

ORDINANCE NO. 2012-07-24-001

ORDINANCE AUTHORIZING THE ISSUANCE OF \$490,000 CITY OF KEMPNER, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012; AUTHORIZING THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS; LEVYING A CONTINUING DIRECT ANNUAL AD VALOREM TAX ON ALL TAXABLE PROPERTY WITHIN THE CITY FOR THE PAYMENT THEREOF AND THE ASSESSMENT AND COLLECTION OF SUCH TAXES; CREATING A SINKING FUND FOR THE REDEMPTION THEREOF; AUTHORIZING THE SALE THEREOF; AND ENACTING OTHER PROVISIONS RELATING TO THE PURPOSES OF THIS ORDINANCE

WHEREAS, the City has heretofore issued its City of Kempner, Texas Limited Tax Notes, Series 2010, dated August 15, 2010 (the "Series 2010 Notes") and City of Kempner, Texas Limited Tax Note, Series 2011, dated May 1, 2011 (the "Series 2011 Note"); and

WHEREAS, the City desires to refund in advance of their maturities all of the callable portion of its outstanding Series 2010 Notes (the "Series 2010 Refunded Obligations") and Series 2011 Note (the "Series 2011 Refunded Obligations") (collectively, the Series 2010 Refunded Obligations and the Series 2011 Refunded Obligations are referred to as the "Refunded Obligations"); and

WHEREAS, on July 24, 2012, the City Council of the City of Kempner, Texas, convened at 7:00 p.m. and considered passage of an ordinance (the "Ordinance") authorizing the issuance of its General Obligation Refunding Bonds, Series 2012 (the "Bonds"); and

WHEREAS, Chapter 1207, Texas Government Code (the "Act"), as amended, authorizes the City to issue refunding bonds payable from taxes, without an election, for the purpose of refunding the Refunded Obligations in advance of their maturities and to accomplish such refunding by depositing directly with any paying agent for the Refunded Obligations the proceeds of such refunding bonds, together with other available funds, in an amount sufficient to provide for the payment or redemption of the Refunded Obligations, and provides that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

WHEREAS, the City desires to restructure the City's debt service obligations to better match the useful life of the City Hall financed by the Series 2010 Notes and the Series 2011 Note to the debt service; and

WHEREAS, Wells Fargo Bank, N.A., Dallas, Texas, is the paying agent for the Series 2010 Notes; and

WHEREAS, Branch Banking and Trust Company, Charlotte, North Carolina is the paying agent for the Series 2011 Note; and

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

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

SECTION 1. Recitals; Consideration. It is hereby found and determined that the matters and facts set out in the preamble to this Ordinance are true and correct.

It is hereby found and determined that the issuance on the Bonds in this Ordinance will result in a restructuring of the City's debt service to better match the useful life of the City Hall that was financed by the Series 2010 Notes and the Series 2011 Note to the debt service, thereby providing debt service relief, such being in the best interest of the City. The City Council realized that the issuance of the Bonds will result in a gross loss of \$95,749.53 and present value loss in the debt service payable by the City in the amount of \$10,768.39 and that the benefits of the restructured debt service are sufficient consideration for the refunding of the Refunded Obligations.

SECTION 2. Definitions. Throughout this Ordinance the following terms and expressions as used herein shall have the meanings set forth below:

The term "Act" shall mean Chapter 1207, Texas Government Code, as amended.

The term "Bonds" or "Bond" shall mean the \$490,000 City of Kempner, Texas General Obligation Refunding Bonds, Series 2012, as authorized in this Ordinance, unless the context clearly indicates otherwise.

The term "Business Day" shall mean any day which is not a Saturday, Sunday, or a day on which the Registrar is authorized by law or executive order to close, or a legal holiday.

The term "City" shall mean the City of Kempner, Texas.

The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

The term "Comptroller" shall mean the Comptroller of Public Accounts of the State of Texas.

The term "Dated Date" shall mean the dated date of the Bonds, August 1, 2012.

The term "Delivery Date" shall mean the date of delivery of the Bonds to the initial purchasers, in exchange for payment for the Bonds, August 14, 2012.

The term "Designated Payment/Transfer Office" shall mean the office of the Paying Agent which is designated for the presentment of the Bonds.

The term "Initial Purchaser" shall mean Compass Bank.

The term "Interest and Sinking Fund" shall mean the interest and sinking fund for payment of the Bonds established by the City in Section 16 of this Ordinance.

The term "Interest Payment Date", when used in connection with any Bond, shall mean February 15, 2013, and each August 15 and February 15 thereafter until maturity or earlier redemption.

The term "Ordinance" as used herein and in the Bonds shall mean this ordinance authorizing the Bonds.

The term "Owner" or "Registered Owner" shall mean any person who shall be the registered owner of any outstanding Bond.

The term "Paying Agent" shall mean the Registrar.

The term "Record Date" for the interest payable on any Interest Payment Date shall mean the close of business on the last business day of the preceding month.

The term "Refunded Obligations" means the callable portion of the outstanding Series 2010 Notes in the aggregate principal amount of \$350,000 and the callable portion of the Series 2011 Note in the aggregate principal amount of \$107,000.

The term "Register" shall mean the books of registration kept by the Registrar, in which are maintained the names and addresses of and the principal amounts of the Bonds registered to each Owner.

The term "Registrar" shall mean initially Compass Bank, and its successors in that capacity.

SECTION 3. Authorization, Maturities, Interest Rates and Interest Payment Dates. The Bonds shall be issued pursuant to the Act as fully registered obligations, without coupons. The Bonds shall be issued in the aggregate principal amount of

\$490,000 for the purpose of refunding the Refunded Obligations, to restructure and level the combined debt service of the City, and to pay costs of issuance of the Bonds.

(a) The Bonds (other than the Initial Bond which shall be numbered T-1) shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be lettered "R" and numbered consecutively from One (1) upward, and principal shall become due and payable on August 15, 2027, and bear interest at the rate per annum of 2.820%.

(b) The Bonds shall bear interest on the unpaid principal amounts from the Delivery Date, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rates per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds shall be payable on February 15 and August 15 in each year, commencing February 15, 2013.

SECTION 4. Designation and Date. The Bonds shall be designated as "CITY OF KEMPNER, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012," and shall be dated August 1, 2012.

SECTION 5. Execution of Bonds; Seal. The Bonds shall be signed by the Mayor and City Secretary of the City, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

SECTION 6. Approval by Attorney General; Registration by Comptroller. The Initial Bond shall be delivered to the Attorney General of Texas for approval and shall be registered by the Comptroller. The manually executed registration certificate of the Comptroller substantially in the form provided in Section 19 of this Ordinance shall be attached or affixed to the Initial Bond.

SECTION 7. Authentication. Except for the Initial Bond, which need not be authenticated by the Registrar, only such Bonds which bear thereon a certificate of authentication, substantially in the form provided in Section 19 of this Ordinance, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bonds so authenticated were delivered by the Registrar hereunder.

SECTION 8. Payment of Principal and Interest. The Registrar is hereby appointed as the Paying Agent and Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which on the date of payment is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the Designated Payment/Transfer Office of the Registrar. The interest on each Bond shall be payable on each Interest Payment Date, by check mailed by the Registrar on or before the Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register, or by such other method acceptable to the Registrar, requested by, and at the risk and expense of, the Owner.

If the date for payment of the principal of or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day with the same force and effect as if made on the date payment was originally due.

SECTION 9. Successor Registrars. The City covenants that at all times while any Bonds are outstanding it will provide a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of the Registrar and Paying Agent for the Bonds. The City reserves the right to change the Registrar on not less than 60 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or Interest Payment Date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or copies thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

SECTION 10. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected Owner of record as of the close of business on the date prior to the mailing of such notice.

SECTION 11. Ownership; Unclaimed Principal and Interest. The City, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal of or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to

be the Owner of any Bond in accordance with this Section 11 shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

SECTION 12. Registration, Transfer, and Exchange. So long as any Bonds remain outstanding, the Registrar shall keep the Register at its Designated Payment/Transfer Office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond for transfer, the Registrar shall, to the extent possible and under reasonable circumstances, authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds, 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 Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the Designated Payment/Transfer Office of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 12. Each Bond delivered in accordance with this Section 12 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Registrar may require the Owner of any Bond 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 Bond. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the City.

SECTION 13. Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. If any Bond is

lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authorize and the Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The City or the Registrar may require the Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar. The City or the Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

- (1) furnish to the City and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (2) furnish such security or indemnity as may be required by the Registrar and the City to save them harmless;
- (3) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (4) meet any other reasonable requirements of the City and the Registrar.

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

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section 13 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

SECTION 14. Cancellation of Bonds. All Bonds paid in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon the making of proper records regarding such payment. The Registrar shall furnish the City with appropriate certificates of destruction of such Bonds.

SECTION 15. Reserved.

SECTION 16. Interest and Sinking Fund; Tax Levy. There is hereby established a separate fund of the City to be known as the City of Kempner, Texas General Obligation Refunding Bonds, Series 2012 Interest and Sinking Fund (the "Interest and Sinking Fund"), which shall be kept separate and apart from all other funds of the City. The proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by this Ordinance shall be deposited, as collected, in the Interest and Sinking Fund. While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, there is hereby levied and there shall be annually assessed and collected in due time, form and manner, and at the same time as other City taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, within the limits prescribed by law, upon all taxable property in the City, sufficient to pay the current interest on the Bonds as the same becomes due and to provide and maintain a sinking fund of not less than two percent of the principal amount of the Bonds or the amount required to pay each installment of principal of the Bonds as the same matures, whichever is greater, full allowance being made for delinquencies and costs of collection, and said taxes are hereby irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

SECTION 17. Effect of Pledge. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the taxes thereof granted by the City under Section 16 of this Ordinance, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the taxes granted by the City under Section 16 of this Ordinance is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Registered Owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 18. Redemption.

(a) *Optional Redemption.* The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2023, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2022, or on any date thereafter, at the redemption price of par, plus accrued interest to the date of redemption, and upon ten (10) days written notice being sent by United States mail, first class postage prepaid, to the Registered Owner of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in this Ordinance.

(b) *Mandatory Redemption.* The Bonds maturing in the year 2027 (the "Term Bonds") are subject to mandatory redemption prior to maturity at the price of par and

accrued interest and shall be redeemed, in part, on the date and in the principal amount set forth below:

Term Bonds Due August 15, 2027

August 15, 2013	\$ 25,000
August 15, 2014	30,000
August 15, 2015	30,000
August 15, 2016	30,000
August 15, 2017	30,000
August 15, 2018	30,000
August 15, 2019	30,000
August 15, 2020	30,000
August 15, 2021	35,000
August 15, 2022	35,000
August 15, 2023	35,000
August 15, 2024	35,000
August 15, 2025	35,000
August 15, 2026	40,000
August 15, 2027	40,000 (Maturity)

At least forty-five days prior to each mandatory redemption date specified above that the Term Bonds are to be mandatorily redeemed, the Registrar shall select by lot the numbers of the Term Bonds within the applicable maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Bonds of the same maturity which at least fifty (50) days prior to a mandatory redemption date (i) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase and delivered to the Registrar for cancellation or (ii) shall have been purchased and canceled by the Registrar at the request of the City with money in the Interest and Sinking Fund.

SECTION 19. Forms.

(a) *Form Generally.* The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Authentication Certificate of the Paying Agent/Registrar, and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities

Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) *Placement of Text.* Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

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

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

(e) *Form of the Bonds.* The form of the Bonds, including the form of the Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller, which shall be attached or affixed to the Bonds initially issued, shall be, respectively, substantially as follows, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Ordinance:

REGISTERED
NO. R-__

REGISTERED PRINCIPAL
AMOUNT \$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF KEMPNER, TEXAS
GENERAL OBLIGATION REFUNDING BOND
SERIES 2012

Dated Date: August 1, 2012 Interest Rate: _____% Stated Maturity: _____

Delivery Date: August 14, 2012

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Kempner, Texas (hereinafter referred to as the "City"), 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, on the Stated Maturity date specified above the Principal Amount hereinabove stated (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 Delivery Date 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 in each year, commencing February 15, 2013. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest is payable to the Registered Owner of this Bond 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, and interest shall be paid by the Paying Agent/Registrar by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. All payments of principal of and interest on this Bond shall be without exchange or collection charges to the Registered Owner hereof and 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.

THIS BOND is one of the duly authorized issue of General Obligation Refunding Bonds, Series 2012, in the aggregate principal amount of \$490,000 (the "Bonds"), issued for the purpose of refunding the Refunded Obligations, to restructure and level the combined debt service of the City, and to pay costs of issuance of the Bonds, pursuant to an ordinance adopted by the City Council on July 24, 2012 (the "Ordinance").

The City reserves the right to redeem Bonds having stated maturities on and after August 15, 2023, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2022, or on any date thereafter, at the redemption price of par, plus accrued interest to the date of redemption, and upon ten (10) days written notice being sent by United States mail, first class postage prepaid, to the Registered Owner of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Ordinance.

The Bonds maturing in the year 2027 (the "Term Bonds") are subject to mandatory redemption prior to maturity at the price of par and accrued interest and shall be redeemed, in part, on the date and in the principal amount set forth below:

Term Bonds Due August 15, 2027

August 15, 2013	\$ 25,000
August 15, 2014	30,000
August 15, 2015	30,000
August 15, 2016	30,000
August 15, 2017	30,000
August 15, 2018	30,000
August 15, 2019	30,000
August 15, 2020	30,000
August 15, 2021	35,000
August 15, 2022	35,000
August 15, 2023	35,000
August 15, 2024	35,000
August 15, 2025	35,000
August 15, 2026	40,000
August 15, 2027	40,000 (Maturity)

At least forty-five days prior to each mandatory redemption date specified above that the Term Bonds are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable maturity to be redeemed on the next following August 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Bonds of the same maturity which at least fifty (50) days prior to a mandatory redemption date (i) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Interest and Sinking Fund.

The Bonds are payable from the proceeds of an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City. Reference is hereby made to the Ordinance, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the Registered Owner or Holder of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Bond; the terms and conditions relating to the transfer or exchange of this Bond; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to its maturity, and deemed to be no longer outstanding thereunder; and for other terms and provisions

contained therein. Capitalized terms used herein have the meanings assigned in the Ordinance.

This Bond, subject to certain limitations contained in the Order, may be transferred on the Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the Registered Owner hereof, or his duly authorized agent. When a transfer on the Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Registered Owner whose name appears on the Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal at the Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a Bond on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things to be done precedent to and in the issuance of this Bond and the series of which it is a part, have been properly done, have happened and have been performed in regular and due time, form and manner as required by law; that proper provisions have been made for the levy and collection annually of taxes upon all taxable property in said City sufficient, within the limits prescribed by law, to pay the interest on this Bond and the series of which it is a part as due and to provide for the payment of the principal as the same matures; and that the total indebtedness of the City, including the Bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City has caused this Bond to be executed by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed or placed in facsimile on this Bond.

Mayor
City of Kempner, Texas

City Secretary
City of Kempner, Texas

[CITY SEAL]

Form of Registration Certificate
of Comptroller of Public Accounts

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

WITNESS MY SIGNATURE AND SEAL this _____.

(SEAL)

XXXXXXXXXX

Comptroller of Public Accounts
of the State of Texas

Form of Registrar's Authentication Certificate

The following Authentication Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Ordinance described in the text of this Bond.

Compass Bank
as Paying Agent/Registrar

By: _____
Authorized Signature

Date of Authentication _____

Form of Assignment

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

_____/_____
(Please print or typewrite name and address, including zip code, of Transferee) (Please insert Social Security or Taxpayer Identification Number)

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240-17Ad-15).

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

(f) *The Initial Bond shall be in the form set forth therefor in paragraph (e) of this Section, except as follows:*

Heading and paragraph one shall be amended to read as follows:

REGISTERED
No. T-1

\$490,000

UNITED STATES OF AMERICA

STATE OF TEXAS
CITY OF KEMPNER, TEXAS
GENERAL OBLIGATION REFUNDING BOND
SERIES 2012

Dated Date:	Interest Rate:	Stated Maturity:
August 1, 2012	2.820%	August 15, 2027

Delivery Date: August 14, 2012

Registered Owner: COMPASS BANK

Principal Amount: FOUR HUNDRED NINETY THOUSAND DOLLARS

The City of Kempner, Texas (hereinafter referred to as the "City"), 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 Principal Amount hereinabove stated (or so much principal thereof as shall not have been prepaid prior to maturity) on the Stated Maturity date specified above, and to pay interest on the unpaid principal amount hereof from the Delivery Date 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 in each year, commencing February 15, 2013. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner hereof by Compass Bank (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated office in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest is payable to the Registered Owner of this Bond 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, and interest shall be paid by the Paying Agent/Registrar by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Registered Owner hereof and 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.

SECTION 20. Further Proceedings. After the Bonds to be initially issued shall have been executed, it shall be the duty of the Mayor and other appropriate officials and agents of the City to deliver the Bonds to be initially issued and all pertinent records and proceedings to the Attorney General of the State of Texas, for examination and approval. After the Bonds to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller for registration. Upon registration of the Bonds to be initially issued, the Comptroller (or the Comptroller's bond

clerk or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

SECTION 21. Sale; Purchase Letter. The Bonds are hereby sold and shall be delivered to Compass Bank (the "Initial Purchaser") at a price of \$490,000 (representing the principal amount of the Bonds) registered in the name of Compass Bank, generally in denominations of \$5,000 or any integral multiple thereof in accordance with the terms of a Purchase Letter of even date herewith, presented to and hereby approved by the City Council, which price and terms are hereby found and determined to be the most advantageous and reasonably obtainable by the City. The Mayor is authorized to execute the Purchase Letter. In addition, other appropriate officials of the City are hereby authorized and directed to execute such Purchase Letter on behalf of the City. The Mayor and all other officers, agents and representatives of the City are hereby authorized to do any and all things necessary or desirable to satisfy the conditions set out therein and to provide for the issuance and delivery of the Bonds.

SECTION 22. Covenants Regarding Tax Exemption of Interest on the Bonds. The City covenants to take any action necessary to secure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

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

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

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

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

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

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

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

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

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

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

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

(i) to maintain such records as will enable the City to fulfill its responsibilities under this section and section 148 of the Code and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

In order to facilitate compliance with the above covenants (h) and (i), a "Rebate Fund" is hereby authorized to be established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other

person, including, without limitation, the Owners. The Rebate Fund is authorized to be established for the additional purpose of compliance with section 148 of the Code.

It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor and the City Secretary to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

SECTION 23. Use of Proceeds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be applied as follows: to have the Paying Agent on August 14, 2012 (1) distribute to Wells Fargo Bank, N.A., Dallas, Texas, the paying agent for the Series 2010 Notes, the sum of \$354,833.75 to refund the Series 2010 Refunded Obligations, and (2) distribute to Branch Banking and Trust Company, Charlotte, North Carolina, the paying agent for the Series 2011 Note, the sum of \$109,642.89 to refund the Series 2011 Refunded Obligations as more fully provided below. To the extent not otherwise provided for, a portion of the proceeds from the sale of the Bonds shall also be used to pay all expenses arising in connection with the issuance of the Bonds. Any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Interest and Sinking Fund.

SECTION 24. Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the City represents: (a) that the aggregate amount of tax-exempt obligations issued by the City during calendar year 2012, including the Bonds, which have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code, does not exceed \$10,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the City during calendar year 2012 including the Bonds, will not exceed \$10,000,000. For purposes of this Section, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. In addition, for purposes of this Section, the City includes all governmental units which are aggregated with the City under the Code.

SECTION 25. Redemption/Defeasance of Refunded Obligations.

(a) *Call.*

(i) The City hereby irrevocably calls the following obligations of the City for redemption prior to maturity or defeasance to maturity on the dates set forth below, at the redemption price set forth below, and authorizes and directs notice of such redemption to be given in accordance with the ordinances authorizing the issuance of such obligations:

<u>Obligations to be Redeemed</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
Limited Tax Notes, Series 2010 Maturities 2013 through 2017	August 15, 2012	@ Par plus accrued interest to the date of redemption
Limited Tax Note, Series 2011 Installments 2013 through 2018	August 15, 2012	@ Par plus a 1% redemption fee plus accrued interest to the date of redemption

(ii) The City hereby authorizes and instructs the Mayor, City Manager and the paying agent for the Refunded Obligations to take such steps as are necessary to accomplish the redemption and the defeasance of the Refunded Obligations in accordance with the provisions hereof.

(b) *Notice of Defeasance/Redemption.* The City hereby ratifies its authorization to give notice of defeasance/redemption of the Refunded Obligations in the manner and within the time required by the ordinances authorizing the issuance thereof. The notices of redemption for the Refunded Obligations will be substantially in the form set out in Exhibit A.

SECTION 26. Refunding of Refunded Obligations. It is hereby found and determined that the refunding of the Refunded Obligations is advisable and necessary in order to restructure the principal and interest requirements of the City.

SECTION 27. Refunding.

(a) *Deposit with Paying Agents.*

(1) (1) The sum of \$354,833.75 from Bond proceeds will be transferred by the Paying Agent to the paying agent for the Series 2010 Notes at Closing (August 14, 2012) to be used on August 15, 2012 to redeem the Series 2010 Refunded Obligations in the amount of \$354,833.75, representing \$350,000 of principal and \$4,833.75 of interest, plus \$250.00, the sum represented by Wells Fargo Bank, N.A., the paying agent for the Series 2010 Notes, as

the amount of fees necessary to complete the refunding of the Series 2010 Refunded Obligations.

- (2) The sum of \$109,642.89 from Bond proceeds will be transferred by the Paying Agent to the paying agent for the Series 2011 Note at Closing (August 14, 2012) to be used on August 15, 2012 to redeem the Series 2011 Refunded Obligations in the amount of \$109,642.89, representing \$107,000 of principal, a redemption premium of \$1,070.00 and \$1,572.89 of interest, with no additional amount represented by Branch Banking and Trust Company, Charlotte, North Carolina, the paying agent for the Series 2011 Note, as necessary to complete the refunding of the Series 2011 Refunded Obligations.

(b) *Related Matters.* To satisfy in a timely manner all of the City's obligations under this Ordinance and the Purchase Letter, the Mayor, the City Secretary, the City Manager, and all other appropriate officers and agents of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the refunding of the Refunded Obligations, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the City's obligations under the Purchase Letter and this Ordinance and to direct the application of funds of the City consistent with the provisions of this Ordinance.

(c) *Transfer from Interest and Sinking Funds.* On the date of delivery of and payment for the Bonds there shall be transferred from the Interest and Sinking Funds for the Refunded Obligations to the Paying Agent, amounts sufficient, if any, when added to the proceeds of the Bonds, to provide for the refunding of the Refunded Obligations, all as set out in the schedules of the Financial Advisor.

SECTION 28. Reserved.

SECTION 29. No Rule 15c2-12 Undertaking; Annual Financial Statements. The aggregate principal amount of the Bonds is less than \$1,000,000, and therefore Rule 15c2-12 of the Securities and Exchange Commission is not applicable to the offering of the Bonds. Accordingly, the City does not intend to make any contract to provide continuing disclosure information after the issuance of the Bonds, however, so long as the Initial Purchaser or its assignee is the sole Registered Owner of the Bonds, unless waived by the Initial Purchaser, the City shall provide the following to the Initial Purchaser:

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

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

SECTION 30. Ordinance a Contract; Amendments. The Ordinance shall constitute a contract with the Owners, from time to time, of the Bonds, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Bond remains outstanding except as permitted in this Section. The City may amend the Ordinance without the consent of or notice to any Owners to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders; (ii) grant additional rights or security for the benefit of the holders; (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders; (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect; or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders. In addition, the City may amend the Ordinance in ways not described above with the consent of the holders of a majority of the aggregate principal amount of the Bonds outstanding if it is deemed necessary or desirable by the City; provided, however, that without the consent of the holders of 100% of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal, interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

SECTION 31. Related Matters. The Mayor and City Secretary, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal 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 Bonds, the sale of the Bonds and the Purchase Letter. In addition, prior to the initial delivery of the Bonds, the Mayor and 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, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Bonds by the Attorney General's office. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, 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 32. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

SECTION 33. Open Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

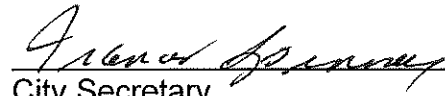
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PASSED AND APPROVED this the 24th day of July, 2012.



Mayor
City of Kempner, Texas

ATTEST:



City Secretary
City of Kempner, Texas

[CITY SEAL]

EXHIBIT A

Notices of Redemption