

ORDINANCE NO. 2011-16

AN ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF BURNET, TEXAS TAX NOTE, SERIES 2011"; AND ENACTING PROVISIONS INCIDENT AND RELATED TO THE ISSUANCE OF SAID NOTES

WHEREAS, the City Council of the City of Burnet, Texas has determined that tax notes should be issued in accordance with the laws of the State of Texas, including Chapter 1431, Texas Government Code, as amended (the "Act"), for the purpose of paying contractual obligations to be incurred for utility system improvements, including meter installation, acquisition of golf course maintenance equipment, acquisition of radios, and to pay costs of issuance; and

WHEREAS, on November 22, 2011, the City Council of the City of Burnet, Texas, convened at 6:30 p.m. and considered passage of an ordinance (the "Note Ordinance") authorizing the issuance of said tax note (the "Note"); and

WHEREAS, the Note should be sold for cash in accordance with the provisions of Section 1431.010 of the Act, as amended;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BURNET, TEXAS:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.1 Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise in this Note Ordinance, the following terms shall have the meanings specified below:

"Bond Counsel" means any law firm that is engaged by or on behalf of the City to render services to the City as bond counsel in connection with the Note.

"Business Day" means any day that is a day on which financial institutions in the city where the principal office of the Paying Agent/Registrar is located are not authorized by law or executive order to close.

"City" means the City of Burnet, Texas.

"City Council" means the governing body of the City.

"Closing" means the concurrent delivery of the Note to or upon the order of the Initial Purchaser in exchange for payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

"Construction Fund" means the construction fund established by Section 4.1 of this Note Ordinance.

"Dated Date" means the dated date of the Note, December 1, 2011.

"Defeasance Assets" means with respect to the defeasance of the Note Obligations, any combination of the following:

(1) an amount of money sufficient, without investment, to pay all Note Obligations when due; and/or

(2) Government Obligations authorized by law that (A) are not redeemable prior to maturity, and (B) mature as to principal and interest in such amounts and at such times as will provide, without reinvestment, money sufficient to pay all the Note Obligations when due.

"Designated Payment/Transfer Office" means the office of the Paying Agent which is designated for the presentment of the Note.

"Event of Default" means the occurrence of any of the following:

(1) any Note Obligations not being paid when due; or

(2) any default by the City under this Note Ordinance that continues for at least 30 days after the date of notice of such default by the Registered Owner is received by the City.

"Form of Note" means the Form of Note set forth in Exhibit A to this Note Ordinance.

"Government Obligation" means (i) any direct noncallable obligation of the United States of America including any obligation the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) any noncallable obligation of an agency or instrumentality of the United States of America, including an obligation that is unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council of the City adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Note, is rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) any noncallable obligation of a state or an agency or a county, municipality, or other political subdivision of a state that has been refunded and that, on the date the City Council of the City adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of

the Note, is rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent.

“Initial Date of Delivery” means the date the Note is delivered to the Initial Purchaser.

“Initial Note” means the Initial Note issued under this Note Ordinance and delivered by (or on behalf of) the City at Closing.

“Initial Purchaser” means TIB – The Independent Bankers Bank, the initial purchaser of the Note.

“Interest and Sinking Fund” means the interest and sinking fund established by Section 4.2 of this Note Ordinance.

"Note" means the note authorized to be issued by Section 2.1 of this Note Ordinance and designated as "City of Burnet, Texas Tax Note, Series 2011," in the aggregate principal amount of \$1,100,000.

“Note Obligations” mean the principal, premium (if any), and interest payment obligations of the City under the Note.

“Note Ordinance” means this ordinance, including any amendments thereto.

“Paying Agent/Registrar” means initially TIB – The Independent Bankers Bank, Irving, Texas, or any successor thereto as provided in this Note Ordinance.

“Paying Agent/Registrar Agreement” means the agreement between the City and the Paying Agent/Registrar providing for the rendering of paying agency and registrar services for the Note.

“Person” means any individual, partnership, corporation, trust, or unincorporated organization or governmental entity.

“Pledged Security” means the ad valorem taxes pledged as a security for the payment of the Note Obligations pursuant to this Note Ordinance.

“Private Placement Letter” means the agreement between the Initial Purchaser and the City prescribing the terms and conditions under which the Note is sold to the Initial Purchaser.

“Project” means the contractual obligations to be incurred for utility system improvements, including meter installation, acquisition of golf course maintenance equipment, acquisition of radios, and to pay costs of issuance.

“Record Date” means the Record Date as defined in the Form of Note.

“Register” means the register specified in Section 3.5 of this Note Ordinance.

“Registered Owner” or “Owner” means the person who is the registered owner of the Note, as shown in the Register.

Section 1.2 Preamble. The statements and determinations in the preamble of this Note Ordinance are hereby adopted and made a part of this Note Ordinance.

ARTICLE II

AUTHORIZATION FOR THE NOTE

Section 2.1 Authorization, Amount and Purpose of the Note. The City's Tax Note, Series 2011 (the "Note") is hereby authorized to be issued in the aggregate principal amount of \$1,100,000 for the purpose of paying contractual obligations to be incurred for utility system improvements, including meter installation, acquisition of golf course maintenance equipment, acquisition of radios, and to pay costs of issuance.

Section 2.2 Particular Terms and Provisions of the Note. The following terms and provisions of the Note shall be as provided in the Form of Note (which is hereby incorporated as a part of this Note Ordinance):

- (1) the initial aggregate principal amount of the Note;
- (2) the amounts of the respective principal installment payments due under the Note and the rate(s) at which interest is payable on such principal;
- (3) the numbering of the Note;
- (4) the series date of the Note;
- (5) provisions governing the time, place, and manner of payment of the Note Obligations;
- (6) any prepayment provisions applicable to the Note; and
- (7) such other terms or provisions applicable to the Note as are set forth in the Form of Note.

ARTICLE III

GENERAL PROVISIONS REGARDING THE NOTE

Section 3.1 Execution.

(a) The Note shall be executed on behalf of the City by the manual or facsimile signature of the officer(s) of the City indicated in the Form of Note. The seal of the City shall be

placed on the Note manually or in facsimile.

(b) If an officer who signed the Note on the City's behalf ceases to hold office before the actual delivery of the Note signed by such officer, such Note may be delivered with the same effect as if such officer had remained in office.

Section 3.2 Form of Note.

(a) The Note (including the Paying Agent/Registrar's Authentication Certificate, Registration Certificate of the Comptroller, and Assignment Form to appear thereon) shall be substantially in the form of the Form of Note, with such insertions and variations as are permitted or required by this Note Ordinance.

(b) The Note may be endorsed with such legends and endorsements and may be identified with such letters, numbers, or other distinguishing symbols as:

(1) conform to usage or law and are approved by the Paying Agent/Registrar;
or

(2) are approved by the officer of the City executing the Note, as evidenced by such execution thereof.

(c) Any portion of the text of the Note may be set forth on the reverse side thereof.

(d) A reproduction of Bond Counsel's approving opinion for the Note may be attached to the Note.

(e) CUSIP numbers may appear on the Note, but the presence or absence thereof shall not affect the legality or enforceability of the Note, and neither the City nor Bond Counsel is responsible for such numbers correctly appearing on the Note.

(f) The Note may be issued in printed or typewritten form or any other form approved by the officer of the City executing the Note, as evidenced by such execution thereof.

Section 3.3 Comptroller Registration/Authentication.

(a) Only a Note that has endorsed thereon the Registration Certificate of the Comptroller or the Paying Agent/Registrar's Authentication Certificate, duly executed by manual signature, shall be valid or be entitled to any benefit of this Note Ordinance. Such a certificate so executed on a Note shall be conclusive evidence and the only evidence that such Note has been duly issued under this Note Ordinance and that the Registered Owner is entitled to the benefits hereof.

(b) The Initial Note shall have endorsed thereon a duly executed Registration Certificate of the Comptroller.

Section 3.4 Ownership. A Registered Owner shall be deemed to be the absolute owner of the Note for all purposes.

Section 3.5 Registration and Transfer.

(a) The Note is issuable only as a fully-registered instrument as to principal, premium (if any), and interest.

(b) The Register shall be maintained by the Paying Agent/Registrar, as registrar for the Note, at its principal office.

(c) A transfer of the Note is not effective until entered in the Register. The transfer of the Note shall be made by the Paying Agent/Registrar upon the surrender to the Paying Agent/Registrar of the Note by the Registered Owner (or such owner's duly authorized attorney), together with such endorsement or other evidence of transfer as is satisfactory to the Paying Agent/Registrar.

(d) To effect a transfer, the City shall execute and the Paying Agent/Registrar shall authenticate and deliver to the transferee (or its designee) a new Note of the same tenor as the Note surrendered for transfer.

(e) A transfer of the Note shall be made without any charge to the Registered Owner, except that any tax or other governmental charge imposed with respect to the transfer shall be paid by the Registered Owner requesting the transfer.

Section 3.6 Replacement.

(a) If the Note becomes mutilated, lost, stolen, or destroyed, it may be replaced with a new Note in accordance with applicable law.

(b) Upon the request of the owner of the mutilated, lost, stolen, or destroyed Note and, in the case of a mutilation, upon surrender of the mutilated Note to the Paying Agent/Registrar by the Registered Owner (or such owner's duly authorized attorneys), the City shall execute and the Paying Agent/Registrar shall authenticate and deliver to the Registered Owner a new Note of the same tenor to replace the mutilated, lost, stolen, or destroyed Note.

(c) In the case of a requested replacement for a lost, stolen, or destroyed Note, a replacement Note may not be authenticated or delivered unless the Registered Owner:

(1) furnishes the Paying Agent/Registrar with evidence satisfactory to the Paying Agent/Registrar that the Note has in fact been lost, stolen, or destroyed;

(2) provides indemnity or security satisfactory to the Paying Agent/Registrar to save it and the City harmless from any loss or damage with respect thereto; and

(3) satisfies such other requirements as may reasonably be imposed by the Paying Agent/Registrar.

(d) The Registered Owner requesting a replacement Note shall pay:

(1) an amount sufficient to reimburse any out-of-pocket expenses incurred by the City and the Paying Agent/Registrar in connection with making the replacement; and

(2) any tax or other governmental charge imposed with respect to the replacement.

Section 3.7 Cancellation.

(a) The Paying Agent/Registrar, by appropriate record in the Register, shall cancel the Note upon:

(1) the discharge of all of the Note Obligations due thereunder;

(2) the delivery of the Note to the Paying Agent/Registrar for cancellation; or

(3) the delivery of a new Note in place of such Note in accordance with this Note Ordinance.

(b) A canceled Note in the Paying Agent/Registrar's possession shall be destroyed by the Paying Agent/Registrar in a manner consistent with the law. Upon such a destruction, the Paying Agent/Registrar shall furnish the City with a certificate of destruction.

Section 3.8 Payment of Note Obligation.

(a) The City shall pay or cause to be paid all Note Obligations as provided in the Form of Note.

(b) The Paying Agent/Registrar, as paying agent for the Note, shall calculate the amount of Note Obligations from time to time payable under the Note and make timely payment of the Note Obligations from the funds made available therefor pursuant to this Note Ordinance.

(c) Payment of Note Obligations that are paid by mail (as provided in the Form of Note) shall be paid to the Person who is the Registered Owner at the close of business on the Record Date.

(d) The Paying Agent/Registrar shall maintain proper records of all payments of Note Obligations.

ARTICLE IV

MANAGEMENT OF FUNDS

Section 4.1 Construction Fund and Disposition of Note Proceeds.

(a) Establishment of Construction Fund. A special fund or account, to be designated the "City of Burnet, Texas Tax Note, Series 2011 Construction Fund" (the "Construction Fund") is hereby created and shall be established and maintained by the City at the official City depository. The Construction Fund shall be kept separate and apart from all other funds and accounts of the City. The proceeds from the sale of the Note shall be deposited in the Construction Fund and payments therefrom shall be made as provided below.

(b) Payments from Construction Fund. Payments from the Construction Fund shall be used solely for the purpose of paying contractual obligations to be incurred for utility system improvements, including meter installation, acquisition of golf course maintenance equipment, acquisition of radios, and to pay costs of issuance.

(c) Surplus Construction Funds. Any moneys remaining in the Construction Fund after completion of the entirety of the contractual obligations authorized hereby shall be deposited into the Interest and Sinking Fund.

Section 4.2 Interest and Sinking Fund.

(a) A special fund or account, to be designated the "City of Burnet, Texas Tax Note, Series 2011 Interest and Sinking Fund" (the "Interest and Sinking Fund") is hereby created. The Interest and Sinking Fund shall be maintained (separate from any other funds) by the City at an official depository of the City so long as any Note Obligations remain unpaid.

(b) The Interest and Sinking Fund shall be applied exclusively for the purpose of the payment of the Note Obligations and as otherwise provided by this Note Ordinance.

Section 4.3 Transfer of Funds to Paying Agent/Registrar.

The City shall transfer to the Paying Agent/Registrar, from the Interest and Sinking Fund, immediately available funds in an amount sufficient to pay the Note Obligations such that such funds are actually received by the Paying Agent/Registrar on the Business Day preceding that date on which the Note Obligations are due.

Section 4.4 Investments.

(a) The funds on deposit in the Interest and Sinking Fund and Construction Fund may be held uninvested or may be invested in investments in which the City's general funds are authorized by law to be invested. Any uninvested funds shall be secured in the manner and to the extent required by law.

(b) Investments of the Interest and Sinking Fund and Construction Fund shall be made such that funds will be timely available as required by this Note Ordinance. The proceeds received from the disposition, and any investment earnings, of any such investment shall be deposited into such Fund.

Section 4.5 Unclaimed Payment.

(a) Any funds on deposit with the Paying Agent/Registrar for the payment of Note Obligations, which funds are unclaimed by the Registered Owner, shall be held by the Paying Agent/Registrar, uninvested, for the exclusive benefit of such Registered Owner, without liability for any interest thereon.

(b) Any such funds remaining unclaimed for three years after such Note Obligations became due (or such other period as specified by applicable law) shall be disposed of pursuant to Title 6 of the Texas Property Code or other applicable law. After such disposal, all liability of the Paying Agent/Registrar for the payment of such funds shall cease.

ARTICLE V

FEDERAL TAX PROVISIONS

Section 5.1 Preservation of Tax-Exempt Status. The City covenants to take any action necessary to secure, or refrain from any action which would adversely affect, the treatment of the Note as an obligation described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Note or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Note 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 Note, in contravention of section 141(b)(2) of the Code;

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

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Note (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 which would otherwise result in the Note 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 Note 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 Note, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Note, other than investment property acquired with--

(1) proceeds of the Note invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Note 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 Note;

(g) to otherwise restrict the use of the proceeds of the Note or amounts treated as proceeds of the Note, as may be necessary, so that the Note 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 Note) 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 Note 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 maintain such records as will enable the City to fulfill its responsibilities under this section and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Note.

In order to facilitate compliance with the above covenants (h) and (i), a "Rebate Fund" is hereby authorized to be established by the City 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 Owners. The Rebate Fund is authorized to be established for the additional purpose of compliance with section 148 of the Code.

It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S.

Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Note, the City 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 Note under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Note, the City 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 Note under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor and the City Secretary of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Note.

Section 5.2 Prior Tax-Exempt Obligations. The City represents that it has not sold any other obligations that are secured in whole or in part by the Pledged Security within the 15 days immediately preceding the sale date and will not sell any other such obligations within 15 days after such date.

Section 5.3 Bank Qualified.

(a) The Note is hereby designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. The City (including any entity acting “on behalf of” the City, any “subordinate entity” to the City, and any entity formed or “availed of” to avoid the “qualified tax-exempt obligation” requirements, within the meaning of Section 265(b) of the Code) does not expect to issue tax-exempt obligations in an aggregate amount exceeding \$10,000,000 during the calendar year in which the Note is issued.

(b) The City will take such lawful action as is necessary for the Note to constitute a qualified tax-exempt obligation under Section 265 of the Code.

Section 5.4 Federal Tax Certifications. Appropriate officers, employees, and agents of the City are hereby authorized to certify to such facts as requested by Bond Counsel to enable Bond Counsel to render its opinion regarding the tax-exempt status of the Note.

Section 5.5 Authorized Noncompliance. Compliance with the provisions of this Note Ordinance relating to the tax-exempt status of the Note is not required to the extent that, in the written opinion of Bond Counsel, such noncompliance will not adversely affect the tax-exempt status of the Note.

ARTICLE VI

PARTICULAR REPRESENTATIONS, STIPULATIONS AND COVENANTS

Section 6.1 Note Ordinance Constitutes a Contract. This Note Ordinance shall constitute a contract between the City and the Registered Owner.

Section 6.2 Amendment.

(a) Except as provided by subsection (b) of this Section, this Note Ordinance may not be amended without the consent of the Registered Owner.

(b) Registered Owner consent is not required for an amendment to this Note Ordinance if the amendment, in the opinion of Bond Counsel, will not adversely affect the rights of the Registered Owner under this Note Ordinance or the Note.

Section 6.3 Written Communications by Registered Owner.

(a) Any communication required or authorized by this Note Ordinance to be executed by the Registered Owner may be executed by the Registered Owner in person or by agent appointed by written instrument.

(b) The fact and date of the execution by any Person of any such communication may be proved by:

(1) the certificate of any officer in any jurisdiction who, under the law thereof, has power to take acknowledgments within such jurisdiction, to the effect that the Person signing such communication acknowledged before such officer the execution thereof, or

(2) an affidavit of a witness to such execution.

(c) Proof of execution of instruments in the manner provided by this section shall be sufficient for any purpose of this Note Ordinance and shall be conclusive in favor of the City and the Paying Agent/Registrar with respect to any action taken in reliance thereon.

Section 6.4 Effect of Prior Action. Any consent of or other communication from the Registered Owner shall bind every future owner of the Note in respect of anything done by or on behalf of the City or the Paying Agent/Registrar pursuant to or in reliance on such communication.

Section 6.5 Determining Note Ownership. The Paying Agent/Registrar is not bound to recognize any Person as the owner of the Note or take action at such Person's request unless such Person furnishes evidence of its identity as the Registered Owner satisfactory to the Paying Agent/Registrar.

ARTICLE VII

REMEDIES

Section 7.1 Remedies.

(a) Upon the occurrence of an Event of Default, the Registered Owner may take any

action, at law or in equity, to enforce the Note or this Note Ordinance or to obtain any rights or remedies afforded by law.

(b) No remedy available to the Registered Owner shall be considered exclusive of any other remedy, and each remedy shall be considered cumulative.

(c) No delay or omission to exercise any right or power existing upon an Event of Default shall impair such right or power or constitute a waiver thereof, and each such right or power may be exercised as often as may be considered expedient.

Section 7.2 Enforcement by Paying Agent/Registrar.

(a) The Paying Agent/Registrar may act on behalf of the Registered Owner in enforcing any rights or remedies of the Registered Owner in connection with an Event of Default if:

(1) the Registered Owner requests the Paying Agent/Registrar to act on the Registered Owner's behalf, and

(2) the Paying Agent/Registrar, in its absolute discretion, agrees to so act.

(b) This section does not impair the right of the Registered Owner, by suit or otherwise, to enforce this Note Ordinance or the Note.

(c) Any suit or other action or proceeding instituted by the Paying Agent/Registrar pursuant to this section may be instituted in its name, as Paying Agent/Registrar.

Section 7.3 Restoration of Rights. If any action taken as a result of an Event of Default is discontinued or abandoned for any reason, or is determined adversely to the Registered Owner or the Paying Agent/Registrar, the Registered Owner and the Paying Agent/Registrar each shall be restored to their respective former positions and rights under this Note Ordinance and the Note, and all rights, remedies, and powers of the Registered Owner and the Paying Agent/Registrar shall continue as though no such action had been taken.

ARTICLE VIII

CONCERNING THE PAYING AGENT/REGISTRAR

Section 8.1 Paying Agent/Registrar Agreement.

(a) The City hereby approves the Paying Agent/Registrar Agreement in substantially the form attached to this Note Ordinance as Exhibit B. TIB – The Independent Bankers Bank is hereby designated as the initial Paying Agent/Registrar for the Note. In the event of a conflict between the Paying Agent/Registrar Agreement and this Note Ordinance, this Note Ordinance shall control.

(b) The Paying Agent/Registrar shall not be required to give any bond or surety with respect to the performance of its duties and functions as paying agent and registrar for the Note.

Section 8.2 Maintaining a Paying Agent/Registrar. While any Note Obligations remain unpaid, the City shall maintain a qualified Person to serve in the position of Paying Agent/Registrar.

Section 8.3 Resignation.

(a) The Paying Agent/Registrar may resign and be discharged of the duties as paying agent and registrar for the Note by executing an instrument of resignation and delivering such instrument to the City. A successor to the resigning Paying Agent/Registrar shall be promptly appointed by the City.

(b) A resigning Paying Agent/Registrar shall continue to serve as paying agent and registrar for the Note until its successor accepts appointment as Paying Agent/Registrar. If an instrument of acceptance by a successor Paying Agent/Registrar is not delivered to the resigning Paying Agent/Registrar within 60 days after the date of delivery of the resignation notice to the City, the resigning Paying Agent/Registrar may petition a court of competent jurisdiction for the appointment of a successor Paying Agent/Registrar.

Section 8.4 Removal. The Paying Agent/Registrar may be removed by the City at any time by written instrument appointing a successor Paying Agent/Registrar filed with the Paying Agent/Registrar to be so removed. Such removal shall not take effect prior to the acceptance of such appointment by the successor Paying Agent/Registrar.

Section 8.5 Other Vacancy. If the Paying Agent/Registrar is dissolved, or if its property or affairs are taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall exist in the position of Paying Agent/Registrar, a successor shall be appointed by the City as soon as practicable.

Section 8.6 Acceptance of Appointment by Successor.

(a) A successor Paying Agent/Registrar shall execute, acknowledge, and deliver to the predecessor Paying Agent/Registrar an instrument accepting its appointment and deliver a copy of such instrument to the City. Thereupon, such successor Paying Agent/Registrar, without any further action, shall become duly vested with all of the property, rights, powers, and duties of its predecessor, with like effect as if originally designated Paying Agent/Registrar.

(b) Upon request of a successor Paying Agent/Registrar, the predecessor Paying Agent/Registrar shall:

(1) execute and deliver an instrument transferring to such successor Paying Agent/Registrar all of the property, rights, powers, and duties of the predecessor Paying Agent/Registrar in its capacity as paying agent and registrar for the Note; and

(2) deliver to the successor Paying Agent/Registrar the Register and all funds and other records and property at the time held by it, provided that such delivery is not required until the predecessor Paying Agent/Registrar is paid in full for its services as paying agent and registrar for the Note.

(c) If a rating on the Note is in effect when a successor Paying Agent/Registrar accepts appointment as successor Paying Agent/Registrar, such successor Paying Agent/Registrar, promptly upon such acceptance, shall notify each rating agency that has a rating on the Note in effect of such acceptance.

Section 8.7 Merger. Any corporation (1) into which the Paying Agent/Registrar is merged or with which it is consolidated, (2) resulting from any merger or consolidation to which the Paying Agent/Registrar is a party, or (3) to which any Paying Agent/Registrar transfers substantially all of its assets shall be deemed to be a successor Paying Agent/Registrar without any further action on any Person's part.

Section 8.8 Confidentiality of Records. The Paying Agent/Registrar shall keep the Register and any other records it maintains in connection with the Note confidential, except as otherwise required by law. The City (or its designee) reserves the right to inspect the Register and such other records during the regular business hours of the Paying Agent/Registrar.

Section 8.9 Notice of Change to Registered Owner. Promptly upon each change in the Person serving as Paying Agent/Registrar, the City will cause notice of such change to be sent to the Registered Owner, which notice shall state the effective date of such change and the name and mailing address of the successor Paying Agent/Registrar. Failure to give notice under this section does not affect the validity of a change in the Person serving as Paying Agent/Registrar.

ARTICLE IX

TAX LEVY

Section 9.1 Tax Levy Procedure. During each year while the Note is outstanding and unpaid, the City 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 Note as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Note as such principal matures (but never less than 2% of the original principal amount of the Note as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, 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 City for each year while the Note is outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Note, as such interest comes due and such principal matures, are hereby pledged to such payment, within the limits prescribed by law.

Section 9.2 Effect of Pledge. Chapter 1208, Government Code, applies to the issuance of the Note and the pledge of the taxes granted by the City under Article IX of this Note Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Note is outstanding and unpaid such that the pledge of the taxes granted by the City under Section 9.1 of this Note Ordinance are to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Registered Owner of the Note the perfection of the security interest in said pledge, the City 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.

ARTICLE X

SALE AND DELIVERY

Section 10.1 Sale of the Note. The sale of the Note to TIB – The Independent Bankers Bank (the “Initial Purchaser”), pursuant to the Private Placement Letter substantially in the form attached hereto as Exhibit C, and the execution and delivery of such Private Placement Letter, is hereby authorized and approved by the City Council, which price and terms are hereby found and determined to be the most advantageous and reasonably obtainable by the City. The officers of the City are hereby authorized and directed to execute and deliver such Private Placement Letter, with such changes therein as the officers executing such Private Placement Letter shall determine, such approval conclusively evidenced by such execution thereof.

Section 10.2 Control and Delivery of the Note.

(a) The Mayor is hereby authorized to have control of the Note and of all records and proceedings pertaining thereto pending the governmental approval(s) and other official action(s) necessary for the lawful issuance of the Note and its delivery to the Initial Purchaser.

(b) After all action necessary for the lawful issuance of the Note has been taken, the Note shall be delivered under the general supervision of such presiding officer against receipt by the City of the purchase price of the Note.

(c) The Note shall be initially registered and delivered as directed by the Initial Purchaser (or its designee). Prior to such delivery, the Paying Agent/Registrar shall insert (or cause to be inserted) on the Note any information called for in the Form of Note that is necessary to complete the Note.

ARTICLE XI

DISCHARGE

Section 11.1 Discharge of Claim Against Pledged Security.

(a) The claim of this Note Ordinance against the Pledged Security shall be deemed discharged and of no further force and effect when:

(1) all Note Obligations have been discharged; and

(2) all other amounts payable under this Note Ordinance (including, without limitation, compensation of the Paying Agent/Registrar) have been paid, or arrangements satisfactory to the Person to whom any such payment is due for making such payment have been made.

(b) The Note Obligations shall be deemed discharged when:

(1) such Note Obligations have:

(A) been paid in accordance with the terms of the Note; or

(B) become due (whether as scheduled or by prepayment) and an amount of money sufficient for the payment thereof has been deposited in the Interest and Sinking Fund or with the Paying Agent/Registrar; or

(2) the Note Obligations have been defeased by a deposit of Defeasance Assets pursuant to this Note Ordinance.

Section 11.2 Defeasance of Note Obligations.

(a) The Note Obligations shall be deemed defeased when the following requirements have been satisfied:

(1) the payment of the Note Obligations have been provided for by irrevocably depositing Defeasance Assets into the Interest and Sinking Fund or with the Paying Agent/Registrar, which shall be held in trust in a separate escrow account and applied exclusively to the payment of the Note Obligations;

(2) the City has received an opinion of Bond Counsel to the effect that:

(A) such deposit of Defeasance Assets:

(i) does not adversely affect the tax-exempt status of the Note;
and

(ii) complies with applicable law; and

(B) all conditions precedent to the Note Obligations being deemed defeased have been satisfied;

(3) all amounts (other than the Note Obligations) due, or reasonably estimated by the Paying Agent/Registrar to become due, under this Note Ordinance (including, without limitation, compensation of the Paying Agent/Registrar) with respect to the Note have been paid, or provision satisfactory to the Person whom any such payment is or will be due for making such payment has been made;

(4) if the Note is to be prepaid, notice of such prepayment has been duly given, or arrangements satisfactory to the Paying Agent/Registrar for giving such notice have been made;

(5) if any of the Note Obligations are to be paid more than 180 days after the date of such deposit of Defeasance Assets, notice of such deposit has been given by the Paying Agent/Registrar to the Registered Owner, or arrangements satisfactory to the Paying Agent/Registrar for giving such notice have been made; and

(6) the Paying Agent/Registrar has received such other documentation and assurance as the Paying Agent/Registrar reasonably may request.

(b) Funds shall be transferred from the Interest and Sinking Fund or the escrow account established pursuant to this section (as applicable) at such times and in such amounts as necessary for the timely payment of the Note Obligations.

(c) To the extent permitted by law, the Paying Agent/Registrar, at the City's direction, may substitute, for any of the obligations deposited as Defeasance Assets pursuant to this section, other obligations constituting Defeasance Assets if, upon such substitution, the requirements of Subsection (a) of this section are satisfied. Any net proceeds realized from such a substitution shall be paid to the City.

(d) If a provision of this section conflicts with law, this section shall be applied, to the extent practicable, as if such provision were consistent with law.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.1 Execution and Delivery of Documents.

(a) The City hereby authorizes the execution and delivery of, and the performance of the City's obligations under:

(1) the documents approved by this Note Ordinance; and

(2) any other instruments, certificates, or other documents required by the documents approved by this Note Ordinance or to effect the transactions contemplated by this Note Ordinance and such documents.

(b) Subsequent to the adoption of this Note Ordinance, the provisions of any document approved by this Note Ordinance may be changed prior to the execution and delivery of such document, to the extent permitted by law, at the request of any party to such documents, if the change:

(1) would not adversely affect the tax-exempt status of the Note;

(2) does not violate the Act;

(3) does not constitute a breach of any agreement between the City and the Initial Purchaser without the express consent of the affected party; and

(4) is approved by each party to the document (which approval may be given on each party's behalf by the authorized representative(s) of such party executing such document, which execution shall evidence such approval).

Section 12.2 Notices and Other Communications.

(a) Notices, consents, requests, and other communications under this Note Ordinance shall be in writing and delivered by first class United States mail, postage paid, by telex, telegram, or other electronic transmission, or by express or personal delivery.

(b) Communications to the Registered Owner under this Note Ordinance shall be deemed properly delivered if sent by first class United States mail, postage paid, to such owner's address appearing in the Register.

(c) A provision of this Note Ordinance or the Paying Agent/Registrar Agreement that provides for a different method of communication or otherwise conflicts with this section supersedes this section to the extent of the conflict.

Section 12.3 Governmental Action. The City hereby directs that the Note, this Note Ordinance, and other appropriate proceedings and documents relating to the Note be submitted to any governmental entity, agency or office to which any such material must be submitted to effect the lawful issuance of the Note.

Section 12.4 Authority for Officers to Execute Documents. The Mayor and City Secretary are authorized to execute the Note on behalf of the City and to affix the official seal of the City thereon. The Mayor and City Secretary, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things, and to execute, acknowledge, and deliver in the name and under the seal of the City and on behalf of the

City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Note Ordinance, the Note, and the Paying Agent/Registrar Agreement.

Section 12.5 No Rule 15c2-12 Undertaking; Annual Financial Statements. The Note is being issued in authorized denominations of \$100,000 or more, and the Note is being sold to no more than thirty-five persons, each of whom the City reasonably believes: (A) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the Note, and (B) is not purchasing for more than one account or with a view to distributing the Note. Accordingly, the Note is exempt from SEC Rule 15c2-12, and the City does not intend to make any contract to provide continuing disclosure information after the issuance of the Note; however, so long as the Initial Purchaser or its assignee is the sole Registered Owner of the Note, unless waived by the Initial Purchaser, the City shall provide the following to the Initial Purchaser:

(a) Audited financial statements, to be provided within 180 days after the close of each City fiscal year ending on and after September 30, 2011; and

(b) Such other financial information regarding the City as the Initial Purchaser shall reasonably request.

Section 12.6 No Personal Liability. No obligation imposed under this Note Ordinance, the Note, or any document executed by the City in connection therewith shall be deemed to be the obligation, in an individual capacity, of any officer, employee, or agent of the City, and no such officer, employee, or agent or any individual executing the Note or any such other document contemplated by this Note Ordinance on behalf of the City shall be subject to any personal liability with respect thereto.

Section 12.7 Benefit of Note Ordinance. Except as otherwise expressly provided in this Note Ordinance or in the Note, neither this Note Ordinance nor the Note confers any right, remedy, or claim on any Person other than the City, the Paying Agent/Registrar, and the Registered Owner.

Section 12.8 Severability. If any part of this Note Ordinance is ruled unenforceable by a court of competent jurisdiction, this Note Ordinance shall remain operable to the greatest extent possible under the application of such ruling.

Section 12.9 Incorporation of Recitals. The City finds that the statements set forth in the recitals of this Note Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Note Ordinance.

Section 12.10 Public Meeting. It is officially found, determined and declared that the meeting at which this Note Ordinance has been read and has been adopted was open to the public, and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Note Ordinance, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code.

Section 12.11 Effective Date. This Note Ordinance shall take effect and be in full force and effect upon and after its passage.

[The remainder of this page intentionally left blank.]

PASSED AND APPROVED THIS 22ND DAY OF NOVEMBER, 2011.

Mayor
City of Burnet, Texas

ATTEST:

City Secretary
City of Burnet, Texas

[SEAL]

[SIGNATURE PAGE]

EXHIBIT A

Form of Note

(a) The Note shall be issued in substantially the following form:

FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF TEXAS

NUMBER	PRINCIPAL AMOUNT
R-1	\$1,100,000
REGISTERED	REGISTERED

CITY OF BURNET, TEXAS
TAX NOTE
SERIES 2011

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Delivery Date</u>
December 1, 2011	1.60%	December 15, 2011

Registered Owner: TIB – THE INDEPENDENT BANKERS BANK

Principal Amount: ONE MILLION ONE HUNDRED THOUSAND DOLLARS

The City of Burnet, Texas (the “City”), a political subdivision of the State of Texas, for value received, promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the principal amount specified above, and to pay interest thereon, from the Delivery Date set forth above, on the balance of said principal amount from time to time remaining unpaid, at the rate per annum set forth above, calculated on the basis of a 360-day year of twelve 30-day months. The unpaid principal of this Note shall finally mature on August 1, 2018, but 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>
August 1, 2012	\$ 220,000.00
August 1, 2013	215,000.00
August 1, 2014	235,000.00
August 1, 2015	180,000.00
August 1, 2016	120,000.00
August 1, 2017	65,000.00
August 1, 2018	65,000.00

THE PRINCIPAL OF AND INTEREST ON THIS NOTE are payable in lawful money of the United States of America, without exchange or collection charges. The City shall pay interest on this Note on August 1, 2012, and on each February 1 and August 1 thereafter to the date of maturity or redemption prior to maturity. The last principal installment of this Note shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity, or upon the date fixed for its redemption prior to maturity, at the Designated Payment/Transfer Office of TIB-The Independent Bankers Bank, Irving, Texas, which is the "Paying Agent/Registrar" for this Note. The payment of all other principal installments of and interest on this Note 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 an ad valorem tax to be levied by the City in accordance with law on all taxable property in the City, with such funds of the City required by the Note 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 business day of the month next preceding each such date (the "Record Date") on the Register 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 final installment of principal of this Note or upon redemption of this Note in whole, at the option of the City prior to maturity as provided herein, shall be paid to the Registered Owner upon presentation and surrender of this Note for payment at the Designated Payment/Transfer Office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and Interest Payment Date for this Note it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Note Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Note, when due.

IF THE DATE for the payment of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the Designated Payment/Transfer 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 that 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 NOTE is dated December 1, 2011, and authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$1,100,000, for the purpose of providing money to pay contractual obligations to be incurred for utility system improvements, including meter installation, acquisition of golf course maintenance equipment, acquisition of radios, and to pay costs of issuance (collectively, the "Project").

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The unpaid principal installments of this Note are subject to redemption, and may be redeemed prior to the scheduled due date by the City, on any date, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date of redemption. The City shall give notice of its direction to redeem the principal installments of this Note to the Paying Agent/Registrar and the Registered Owner of this Note no later than thirty (30) days prior to the date fixed for optional redemption.

AT LEAST 30 DAYS PRIOR to the date fixed for prepayment of the Note prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of the Note at its address as it appeared on the Register on the day such notice of redemption is mailed; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or the effectiveness of the proceedings for the redemption of this Note. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price of the Note which is to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Note which is to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the fund provided for such payment.

THIS NOTE is issuable in the form of one fully-registered Note without coupons in the denomination of \$1,100,000. This Note may be transferred or exchanged as provided in the Note Ordinance, only upon the registration books kept for that purpose at the above-mentioned office of the Paying Agent/Registrar upon surrender of this Note together with a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent/Registrar and duly executed by the Registered Owner or his duly authorized attorney, and thereupon a new Note of the same maturity and in the same aggregate principal amount shall be issued by the Paying Agent/Registrar to the transferee in exchange therefor as provided in the Note Ordinance, and upon payment of the charges therein prescribed. The City and the Paying Agent/Registrar may deem and treat the person in whose name this Note is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes. The Paying Agent/Registrar shall not be required to make any such transfer or exchange 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 Note is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Note 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 Note.

THIS NOTE shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Paying Agent/Registrar's Authentication Note shall have been executed by the Paying Agent/Registrar or the Comptroller's Registration Note hereon shall have been executed by the Texas Comptroller of Public Accounts.

IT IS HEREBY certified, recited and covenanted that this Note 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 Note have been performed, existed and been done in accordance with law; that annual ad valorem taxes pledged sufficient to provide for the payment of the interest on and principal of this Note, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said City, and have been pledged for such payment, within the limits prescribed by law.

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

BY BECOMING the Registered Owner of this Note, the Registered Owner thereby acknowledges all of the terms and provisions of the Note Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Note Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Note and the Note Ordinance constitute a contract between each Registered Owner hereof and the City.

IN WITNESS WHEREOF, the City has caused this Note to be signed with the manual or facsimile signature of the Mayor of the City and countersigned with the manual or facsimile signature of the City Secretary of said City, and has caused the official seal of the City to be duly impressed, or placed in facsimile, on this Note.

(signature)
Mayor

(signature)
City Secretary

[SEAL]

(b) Form of Payment Record

PAYMENT RECORD

<u>Date of Payment</u>	<u>Principal Payment (amount and installment(s) to which payment is applied)</u>	<u>Name and Title of Authorized Officer making Entry</u>	<u>Signature of Authorized Officer</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

(c) Form of Paying Agent/Registrar's Authentication Certificate

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE
(To be executed if this Note 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 Note has been issued under the provisions of the Note Ordinance described in the text of this Note; and that this Note has been issued in replacement of, or in exchange for, a Note that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: _____

TIB-THE INDEPENDENT BANKERS BANK
Irving, Texas
Paying Agent/Registrar

By: _____
Authorized Representative

(d) Form of Assignment

ASSIGNMENT

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

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

(Please insert Social Security or Taxpayer Identification Number of Transferee)

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

Dated: _____

Signature Guaranteed:

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

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

(e) Form of Registration Certificate of the Comptroller of Public Accounts

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

STATE OF TEXAS:

I hereby certify that this Note has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and that this Note 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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EXHIBIT B

Paying Agent/Registrar Agreement

EXHIBIT C

Private Placement Letter