



**A SPECIAL MEETING
OF THE WESLACO CITY COMMISSION
TUESDAY, SEPTEMBER 25, 2018**

NOTICE IS HEREBY GIVEN THAT the City Commission of the City of Weslaco, Texas will hold a Special Meeting in the Legislative Chamber of City Hall, located at 255 South Kansas Avenue, on Tuesday, September 25, 2018 at 5:30 PM for the purpose of discussing the following items:

NOTE: If during the course of the meeting, any discussion of any item on the agenda should be held in executive or closed session, the Weslaco City Commission will convene in such executive or closed session whether or not such item is posted as an executive session item at any time during the meeting when authorized by the provisions of the Texas Open Meetings Act.

I. CALL TO ORDER

- A. Certification of Public Notice.
- B. Pledge of Allegiance.
- C. Roll Call.

II. NEW BUSINESS

- A. Discussion and consideration to approve Ordinance 2018-37 authorizing the issuance of "City of Weslaco, Texas Certificates of Obligation, Series 2018;" entering into a paying agent/registrar agreement; and other matters related thereto and authorizing the Mayor to execute any related documents. First and Final Reading of Ordinance 2018-37. Possible action. (Staffed by the City Manager's Office.) Attachment

III. ADJOURNMENT

I hereby certify this **Notice of a Special Meeting of the Weslaco City Commission** was posted in accordance with the Open Meetings Act on the outside bulletin board at City Hall of the City of Weslaco, located at the 255 South Kansas Avenue entrance, visible and accessible to the general public during and after regular working hours. This notice was posted on this 21st day of September at 3:00 p.m. and will remain so posted continuously for at least 72-hours preceding the scheduled time of this meeting in accordance with Chapter 551 of the Texas Government Code.

/s/ Elizabeth M. Walker, City Secretary

NOTE: If any accommodation for a disability is required, please notify the City Secretary's Office at (956) 968-3181, Ext. 3100 prior to the meeting date.

Removed from Bulletin Board

Date:

Initials:



Standardized Agenda Request Form

Date of Meeting: September 25, 2018		Agenda Item No. (to be assigned by CSO): 2018-1998
From:		
Subject: Discussion and consideration to approve Ordinance 2018-37 authorizing the issuance of "City of Weslaco, Texas Certificates of Obligation, Series 2018;" entering into a paying agent/registrar agreement; and other matters related thereto and authorizing the Mayor to execute any related documents. First and Final Reading of Ordinance 2018-37. Possible action. (Staffed by the City Manager's Office.)		
Background: As per Bond Counsel, the Ordinance will be completed on September 25, the day of pricing. As this is a bond issuance, there is only one reading of the ordinance since the calculation rate is date certain.		
Funding Source (budget code, if applicable):		
Amount:	Term of Impact:	Identified in Current Budget:
Additional Action Prompted: Mayor's Signature Ordinance - First Reading Ordinance - Final Reading		
If item previously considered, provide date and action by Commission:		
If item requires Publication Notice, provide date and periodical of publication; indicate if comments received from letters mailed to property owners:		
Advisory Review, if any (name of board/committee, date of action, recommendation):		
Aida Vega Elizabeth Walker Mike Perez		Created/Initiated Approved Final Approval
City Manager Comments: Approve.		
Staff Recommendation: Approve.		
Attachments, if any: O2018-37 2018 bond series drainage		
Responsibilities upon Approval:		

ORDINANCE 2018-37

ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF WESLACO, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2018"; ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT; AND OTHER MATTERS RELATED THERETO

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EXHIBIT A – Paying Agent/Registrar Agreement

EXHIBIT B – Description of Annual Financial Information

ORDINANCE 2018-37

ORDINANCE AUTHORIZING THE ISSUANCE OF "CITY OF WESLACO, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2018"; ENTERING INTO A PAYING AGENT/REGISTRAR AGREEMENT; AND OTHER MATTERS RELATED THERETO

WHEREAS, the City Commission of the City of Weslaco (the "Issuer" or the "City") deems it advisable to issue Certificates of Obligation hereinafter described (the "Certificates") for the purposes specified in Section 1 hereof;

WHEREAS, the Certificates hereinafter authorized and designated are to be issued and delivered for cash pursuant to the Certificate of Obligation Act of 1971, Section 271.041 et seq, Texas Local Government Code, as amended (the "Act");

WHEREAS, notice of intention to issue the Certificates has been duly published in *The Monitor*, which is a newspaper of general circulation in the City, in its issues of August 13, 2018 and August 20, 2018, the date of the first publication being at least 30 days prior to the tentative date stated in the notice for passage of this Ordinance, such action being hereby ratified and approved;

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

WHEREAS, the City Commission of the City desires to issue the Certificates under the Act, the proceeds of which are to be used for the purposes described below;

WHEREAS, it is considered to be in the best interest of the City that the Certificates be issued and the terms hereafter provided are the most reasonable available and are hereby determined by the City Commission to be in the best interest of the City.

NOW, THEREFORE, IT IS ORDAINED BY THE CITY COMMISSION OF THE CITY OF WESLACO, TEXAS THAT:

Section 1. Authorization of the Certificates. There is hereby authorized to be issued and delivered, a series of certificates of the City to be known as "CITY OF WESLACO, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2018" (the "Certificates") in the original aggregate principal amount of \$_____, primarily payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a limited pledge of the Pledged Revenues (defined herein), for the purpose of providing for the payment of contractual obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain City-owned public property, specifically being: (1) drainage projects and projects related thereto or necessary therefor, and (2) payment of contractual obligations for professional services in connection therewith (to wit: architectural, engineering, financial advisory, and legal).

Section 2. Designation, Date, Denominations, Numbers, and Maturities of the Certificates.

The Certificates shall be dated as of September 15, 2018 shall be in denominations of \$_____ each or any integral multiple thereof, shall be numbered I-1 for the Initial Certificate and consecutively from R-1 upward for the Definitive Certificates and shall mature on August 15 in each of the years as provided below unless theretofore called for redemption prior to maturity in accordance with the provisions of the Form of the Certificates contained in Section 6 hereof, and the Certificates shall bear interest at the rates per annum shown below from the date of initial delivery and payable on February 15, 2019 and on each August 15 and February 15 thereafter through the respective maturity date or earlier redemption, to wit:

Years of Stated Maturity (August 15)	Principal Installment (\$)	Interest Rate (%)	Years of Stated Maturity (August 15)	Principal Installment (\$)	Interest Rate (%)
2020			2032		
2021			2033		
2022			2034		
2023			2035		
2024			2036		
2025			2037		
2026			2038		
2027			2039		
2028			2040		
2029			2041		
2030			2042		
2031			2043		

Section 3. Paying Agent/Registrar. The principal of and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Certificates shall be without exchange or collection charges to the Owner (as hereinafter defined) of the Certificates.

The selection and appointment of ZB, National Association dba Amegy Bank, Houston, Texas, to serve as the initial Paying Agent/Registrar for the Certificates is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the "Register") for the registration, payment and transfer of the Certificates, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and City may prescribe. The Paying Agent/Registrar has agreed to keep a copy of the Register at its offices, or its agent's offices, located in Houston, Texas. The City covenants to maintain and provide a Paying Agent/Registrar at all times while the Certificates are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such

agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Owner of the Certificates by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Both principal of and interest on the Certificates, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable only to the registered owner of the Certificates appearing on the Register (the "Owner" or "Owners") maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, and (ii) on the date of surrender of the Certificates for purposes of receiving payment of principal thereof upon redemption of the Certificates or at the Certificates' Stated Maturity. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Owner as the owner of a Certificate for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of the Certificates shall be payable only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its corporate trust office. Interest on the Certificates shall be paid to the Owner whose name appears in the Register at the close of business on the last business day of the month next preceding an Interest Payment Date for the Certificates (the "Record Date") and shall be paid (i) by check sent by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Owner appearing in the Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Owner at the Owner's risk and expense.

If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where 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 day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Certificates was due.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the Special Payment Date - which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

Section 4. Right of Prior Redemption. (a) Optional Redemption. The City reserves the right to redeem the Certificates maturing on or after August 15, 20__, in whole or in part in principal amount of \$5,000 or an integral multiple thereof, on August 15, 20__, or any date thereafter, at the redemption price of par plus interest accrued to the specific date of redemption, and shall direct the Paying Agent/Registrar to call by lot Certificates, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption.

(b) Mandatory Redemption. The Certificates maturing on August 15 in the year 20__ is subject to mandatory redemption as described in the Form of Certificates in Section 6 hereof.

(c) Notice of Redemption. Notice of any redemption shall be given as provided in the FORM OF CERTIFICATES included in Section 6 hereof. If such notice of redemption is given, and if due provision for such payment is made, the Certificates, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, and shall not bear interest

after the date fixed for their redemption, and shall not be regarded as being outstanding except for the right of the Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Register all such redemptions of principal of the Certificates or any portion thereof. By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates, or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities and shall not bear interest after the date fixed for their redemption and shall not be regarded as being outstanding except for the right of the Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Owner upon the surrender thereof for cancellation, at the expense of the City all as provided in this Ordinance.

Section 5. Initial Certificate; Exchange or Transfer of Certificate. Initially, one Certificate (the "Initial Certificate") numbered I-1 and being in the principal amount of the Certificate shall be registered in the name of the Initial Purchaser and shall be executed and submitted to the Attorney General of Texas for approval, and thereupon certified by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, by manual signature, and the Initial Certificate shall be effective and valid without the Authentication Certificate being signed by the Paying Agent/Registrar. At any time thereafter, the Owner may deliver the Initial Certificate to the Paying Agent/Registrar for exchange, accompanied by instructions from the Owner or designee designating the persons, maturities, and principal amounts to and in which the Initial Certificate is to be transferred and the addresses of such persons, and the Paying Agent/Registrar shall thereupon, within not more than three days, register and deliver such Certificates upon authorization of the City as provided in such instructions.

Each Certificate shall be transferable only upon the presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon presentation of any Certificate for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore, to the extent possible and under reasonable circumstances within three business days after such presentation, a new Certificate or Certificates, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Certificate or Certificates so presented.

All Certificates shall be exchangeable upon presentation and surrender thereof at the designated payment office of the Paying Agent/Registrar for a Certificate or Certificates of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Certificate or Certificates presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver exchange Certificates in accordance with this Ordinance and each Certificate so delivered shall be entitled to the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu of which such Certificate is delivered.

The City or the Paying Agent/Registrar may require the Owner of any Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the

transfer or exchange of such Certificate. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

Section 6. General Characteristics and Form of the Certificates. The Certificates shall be issued, shall be payable, may be redeemable prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Certificates shall be sealed) all as provided and in the manner indicated in the form set forth below. The Form of the Certificates, the Form of the Registration of the Comptroller of Public Accounts of the State of Texas to be printed and manually endorsed on each of the Initial Certificate, the Form of the Authentication, and the Form of Assignment, which shall be, respectively, substantially as follows, with necessary and appropriate variations, omissions, and insertions as permitted or required by this Ordinance, and the definitions contained within each such form shall apply solely to such form:

FORM OF DEFINITIVE CERTIFICATE

R-_____
REGISTERED

\$_____
REGISTERED

United States of America
State of Texas
CITY OF WESLACO, TEXAS
CERTIFICATE OF OBLIGATION, SERIES 2018

<u>DATED DATE:</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CUSIP</u>
September 15, 2018	<u>RATE:</u>	<u>DATE:</u>	<u>NUMBER:</u>
	%		950868 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS
(\$_____)

THE CITY OF WESLACO, TEXAS (the "City"), a body corporate and municipal corporation located in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof (the "Owner"), on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid principal amount hereof from the Dated Date specified above, or from the most recent interest payment date to which interest has been paid or duly provided for until such principal sum has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year commencing February 15, 2019.

PRINCIPAL OF THIS CERTIFICATE shall be payable to the Owner (the "Owner"), upon presentation and surrender, at the corporate trust office of ZB, National Association dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar") executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Owner of this Certificate (or one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last business day of the month next preceding each interest payment date. All payments of principal of and

interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States mail, first-class postage prepaid, to the Owner hereof at the address appearing in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Owner hereof at the Owner's risk and expense.

THIS CERTIFICATE is one of the series specified in its title issued in the aggregate principal amount of \$_____ (the "Certificates") pursuant to an Ordinance adopted by the governing body of the City (the "Ordinance"), for the purpose of providing for the payment of contractual obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain City-owned public property, specifically being: (1) drainage projects and projects related thereto or necessary therefor, and (2) payment of contractual obligations for professional services in connection therewith (to wit: architectural, engineering, financial advisory, and legal).

THE CERTIFICATES of this series scheduled to mature on and after August 15, 20__ may be redeemed prior to their scheduled maturities, in whole or part, in principal amounts of \$5,000 or any integral multiple thereof, at the option of the City, on August 15 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption.

THE CERTIFICATES MATURING IN ____ (the "Term Certificates") shall be subject to mandatory sinking fund redemption, in whole or in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption) on August 15, in each of the years and in the amounts set forth below:

<u>Year</u>	<u>Amount</u>
-------------	---------------

*Final Maturity

AT LEAST 45 days prior to the mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the Term Certificates to be redeemed. Any Term Certificates, or a portion thereof, not selected for prior redemption shall be paid on the date of final maturity. To the extent, however, that the Term Certificates of a maturity which at least 45 days prior to a mandatory redemption date (i) have been previously purchased by the City and delivered to the Paying Agent/Registrar for cancellation or (ii) called for optional redemption in part and other than from a sinking fund redemption payment, the annual sinking fund payments shall be reduced by the amount obtained by multiplying the principal amount of the Term Certificates of such maturity so purchased or redeemed by the ratio which each remaining annual sinking fund redemption payment bears to the total sinking fund payments for such maturity, and by rounding each such payment to the nearest \$5,000 integral.

NOTICE OF ANY REDEMPTION shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the Owner of each Certificate, or portion thereof to be redeemed, at its address as it appeared on the Registration Books on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. By the date

fixed for any such redemption, due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Certificate or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, this Certificate, or the portion thereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the Owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/ Registrar shall record in the Registration Books all such redemptions of principal of this Certificate or any portion hereof. If a portion of any Certificate shall be redeemed, a substitute Certificate or Certificates having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

IF THE DATE for the payment of the principal of or interest on the Certificates shall be a Saturday, a Sunday, a legal holiday, or a day on which banking institutions in the city where 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 business day; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THE CERTIFICATES OF THIS SERIES are payable from the proceeds of an ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues as defined in the Ordinance, such pledge being a limited amount of the Net Revenues, in an amount not to exceed \$1,000, derived from the operation of the City's waterworks sewer system (the "System"), such lien on and pledge of the Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations and Subordinate Lien Obligations issued by the City. The City previously authorized the issuance of the currently outstanding Prior Lien Obligations and Subordinate Lien Obligations (which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues) in the manner provided in the ordinances authorizing the issuance of the currently outstanding Prior Lien Obligations and Subordinate Lien Obligations. In the Ordinance, the City reserves and retains the right to issue Additional Prior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. Capitalized terms used herein have the same meanings assigned in the Ordinance.

REFERENCE IS HEREBY MADE to the Ordinance, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Owner by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions under which the City may issue additional Prior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Owner; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance.

THIS CERTIFICATE, subject to certain limitations contained in the Ordinance, may be transferred at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Owner hereof, or his duly authorized agent, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

THE CITY AND THE PAYING AGENT/REGISTRAR, and any agent of either, shall treat the Owner hereof whose name appears on the Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Certificate as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" - which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

IT IS HEREBY CERTIFIED, COVENANTED, AND REPRESENTED that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Certificates does not exceed any constitutional or statutory limitation. In case any provision in this Certificate or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, this Certificate has been 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 the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this Certificate.

CITY OF WESLACO, TEXAS

City Secretary

Mayor

(CITY SEAL)

* * *

FORM OF REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS*

***Attach to or print on Initial Certificate only**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has examined and finds that this Certificate has been issued in conformity with the Constitution and laws of the State of Texas and is a valid and binding obligation of the City of Weslaco, Texas, and further that this Certificate has been registered this day by me.

WITNESS my signature and seal of office this _____.

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

* * *

FORM OF AUTHENTICATION CERTIFICATE

***Attach to or print on definitive Certificate only**

AUTHENTICATION CERTIFICATE

This Certificate is one of the Certificates described in and delivered pursuant to the within-mentioned Ordinance, and this Certificate has been issued in conversion of and exchange for, or replacement of, a Certificate, Certificates, or a portion of a Certificate or Certificates of an issue which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

ZB, NATIONAL ASSOCIATION DBA
AMEGY BANK
Houston, Texas
as Paying Agent/Registrar

Registration Date: _____

By _____
Authorized Signature

* * *

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.

The following abbreviations, when used in the Assignment above or on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act _____
(State)

Additional abbreviations may also be used though not in the list above.

* * *

FORM OF INITIAL CERTIFICATE

The Initial Certificate shall be in the form set forth above for the Definitive Certificate, except the following shall replace the first two paragraphs:

NO. I-1

\$ _____

United States of America
State of Texas
CITY OF WESLACO, TEXAS
CERTIFICATE OF OBLIGATION, SERIES 2018

DATED DATE: SEPTEMBER 15, 2018

DELIVERY DATE: OCTOBER 18, 2018

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ AND NO 100 DOLLARS

THE CITY OF WESLACO, TEXAS (the "City"), a body corporate and municipal corporation in the County of Hidalgo, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof (the "Owner"), the Principal Amount specified above stated to mature on the fifteenth day of August in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>YEAR OF</u> <u>STATED MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENT (\$)</u>	<u>INTEREST</u> <u>RATE (%)</u>
--	---	------------------------------------

(Information to be inserted from schedule in Section 2 hereof.)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the delivery date specified above, or from the most recent interest payment date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year, commencing February 15, 2019.

PRINCIPAL OF THIS CERTIFICATE shall be payable to the Owner hereof upon its presentation and surrender, at the corporate trust office of ZB, National Association dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). Interest shall be payable to the Owner of this Certificate whose name appears on the "Register" maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the last day of the month next preceding each interest payment date. All payments of principal of and interest on this Certificate shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Owner hereof at the address appearing in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner hereof.

* * *

[END OF FORMS]

Section 7. Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Section 25 of this Ordinance have the meanings assigned to them in Section 25 of this Ordinance, and all such terms include the plural as well as the singular; (ii) all references in this Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words “herein,” “hereof,” and “hereunder,” and other words of similar import, refer to this Ordinance as a whole and not to any particular Section or other subdivision.

“Additional Limited Pledge Obligations” means (i) any bonds, certificates, warrants, certificates or other obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a limited pledge of and lien on Net Revenues on a parity with the Limited Pledge Obligations, which pledge of revenues all as further provided in Section 18 of this Ordinance and (ii) any obligations issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

“Additional Prior Lien Obligation means (i) any bonds, certificates, warrants, or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues on a parity with the Prior Lien Obligations, all as further provided in Section 18 of this Ordinance, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate lien on and pledge of the Net Revenues as determined by the City Commission in accordance with any applicable law.

“Additional Subordinate Lien Obligations” means (i) any bonds, certificates, warrants, or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues, all as further provided in Section 18 of this Ordinance on a parity with the Subordinate Lien Obligations, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate lien on and pledge of the Net Revenues as determined by the City Commission in accordance with any applicable law.

“City” means the City of Weslaco, located in Hidalgo County, Texas and, where appropriate, the City Commission of the City.

“Certificates” means the \$ _____ “CITY OF WESLACO, TEXAS CERTIFICATES OF OBLIGATION, SERIES 2018” authorized by this Ordinance.

“Certificate Fund” means the special fund created and established by the provisions of Section 8 of this Ordinance.

“Closing Date” means the date of physical delivery of the Initial Certificate in exchange for the payment of the agreed purchase price for the Certificates.

“Collection Date” shall mean, when reference is being made to the levy and collection of annual ad valorem taxes, the date the annual ad valorem taxes levied each year by the City become delinquent.

“Debt Service Requirement” shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed

numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

“Depository” shall mean an official depository bank of the City.

“Fiscal Year” means the annual financial accounting period for the System now ending on September 30th of each year; provided, however, that the City Commission may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

“Government Securities”, as used herein, means direct noncallable obligations of the United States, including (i) obligations that are unconditionally guaranteed by, the United States; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (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 issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than “AAA” or its equivalent.

“Gross Revenues” shall mean all of the revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System.

“Owner” or “Owners” shall mean the registered owner, whose name appears in the Register, for any Certificate.

“Initial Purchaser” means _____.

“Interest Payment Date” means the date semiannual interest is payable on the Certificates, being February 15 and August 15 of each year, commencing February 15, 2019, while any of the Certificates remain Outstanding.

“Limited Pledge Obligations” means the Certificates and any Additional Limited Pledge Obligations.

“Maintenance and Operating Expenses” means all reasonable and necessary expenses required for the efficient operation and maintenance of the System as authorized by the provisions of Section 1502.056 of the Texas Government Code, as amended, including, without limitation, administrative expenses, management fees, salaries, labor fees, materials, contractual and professional services necessary for keeping the System in good condition and working order, making all needed repairs, and providing for all needed periodic and non-recurring items of maintenance, as in the judgment of the City Commission, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining Net Revenues.

“Net Revenues” means all gross revenues of the System after deducting the Maintenance and Operating Expenses of the System, including all salaries, labor, material, repairs, and extensions necessary to render efficient services. Depreciation and payments into and out of the Interest and Sinking Fund, and the Reserve Fund shall never be considered as expenses of operation and maintenance.

“Ordinance” means this “Ordinance Authorizing the Issuance of City of Weslaco, Texas Certificates of Obligation, Series 2018; a Paying Agent/Registrar Agreement; and Other Matters Related Thereto.”

“Outstanding” when used in this Ordinance with respect to Certificates means, as of the date of determination, all Certificates issued and delivered under this Ordinance, except those Certificates:

(a) canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(b) for which payment has been duly provided by the City in accordance with the provisions of Section 29 of this Ordinance; and

(c) that have been mutilated, destroyed, lost, or stolen and replacement Certificates have been registered and delivered in lieu thereof as provided by this Ordinance.

“Pledged Revenues” means, while the Certificates remain Outstanding, the Net Revenues remaining, in an amount not to exceed \$1,000, after payment of the Prior Lien Obligations and Subordinate Lien Obligations. The Pledged Revenues will be deposited, allocated, and expended in accordance with Section 8 of this Ordinance.

“Prior Lien Obligations” means the (i) “City of Weslaco, Texas Refunding Bonds, Series 2010”, dated December 15, 2011 originally issued in the aggregate principal amount of \$8,500,000, and any other Additional Prior Lien Obligations, all as further provided in Section 18 of this Ordinance and (ii) any obligations issued to refund the foregoing that are payable from and secured by a prior and first lien on and pledge of the Net Revenues as determined by the City Commission in accordance with any applicable law.

“Series 2012 Certificates” means (i) the currently outstanding and unpaid Certificates payable from ad valorem taxes and additionally payable from and secured by a lien on and subordinate pledge of the Pledged Revenues (as defined in the ordinance authorizing the issuance of the Series 2012 Certificates), more particularly described as the “City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2012,” dated January 15, 2012, and (ii) obligations hereafter issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

“Series 2013 Certificates” means (i) the currently outstanding and unpaid Certificates payable from ad valorem taxes and additionally payable from and secured by a lien on and subordinate pledge of the Pledged Revenues (as defined in the ordinance authorizing the issuance of the Series 2013 Certificates), more particularly described as the “City of Weslaco, Texas Combination Tax and Revenue Certificates of Obligation, Series 2013,” dated August 15, 2013, and (ii) obligations hereafter issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

“Series 2014 Certificates” means (i) the currently outstanding and unpaid Certificates payable from ad valorem taxes and additionally payable from and secured by a lien on and subordinate pledge of the Pledged Revenues (as defined in the ordinance authorizing the issuance of the Series 2014 Certificates), more particularly described as the “City of Weslaco, Texas Combination Tax and Revenue

Certificates of Obligation, Series 2014,” dated March 1, 2014, and (ii) obligations hereafter issued to refund the foregoing as determined by the City Commission in accordance with any applicable law.

“Stated Maturity” means the annual principal payments of the Certificates payable on August 15 of each year the Certificates are Outstanding as set forth in Section 2 of this Ordinance.

“Subordinate Lien Obligations” means the (i) the Certificates; (ii) the Series 2014 Certificates; (iii) Series 2013 Certificates; and (iv) Series 2012 Certificates when issued, and any Additional Subordinate Lien Obligations.

“System” means the City’s entire existing waterworks and sewer system, together with all future extensions, enlargements, additions, replacements, and improvements thereto.

“System Fund” means the fund described in Section 13.

Section 8. Certificate Fund; Project Fund. (a) Certificate Fund. For the purpose of paying the interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, there shall be and is hereby created a special fund to be designated “CERTIFICATES OF OBLIGATION, SERIES 2018, INTEREST AND SINKING FUND” (the “Certificate Fund”), which fund shall be kept and maintained at the Depository, and money deposited in such fund shall be used for no other purpose and shall be maintained as provided in Section 25. Authorized officials of the City are hereby authorized and directed to make withdrawals from said fund sufficient to pay the principal of and interest on the Certificates as the same become due and payable and shall cause to be transferred to the Paying Agent/Registrar from money on deposit in the Certificate fund an amount sufficient to pay the amount of principal and/or interest falling due on the Certificates, such transfer of funds to the Paying Agent/Registrar to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar on or before the fifteenth day next preceding each interest and principal payment date for the Certificates.

The City, after the deduction of all payments required to be made to the special funds or accounts created for the payment, security, and benefit of any Prior Lien Obligations and Subordinate Lien Obligations issued by the City, and any amounts budgeted to be paid there from in such Fiscal Year, shall deposit the Pledged Revenues to the Certificate Fund. The Pledged Revenues, if deposited, shall be expended annually to pay principal of and interest on the Certificates as the same become due and payable. The Pledged Revenues shall be accounted for and transferred to the Paying Agent/Registrar in accordance with the provisions of the previous paragraph of this Section.

Premium, if any, received from the Initial Purchaser of the Certificates shall be deposited to the Certificate Fund and ad valorem taxes levied and collected for the benefit of the Certificates shall be deposited to the Certificate Fund. In addition, any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes shall be deposited in the Certificate Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in said fund from ad valorem taxes.

(b) Project Fund. A special “City of Weslaco, Texas Certificates of Obligation, Series 2018 Project Fund” (the “Project Fund”) is hereby created and shall be established and maintained by the City at the Depository. The Project Fund is the fund into which the net proceeds excluding premium, if any, of the Certificates shall be deposited, and money in the Project Fund shall be used to pay the costs necessary or appropriate to accomplish the purposes for which the Certificates are issued. Accrued interest and premium, if any, shall be deposited into the Certificate Fund.

Section 9. Investments and Security. (a) Investment of Funds. Except as otherwise provided herein, the City may place money in any fund created by this Ordinance in time or demand deposits or invest such money as authorized by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, consistent with the investment policy approved by the City; provided, however, that the City hereby covenants that the proceeds of the sale of the Certificates will be used as soon as practicable for the purposes for which the Certificates are issued. Obligations purchased as an investment of money in a fund shall be deemed to be a part of such fund.

(b) Amounts Received from Investments. Except as otherwise provided by law, amounts received from the investment of any money in the Project Fund may only be used for one of the purposes for which the Certificates have been issued or deposited in the Certificate Fund. Any amounts received from the investment of the Certificate Fund shall be deposited in the Certificate Fund.

(c) Security for Funds. All funds created by this Ordinance shall be secured in the manner and to the fullest extent required by law for the security of funds of the City.

(d) Remaining Funds. Any amounts remaining in the Project Fund after the purposes for which the Certificates are issued have been accomplished shall be deposited to the Certificate Fund and the Project Fund shall be closed.

Section 10. Perfection of Security. Chapter 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the proceeds of ad valorem taxes thereto as well as the pledge of the Pledged Revenues additionally securing the Certificates and such pledges are, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Certificates are outstanding and unpaid, the result of such amendment being that the pledges of the ad valorem taxes and Pledged Revenues are to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Certificates a security interest in such pledges, the City agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledges to occur.

Section 11. Tax Levy. To provide for the payment of the Debt Service Requirements on the Certificates being (i) the interest on the Certificates and (ii) a sinking fund for their redemption at Stated Maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied for the current year and each succeeding year thereafter while the Certificates or any interest thereon shall remain Outstanding, a sufficient tax on each one hundred dollars valuation of taxable property in the City, adequate to pay such Debt Service Requirements, full allowance being made for delinquencies and costs of collection; said tax shall be assessed and collected each year and applied to the payment of the Debt Service Requirements, and the same shall not be diverted to any other purpose. The taxes so levied and collected shall be paid into the Certificate Fund. The City Commission hereby declares its purpose and intent to provide and levy a tax legally and fully sufficient to pay the said Debt Service Requirements, it having been determined that the existing and available taxing authority of the City for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

The amount of taxes to be provided annually for the payment of the principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) Prior to the date the City Commission establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the City Commission shall determine:

(i) the amount of Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year; provided, however, that funds in satisfaction of the constitutional annual sinking fund requirement as heretofore provided in this Section 11 must be collected and deposited in the Certificate Fund each year.

(ii) the amount on deposit in the Certificate Fund after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes to be levied and (b) adding thereto the amount of the Pledged Revenues, if any, to be appropriated and allocated during such year to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes to be levied; and

(iii) the amount of Pledged Revenues, if any, to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding Fiscal Year.

(b) The amount of taxes to be levied annually each year to pay the Debt Service Requirements on the Certificates shall be the amount established in paragraph (i) above less the sum total of the amounts established in paragraphs (ii) and (iii), after taking into consideration delinquencies and costs of collecting such annual taxes.

Section 12. Pledge of Revenues. The City hereby covenants and agrees that, subject to any prior lien on and pledge of the Net Revenues of the System to the payment and security of (i) any Prior Lien Obligations and Subordinate Lien Obligations, the Pledged Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of Pledged Revenues herein made for the payment of the Certificates shall constitute a lien on the Pledged Revenues in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City.

Section 13. System Fund. The City hereby covenants and agrees that all Gross Revenues derived from the operation of the System shall be kept separate and apart from all other funds, accounts and money of the City and shall be deposited as collected into the "CITY OF WESLACO, TEXAS WATERWORKS AND SEWER SYSTEM FUND" (the "System Fund"). All money deposited in the System Fund shall be pledged and appropriated to the extent required for the following purposes and in the order of priority shown:

First: To the payment of the reasonable and proper Maintenance and Operating Expenses required by statute or ordinances authorizing the issuance of any indebtedness of the City to be a first charge on and claim against the Gross Revenues;

Second: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Prior Lien Obligations;

Third: To the payment of the amounts that must be deposited in the special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations; and

Fourth: To the payment of the amounts that may be deposited in the special funds and accounts established for the payment of any Limited Pledge Obligations and any Additional Limited Pledge Obligations, hereafter issued by the City.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security, and benefit thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 14. Security of Funds. All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

Section 15. Maintenance of System - Insurance. The City covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance (including a system of self-insurance) on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Owners of the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within 90 days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

Section 16. Rates and Charges. The City hereby covenants and agrees with the Owners of the Certificates that rates and charges for water and sewer services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

(a) to pay all operating, maintenance, depreciation, replacement, betterment, and other costs incurred in the maintenance and operation of the System, including, but not limited to, Maintenance and Operating Expenses;

(b) to produce Net Revenues sufficient, together with any other lawfully available funds, to pay (i) the interest on and principal of any Prior Lien Obligations issued by the City as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, (ii) the interest on and principal of any Subordinate Lien Obligations as the same becomes due and payable and the amounts required to be deposited in any special fund created and established for the payment, security, and benefit thereof, and (iii) the amounts that may be deposited in the special funds established for the payment of the Limited Pledge Obligations;

(c) to pay other legally incurred indebtedness payable from the Net Revenues and/or secured by a lien on the System or the Net Revenues thereof; and

(d) deposit as collected all revenues derived from the operation of the System into the System Fund.

Section 17. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Certificate Fund, or (b) defaults in the observance or

performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Owners of any of the Certificates shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

Section 18. Issuance of Additional Prior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations. The City hereby expressly reserves the right to hereafter issue bonds, certificates, warrants, certificates, or other obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

(a) Prior Lien Obligations payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System in accordance with any ordinances authorizing any Prior Lien Obligations;

(b) Subordinate Lien Obligations payable from and equally and ratably secured by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations issued and hereafter issued by the City, but prior and superior to the lien on and pledge of the Net Revenues securing, in part, the Limited Pledge Obligations; and

(c) Limited Pledge Obligations secured by a lien on and pledge of a limited amount of the Net Revenues in accordance with the provisions of the following paragraph:

Prior Lien Obligations and Subordinate Lien Obligations, may be payable, in whole or in part, from Net Revenues (without impairment of the obligation of contract with the Owners of the Prior Lien Obligations, the Subordinate Lien Obligations, or the Limited Pledge Obligations) upon such terms and conditions as the City Commission may determine. Limited Pledge Obligations, shall not in any event be construed to be payable from the Net Revenues authorized by the ordinances authorizing the issuance of the Prior Lien Obligations or Subordinate Lien Obligations to be budgeted and appropriated for the payment of the Prior Lien Obligations or Prior Subordinate Lien Obligations, as appropriate. However, the lien on and pledge of the limited amount of Net Revenues securing, in part, the payment of any Limited Pledge Obligations shall be subordinate and inferior to the pledge of and lien on the Net Revenues securing the payment of any Prior Lien Obligations and Subordinate Lien Obligations.

Section 19. Special Covenants. The City hereby further covenants that:

(a) it has the lawful power to pledge the Pledged Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas, including power existing under the Act, and the City's Home Rule Charter;

(b) other than for the payment of the currently outstanding Prior Lien Obligations, Subordinate Lien Obligations and Limited Pledge Obligations, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System;

(c) as long as any Certificates or any interest thereon remain Outstanding, the City will not sell, lease, or encumber (except in the manner provided in Section 19 of this Ordinance) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

(d) to the extent that it legally may, the City further covenants and agrees that, so long as any of the Certificates, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks and sewer systems other than those owned by the City, and the operation of any such systems by anyone other than the City is hereby prohibited; and

(e) no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

Section 20. Application of the Covenants and Agreements of the Prior Lien Obligations and Subordinate Lien Obligations. It is the intention of the City Commission and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administering and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the ordinances authorizing the issuance of any Prior Lien Obligations and Subordinate Lien Obligations issued or hereafter issued by the City; provided, however, that the Owners of the Certificates expressly recognize the priority of rights and benefits with respect to the Net Revenues that may be conferred to the Owners of any Prior Lien Obligations and Subordinate Lien Obligations hereafter issued by the City.

Section 21. Notices to Owners, Waiver. Wherever this Ordinance provides for notice to Owners of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Owner as it appears in the Register.

In any case where notice to Owners is given by mail, neither the failure to mail such notice to any particular Owner, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Owners. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Owner entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 22. Cancellation. All Certificates surrendered for payment, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Certificates previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Certificates so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Certificates held by the Paying Agent/Registrar shall be destroyed as directed by the City.

Section 23. Mutilated, Destroyed, Lost, and Stolen Certificates. If (1) any mutilated Certificate is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar

receive evidence to their satisfaction of the destruction, loss, or theft of any Certificate, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Certificate has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Certificate, a new Certificate of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Certificate has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Certificate, pay such Certificate.

Upon the issuance of any new Certificate or payment in lieu thereof, under this Section, the City may require payment by the Owner of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Certificate shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Certificates.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Certificates.

Section 24. Sale of the Certificates; Approval of Official Statement.

(a) (a) Sale. The sale of the Certificates to the Initial Purchaser pursuant to the taking of competitive bids at a price of \$_____ (which amount is equal to par, plus an original issue premium on the Certificates of \$_____ less Initial Purchaser's discount of \$_____) plus accrued interest to the date of delivery is hereby confirmed. It is hereby officially found, determined, and declared that the Initial Purchaser submitted the bid which resulted in the lowest net effective rate to the City, and delivery of the Certificates to the Initial Purchaser shall be made as soon as practicable after the adoption of this Ordinance, upon payment therefor, in accordance with the terms of sale. The officers of the City are hereby authorized and directed to execute and deliver such Certificates, instructions, or other instruments as are required or necessary to accomplish the purposes of this Ordinance. The proceeds from the sale of the Certificates shall be used in the following manner: (i) accrued interest on the Certificates of \$_____, plus a contingency of \$_____ shall be deposited to the credit of the Interest and Sinking Fund; (ii) \$_____ shall be deposited to the credit of the Construction Fund to be used to accomplish the purposes for which the Certificates were issued; and (iii) \$_____ of premium shall be used to pay the costs of issuance for the Certificates.

(b) Approval of Official Statement. The City hereby approves the form and content of the Official Statement relating to the Certificates and any addenda, supplement, or amendment thereto, and approves the distribution of such Official Statement in the reoffering of the Certificates by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The form and content of and the distribution and use of the Preliminary Official Statement dated September 17, 2018, prior to the date hereof is hereby ratified and confirmed. The Commission finds and determines that the Preliminary Official Statement is "deemed final" as that term is defined in 17 C.F.R. Section 240.15c2-12.

(c) Legal Opinion. The Initial Purchaser's obligation to accept delivery of the Certificates is subject to their being furnished an opinion of Winstead PC, Bond Counsel, such opinion to be dated and delivered as of the date of delivery and payment for the Certificates.

(d) Registration and Delivery. Upon the registration of the Initial Certificate, the Comptroller of Public Accounts of the State of Texas is authorized and instruct to deliver the Initial Certificate pursuant to the instruction of the Mayor for delivery to the Initial Purchaser.

Section 25. Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Certificates.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code which are applicable to the Certificates. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and the Certificates has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Certificate to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Certificate, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except to the extent that it will not cause the Certificates to become "private activity bonds" within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Certificates:

(i) own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Certificates, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Certificates or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause the Certificates to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Certificates to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Certificates to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Certificates directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Certificates.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Certificates to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

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

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder or except to the extent the City complies with Subsection J of this Section:

(i) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after

the day on which the last Outstanding Certificate is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Certificates with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(i) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 48(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(ii) As additional consideration for the purchase of the Certificates by the Underwriters and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the Owners thereof for federal income tax purposes, the City shall pay to the United States out of the Certificate Fund or its general fund, as permitted by applicable Texas statute, regulation, or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, 100% of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iii) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within 180 days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(j) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Certificates, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Certificates not been relevant to either party.

(k) Certificates Not Hedge Bonds.

(i) The City reasonably expects to spend at least 85% of the spendable proceeds of the Certificates within three years after such Certificates are issued.

(ii) Not more than 50% of the proceeds of the Certificates will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(l) Elections. The City hereby directs and authorizes the Mayor, Mayor Pro Tem, City Manager, City Secretary, or City Attorney, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Certificates, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document.

Section 26. Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Certificates as “qualified tax-exempt obligations” as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants, and warrants the following: (a) during the calendar year in which the Certificates are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Certificates, will result in more than \$10,000,000 of “qualified tax-exempt obligations” being issued; (b) the City reasonably anticipates that the amount of tax-exempt obligations issued during 2017 by the City (including any subordinate entities) will not exceed \$10,000,000; and (c) the City will take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Certificates as “qualified tax-exempt obligations.”

Section 27. Book-Entry-Only System. (a) The definitive Certificates shall be initially issued in the name of Cede & Co., as nominee of DTC, as Owner of the Certificates, and held in custody of DTC. A single certificate will be issued and delivered to DTC for each maturity of the Certificates. Beneficial owners of definitive Certificates will not receive physical delivery of Certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Certificates as provided herein, all transfers of beneficial ownership interest will be made by book-entry only, and no investor or other person purchasing, selling, or otherwise transferring beneficial ownership of Certificates is to receive, hold, or deliver any Certificates. No person shall acquire or hold any beneficial interest in any Certificate representing a portion of the principal amount of such Certificate which is other than \$5,000 or an integral multiple thereof.

Replacement definitive Certificates may be issued directly to beneficial owners of Certificates other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Certificates (which determination shall become effective no less than 90 days after written notice to such effect to the City and the Paying Agent/Registrar); or (ii) the City has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Certificates) that DTC is incapable of discharging its duties as securities depository for the Certificates; or (iii) the City has determined (which determination is conclusive as to DTC and the beneficial owners of the Certificates) that the interests of the beneficial owners of the Certificates might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any event described in (i) or (ii) above, the City shall use its best efforts to attempt to locate another qualified securities depository. If the City fails to locate another qualified securities depository to replace DTC, the City shall cause to be executed, authenticated, and delivered replacement Certificates, in certificate form, to the DTC participants having an interest in the Certificates as shown on the records of DTC provided by DTC to the City. In the event that the City makes the determination described in (iii) above and has made provisions to notify the beneficial owners of Certificates of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Certificates in certificate form to the DTC participants having an interest in the Certificates as shown on the records of DTC provided by DTC to the City. The City undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the City to make any determination described in (ii) or (iii) above.

(a) Whenever, during the term of the Certificates, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Ordinance of holding, delivering, or transferring Certificates shall be deemed modified to require the appropriate person or entity to meet the requirement of DTC as to registering or transferring the book entry to produce the same effect.

(b) If at any time DTC ceases to hold the Certificates, all references herein to DTC shall be of no further force or effect.

Section 28. Continuing Disclosure. (a) Annual Reports. The City shall provide annually certain updated financial information and operating data to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to its Electronic Municipal Market Access System (“EMMA”) The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type described in Exhibit “B” hereto. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2018.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time and audited financial accordance with the accounting principles described in Exhibit B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

(i) Notice of Certain Events. The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties ; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed of final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee of the change of name of a trustee, if material. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports”.

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

(b) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an “obligated person” with respect to the Certificates within the meaning of the Rule, except that the City in

any event will give notice of any deposit made in accordance with Section 29 that causes the Certificates no longer to be Outstanding, and any call of Certificates made in connection therewith.

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

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

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

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

The provisions of this Section may be amended, supplemented, or repealed by the City from time to time under the following circumstances, but not otherwise: (i) to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the provisions of this Section, as so supplemented or amended, would have permitted an underwriter to purchase or sell Certificates in the present offering in compliance with the Rule and either the Owners of a majority in aggregate principal amount of the Outstanding Certificates consent to such amendment, supplement, or repeal, or any State agency or official determines that such amendment, supplement, or repeal will not materially impair the interests of the beneficial owners of the Certificates, (ii) upon repeal of the applicable provisions of the Rule, or any judgment by a court of final jurisdiction that such provisions are invalid, or (iii) in any other circumstance or manner permitted by the Rule.

Section 29. Control and Custody of Certificates. The Mayor of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Certificates pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Certificates to the Underwriter.

Furthermore, the Mayor, Mayor Pro Tem, City Manager, City Secretary, or City Attorney, either or all, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Certificates, the approval of the Attorney General, and their registration by the Comptroller of Public Accounts and, together with the City's financial advisor, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for

the delivery of the Initial Certificate to the Initial Purchaser and the initial exchange thereof for definitive Certificates.

Section 30. Defeasance. (a) Except to the extent provided in subsection (c) of this Section, any Certificate, and the interest thereon, shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Ordinance (a "Defeased Certificate") when payment of the principal of such Certificate, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to a person described by Section 1207.061(a), Texas Government Code (a "Depository"), with respect to the safekeeping, investment, administration, and disposition of a deposit made under Section 1207.061, Texas Government Code for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment or (B) Government Obligations (defined herein), which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment of any Defeased Certificate. To cause a Certificate scheduled to be paid on a date later than the next scheduled interest payment date on such Certificate to become a Defeased Certificate, the City must, with respect to the Deposit, enter into an escrow or similar agreement with a Depository.

(b) In connection with any defeasance of the Certificates, the City shall cause to be delivered either: (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the fund established to pay the Defeased Certificates in full on the maturity date thereof (the "Verification"); or (ii) a certificate from the City Manager of the City certifying that the amount deposited with a Depository or into an escrow account is sufficient to pay the Defeased Certificates in full on the maturity date thereof. In addition to the required Verification or certificate, the City shall also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Certificates are no longer outstanding pursuant to the terms hereof and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Certificates. The Verification, if any, and each certificate and opinion required hereunder shall be acceptable in form and substance, and addressed, if applicable, to the Paying Agent/Registrar and the City. The Certificates shall remain outstanding hereunder unless and until they are in fact paid and retired or the above criteria are met.

(c) At such time as a Certificate shall be deemed to be a Defeased Certificate hereunder, and all herein required criteria have been met, such Certificate and the interest thereon shall no longer be outstanding or unpaid and shall no longer be entitled to the benefits of the pledge of the security interest granted under this Ordinance, and such principal and interest shall be payable solely from the Deposit of money or Government Obligations.

(d) Any money so deposited with a Depository may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by a Depository which is not required for the payment of the Defeased Certificates and interest thereon, with respect to which such money has been so deposited, shall be used as directed in writing by the City.

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

Section 31. Use of Proceeds. The proceeds from the sale of the Certificates (net premium and underwriter's discount) \$_____ shall be applied as follows: (i) \$_____ of the proceeds

shall be deposited to the credit of the Project Fund and (ii) \$_____ shall be used to pay the costs of issuing the Certificates.

Section 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 33. Ordinance a Contract; Amendments; Outstanding Certificates. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Certificates. This Ordinance shall constitute a contract with the Owners from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Certificate remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Owners holding a majority in aggregate principal amount of the Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Owners of Outstanding Certificates, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Section 34. Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Owners, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, Paying Agent/Registrar, and the Owners.

Section 35. Inconsistent Provisions. All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters ordained herein.

Section 36. 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 37. Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Commission hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 38. Construction of Terms. If appropriate in the context of this Ordinance, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

Section 39. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Commission of the City.

Section 40. Authorization of Paying Agent/Registrar Agreement. The City Commission of the City hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, and transferability of the Certificates. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

Section 41. Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

Section 42. Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 43. No Recourse Against City. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Certificate or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Certificate.

Section 44. Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the 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 Ordinance, the initial sale and delivery of the Certificates and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, the Mayor or the City Manager and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City 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 45. Attorney General Examination Fee. The City recognizes that under Section 1202.004, Texas Government Code, the Attorney General of Texas requires a nonrefundable examination fee be paid at the time of submission of the transcript of proceedings authorizing the Certificates and that, based upon the principal amount of the Certificates, such fee is \$_____. Bond Counsel is accommodating the City by paying such fee upon submission of such transcript. Officials of the City are, however, hereby authorized to reimburse Bond Counsel such amount as soon as possible and whether or not the Certificates are ever delivered and such amount is hereby appropriated from available funds for such purpose. The City is also authorized to reimburse the fund used for such payment with proceeds of the Certificates.

Section 46. Titles Not Restrictive. The titles assigned to the various sections of this Ordinance are for convenience only and shall not be considered restrictive of the subject matter of any section or of any part of this Ordinance.

PASSED AND ADOPTED on September 25, 2018.

CITY OF WESLACO, TEXAS

/s/ David Suarez
Mayor

ATTEST:

/s/ Elizabeth Walker
City Secretary

(CITY SEAL)

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT entered into as of September 15, 2018 (this "Agreement") is between the CITY OF WESLACO, TEXAS (the "City") and ZB, NATIONAL ASSOCIATION DBA AMEGY BANK, Houston, Texas, a national banking association duly organized and existing under the laws of the United States of America and authorized to transact business in the State of Texas (the "Bank").

RECITALS OF THE CITY

The City has duly authorized and provided for the issuance of its "CITY OF WESLACO, TEXAS CERTIFICATES OF OBLIGATIONS, SERIES 2018," in the aggregate principal amount of \$_____ (the "Securities"), dated September 15, 2018, to be issued as registered securities without coupons;

All things necessary to make the Securities the valid obligations of the City, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The City is desirous that the Bank act as the Paying Agent of the City in paying the principal, premium (if any) and interest on the Securities, in accordance with the terms thereof, and that the Bank act as Registrar for the Securities;

The City has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the City, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I. APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment. The City hereby appoints the Bank to act as Paying Agent with respect to the Securities, in order to pay, when due, the principal, premium (if any), and interest on all or any of the Securities to the Owner of the Securities.

The City hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the City books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Ordinance authorizing the issuance of the Securities.

The Bank hereby accepts its appointment, and agrees to act, as the Paying Agent and Registrar for the Securities.

Section 1.02. Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the City hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the City on or before 90 days prior to the close of the Fiscal Year of the City and which shall be effective upon the first day of

the following Fiscal Year. The City covenants to provide notice to the Bank upon any change in the City's Fiscal Year within ten business days of the governing body of the City's decision to change the Fiscal Year of the City.

In addition, the City agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE II. DEFINITIONS

Section 2.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

"Bank Office" means the corporate trust office of the Bank set forth on the signature page of this agreement. The Bank will notify the City, in writing, of any change in location of the Bank Office.

"City Request" and "City Order" each mean a written request or order signed in the name of the City by the Mayor or the City Secretary of the City Council of the City and delivered to the Bank.

"Fiscal Year" means the fiscal year of the City, which currently begins on October 1 and ends on September 30 of each year.

"Legal Holiday" means a day on which the Bank is required or authorized to be closed.

"Ordinance" means the ordinance of the governing body of the City pursuant to which the Securities are issued, certified by the City Secretary or any other officer of the City, and delivered to the Bank.

"Owner" means a Person in whose name a Security is registered in the Register.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Redemption Date" when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

"Register" means a register maintained by the Bank on behalf of the City providing for the registration of Securities and of transfers of Securities.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those

performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Stated Maturity” means the date specified in the Ordinance as the fixed date on which the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions. The terms “Bank”, “City”, and “Security” have the meanings assigned to them in the opening paragraph of this Agreement or in the Recitals of the City.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE III. PAYING AGENT

Section 3.01. Duties of Paying Agent. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the principal and premium, if any, of each Security at its Stated Maturity, Redemption Date, if any, or Acceleration Date, to the Owner upon surrender of the Security to the Bank at its corporate trust operations office located in Houston, Texas.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the City, pay on behalf of the City the interest on each Security when due, by computing the amount of interest to be paid each Owner, preparing the checks and mailing the checks on the payment date, to the Owner of the Securities on the Record Date, addressed to their address appearing on the Register.

Section 3.02. Payment Dates. The City hereby instructs the Bank to pay the principal of and premium, if any, and interest on the Securities on the dates specified in the Ordinance.

ARTICLE IV. REGISTRAR

Section 4.01. Transfer and Exchange. The Bank agrees to keep and maintain for and on behalf of the City at the Bank Principal Payment Office books and records (herein sometimes referred to as the “Register”) for recording the names and addresses of the Owners of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Owners and containing such other information as may be reasonably required by the City and subject to such reasonable regulations as the City and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Owner thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Owners thereof will be completed and new Securities delivered to the Owner or the assignee of the Owner in not more than three business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. Securities. The City shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03. Form of Register. The Bank as Registrar will maintain the records of the Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Security Owners. The Bank will provide the City at any time requested by the City, upon payment of any required fee, a copy of the information contained in the Register. The City may also inspect the information in the Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the content of the Register to any person other than to, or at the written request of, an authorized officer or employee of the City, except upon receipt of a subpoena, court order, or as required by law. Upon receipt of a subpoena or court order the Bank will notify the City so that the City may contest the subpoena or court order.

Section 4.05. Return of Cancelled Securities. All Securities surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The City may at any time deliver to the Bank for cancellation any Securities previously authenticated and delivered which the City may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Bank. All cancelled Securities held by the Bank shall be destroyed, and evidence of such destruction furnished to the City at such reasonable intervals as it determines subject to applicable rules and regulations of the Securities and Exchange Commission.

Section 4.06. Mutilated, Destroyed, Lost, or Stolen Securities. The City hereby instructs the Bank, subject to the applicable provisions of the Ordinance, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only after (i) the filing by the Owner thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the City and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Owner of the Security mutilated, or destroyed, lost, or stolen.

Section 4.07. Transaction Information to City. The Bank will, within a reasonable time after receipt of written request from the City, furnish the City information as to the Securities it has paid pursuant to Section 3.01 and Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01.

ARTICLE V. THE BANK

Section 5.01. Duties of Bank. The Bank undertakes to perform the duties set forth herein and in the Ordinance and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum approved by the City as prepared by the City's co-financial advisors or other agent. The Bank may act on a facsimile or e-mail transmission of the closing memorandum acknowledged by one of the financial advisors or the City as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

Section 5.02. Transfer of Funds. The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum approved by the City as prepared by the City's Co-Financial Advisor(s) or other agent.

Section 5.03. Reliance on Documents, etc. (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have foregoing statement, the Bank need not to examine the ownership of any Securities but is protected in acting upon receipt of Securities

containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Owner or an agent of the Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by the City.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.04. Recitals of City. The recitals contained herein and in the Securities shall be taken as the statements of the City, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the City, any Owner or Owners of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.05. May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the City with the same rights it would have if it were not the Paying Agent/Registrar or any other agent.

Section 5.06. Money Held by Bank. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of money received from the City hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Owners of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

All funds at any time and from time to time provided to or held by the Bank hereunder shall be deemed, construed, and considered for all purposes as being provided to or held by the Bank in trust. The Bank acknowledges, covenants, and represents that it is acting herein in trust in relation to such funds, and is not accepting, holding, administering, or applying such funds as a banking depository, but solely as a paying agent for and on behalf of the Security thereto. The Owners shall be entitled to the same preferred claim and first lien on the funds so provided as are enjoyed by the beneficiaries of trust funds generally. The funds provided to the Bank hereunder shall not be subject to warrants, drafts or checks drawn by the City and, except as expressly provided herein, shall not be subject to compromise, setoff, or other charge or diminution by the Bank.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the unclaimed property laws of the State of Texas and any provisions in the Ordinance to the contrary, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with

Title 6 of the Texas Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Texas Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Texas Property Code or inactive under Chapter 73 of the Texas Property Code.

Section 5.07. Indemnification. The City agrees, to the extent permitted by law, to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or substitution of the Bank or the termination of this Agreement.

Section 5.08. Interpleader. The City and the Bank agree that the Bank may seek adjudication of any adverse claim, demands or controversy over its persons as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County or Counties where either the Bank (Texas offices only) or the City is located, waive personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the address set forth in Section 6.03 of this Agreement shall constitute adequate service. The City and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming interest herein.

Section 5.09. Depository Trust Company. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements”, promulgated from time to time by The Depository Trust Company, which establishes requirements for securities to be eligible for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE VI. MISCELLANEOUS PROVISIONS

Section 6.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the City or the Bank shall be mailed or delivered to the City or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns. All covenants and agreements herein by the City shall bind

its successors and assigns, whether so expressed or not.

Section 6.06. Severability. In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement. This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar for the Securities, and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern.

Section 6.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Owners thereof or (ii) may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the City and such appointment accepted and (b) notice has been given to the Owners of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and City mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the City.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas and the United States of America.

Section 6.12. No Israel Boycott. Pursuant to Chapter 2270, Texas Government Code (“Chapter 2270”), and solely for purposes relating to Chapter 2270, the Paying Agent verifies, except to the extent otherwise required by applicable federal law, that it is not a company that boycotts or will boycott Israel through the term of the Agreement. The terms “boycotts Israel” and “boycott Israel” as used in this paragraph have the meanings assigned to the term “boycott Israel” in Section 808.001 of the Texas Government Code. The Paying Agent is a company as defined in Section 808.001(2) of the Texas Government Code, which means a for-profit sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit.

Section 6.13. No Terrorist Organization. Additionally, pursuant to Chapter 2252, Texas Government Code (“Chapter 2252”), the Paying Agent certifies, to the extent this Agreement constitutes a governmental contract within the meaning of Section 2252.151 of Chapter 2252, solely for purposes of compliance with Chapter 2252, except to the extent otherwise required by applicable federal law, that it is not, nor is any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Paying Agent, a company that has been listed by the Texas Comptroller of Public Accounts under Sections 806.051 , 807.051 , or 2252.153 of the Texas Government Code.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF WESLACO, TEXAS

Address:

By: _____
Title: Mayor
255 South Kansas Avenue
Weslaco, Texas 78596

[SEAL]

Attest:

Title: City Secretary

ZB, NATIONAL ASSOCIATION DBA AMEGY
BANK

By: _____

Title: _____

Address: 1801 Main Street, 8th Floor
Houston, Texas 77002

EXHIBIT A

Fee Schedule

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 27 of this Ordinance.

Annual Financial Statements and Operating Data. The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified below:

(i) the audited financial statements of the City, but for the most recently concluded Fiscal Year, and, to the extent that such statements are not completed and available, unaudited financial statements for such Fiscal Year; and

(ii) the tables or schedules appearing in the Official Statement relating to the City's Certificates of Obligation, Series 2018, under Tables numbered 1 through 6 and 8 through 25.

Accounting Principles. The accounting principles, with respect to the City, referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph (i) above, as such principles may be changed from time to time to comply with state law or regulation.