FORM OF CERTIFICATE

NO. R-	UNITED STATES OF AMERICA	PRINCIPAL
	STATE OF TEXAS	AMOUNT
	CITY OF COMMERCE, TEXAS	\$1,160,000
	COMBINATION TAX AND REVENUE	
	CERTIFICATE OF OBLIGATION, SERIES 2009	

DATE OF DELIVERY:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

INTEREST RATE: ____%

City of Commerce, Texas (the "Issuer"), being a political subdivision of the State of Texas, for value received, promises to pay, from the sources described herein, to the registered owner specified above, or registered assigns, the principal amount specified above, and to pay interest thereon, from the Date of Delivery set forth above, on the balance of said principal amount from time to time remaining unpaid, at the rate per annum set forth above. The outstanding principal balance of this Certificate shall finally mature on February 15, 2029, but principal hereof shall be paid in installments on the dates and in the amounts set forth in the table below:

<u>Payment Date</u>	<u>Principal Installment</u>	<u>Payment Date</u>	<u>Principal Installment</u>
February 15, 2010		February 15, 2020	
February 15, 2011		February 15, 2021	
February 15, 2012		February 15, 2022	
February 15, 2013		February 15, 2023	
February 15, 2014		February 15, 2024	
February 15, 2015		February 15, 2025	
February 15, 2016		February 15, 2026	
February 15, 2017		February 15, 2027	
February 15, 2018		February 15, 2028	
February 15, 2019		February 15, 2029	

The principal of and interest on this Certificate are payable in lawful money of the United States of America, without exchange or collection charges. The Issuer shall pay interest on this Certificate on February 15, 2010 and on each August 15 and February 15 thereafter to the date of the final maturity hereof. The last principal installment of this Certificate shall be paid to the registered owner hereof upon presentation and surrender of this Certificate at final maturity at the office of _____ in _____, Texas, which is the "Paying Agent/Registrar" for

this Certificate. The payment of all other principal installments of and interest on this Certificate shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and interest payment date by check or draft, dated as of such principal and interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the Certificate Ordinance to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

If the date for the payment of this Certificate shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Certificate is authorized and issued pursuant to and in compliance with Subchapter C of Chapter 271, Local Government Code and Chapter 1502, Government Code, as amended (collectively, the "Act"), and pursuant to the Certificate Ordinance in the original aggregate principal amount of \$1,160,000, dated as of April 1, 2009 for paying all or a portion of the Issuer's contractual obligations incurred in connection with water and sewer line replacements and relocations resulting from highway construction in the City, and for payment of legal, fiscal and engineering fees in connection with this project.

The Certificates of this series are not subject to redemption prior to their scheduled installment payment or final maturity dates, at the option of the Issuer.

This Certificate is issuable solely as a single fully-registered Certificate, without interest coupons in the denomination of \$1,160,000 or the remaining principal amount of the outstanding Certificates of this series if an exchange of a Certificate is made after a reduction in the principal amount of the series, either by a payment or prepayment of a scheduled installment of principal (the "Authorized Denomination"). As provided in the Certificate Ordinance, this Certificate may, at the

request of the registered owner or the assignee or assignees hereof, be assigned and transferred for a like aggregate principal amount Certificate, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, in an Authorized Denomination, upon surrender of this Certificate to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificate Ordinance. Among other requirements for such assignment and transfer, this Certificate must be presented and surrendered to the Paying Agent/Registrar, together with the proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate to the assignee this Certificate is to be registered. The form of Assignment printed or endorsed on this Certificate may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate from time to time by the registered owner. In the case of the assignment and transfer of this Certificate, the reasonable standard or customary fees and charges of the Paying Agent/Registrar will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment and transfer, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest Payment Date.

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

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

The Issuer has reserved the right to amend the Certificate Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owner of this Certificate.

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

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

(signature)
City Secretary

(signature)
Mayor

(SEAL)

[Form of Paying Agent/Registrar's Authentication Certificate]

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Certificate is not accompanied by an
executed Registration Certificate of the Comptroller
of Public Accounts of the State of Texas)

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

Dated: _____

_____, Texas
Paying Agent/Registrar

By _____
Authorized Representative

[Form of Assignment]

ASSIGNMENT

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

[Form of Registration Certificate Of the Comptroller of Public Accounts]

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

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TELEPHONE: 214 754-9200
FACSIMILE: 214 754-9250

700 N. ST. MARY'S STREET
1525 ONE RIVERWALK PLACE
SAN ANTONIO, TEXAS 78205-3503
TELEPHONE: 210 225-2800
FACSIMILE: 210 225-2984

April 7, 2009

Mayor and Members of the City Council
City of Commerce, Texas
1119 Alamo Street
Commerce, Texas 75428

Re: Proposed issuance of \$1,160,000 City of Commerce, Texas Combination Tax and Revenue
Certificates of Obligation, Series 2009

Ladies and Gentlemen:

The purpose of this engagement letter is to set forth certain matters concerning the services we will perform as bond counsel to the City of Commerce, Texas (the "Issuer"), in connection with the issuance of the above-referenced certificate of obligation issue (the "Securities"). We understand that the Securities will be sold through private placement.

SCOPE OF ENGAGEMENT

In this engagement, we expect to perform the following duties:

- (1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Bond Opinion") regarding the validity and binding effect of the Securities, the source of payment and security for the Securities, and the excludability of interest on the Securities from gross income for federal income tax purposes.
- (2) Prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Securities, coordinate the authorization and execution of such documents, and review enabling legislation.
- (3) Assist the Issuer in seeking from other governmental authorities such approvals, permissions and exemptions as we determine are necessary or appropriate in connection with the authorization, issuance and delivery of the Securities, except that we will not be responsible for any required federal or state securities law filings.
- (4) Review legal issues relating to the structure of the Securities issues.
- (5) If requested, assist the Issuer in presenting information to bond rating organizations and providers of credit enhancement relating to legal issues affecting the issuance of the Securities.

Our Bond Opinion will be delivered by us on the date the Securities are exchanged for their purchase price (the "Closing"). The Issuer will be entitled to rely on our Bond Opinion.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation, and we will assume continuing compliance by the Issuer with applicable laws relating to the Securities. During the course of this engagement, we will rely on you to provide us with complete and timely information on all developments pertaining to any aspect of the Securities and their security. We understand that you will direct members of your staff and other employees of the Issuer to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Unless we are separately engaged in writing to perform other services, our duties do not include any other services, including the following:

- (a) Assisting in the preparation or review of an official statement or any other disclosure document with respect to the Securities, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the official statement or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.
- (b) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- (c) Preparing state securities law memoranda or investment surveys with respect to the Securities.
- (d) Drafting state constitutional or legislative amendments.
- (e) Pursuing test cases or other litigation.
- (f) Making an investigation or expressing any view as to the creditworthiness of the Issuer or the Securities.
- (g) Assisting in the preparation of, or opining on, a continuing disclosure undertaking pertaining to the Securities or, after Closing, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking.
- (h) Representing the Issuer in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (i) After Closing, providing continuing advice to the Issuer or any other party concerning any actions necessary to assure that interest paid on the Securities will continue to be excludable from gross income for federal income tax purposes (e.g., our engagement does not include rebate calculations for the Securities).

- (j) Negotiating the terms of, or opining as to, any investment contract.
- (k) Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion.

ATTORNEY-CLIENT RELATIONSHIP

Upon execution of this engagement letter, the Issuer will be our client and an attorney-client relationship will exist between us. We further assume that all other parties in this transaction understand that we represent only the Issuer in this transaction, we are not counsel to any other party, and we are not acting as an intermediary among the parties. Our services as bond counsel are limited to those contracted for in this letter; the Issuer's execution of this engagement letter will constitute an acknowledgment of those limitations. Our representation of the Issuer will not affect, however, our responsibility to render an objective Bond Opinion.

Our representation of the Issuer and the attorney-client relationship created by this engagement letter will be concluded upon issuance of the Securities. Nevertheless, subsequent to Closing, we will mail the appropriate Internal Revenue Service Form 8038, as required, prepare and distribute to the participants in the transaction a transcript of the proceedings pertaining to the Securities.

FEEs

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing represented by the Securities; (ii) the duties we will undertake pursuant to this engagement letter; (iii) the time we anticipate devoting to the financing; and (iv) the responsibilities we will assume in connection therewith, our fee will be \$5,160. In addition, we will expect to be reimbursed for all client charges made or incurred on your behalf, such as travel costs, photocopying, deliveries, long distance telephone charges, telecopier charges, filing fees, computer-assisted research and other expenses. We estimate that such charges will be in the range of \$500 to \$1,000. Our fee will be billed after the Closing. If the financing is not consummated, we understand and agree that we will not be paid. In accordance with the terms of the Certificate Ordinance, the Issuer will provide the filing fee of the Texas Attorney General to Bond Counsel on a timely basis to permit the filing of the transcript of proceedings for the Securities so that the Securities may be approved by the Attorney General in time to meet the scheduled closing date.

RECORDS

At your request, papers and property furnished by you will be returned promptly upon receipt of payment for outstanding fees and client charges. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to dispose of any documents or other materials retained by us after the termination of this engagement.

If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you.

McCall, Parkhurst & Horton L.L.P.

By:

Dan S. Culver

Accepted and Approved

City of Commerce, Texas

By: _____

Its: Mayor