

ORDINANCE NO. 2019-01-\_\_\_\_\_

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF “CITY OF MCKINNEY, TEXAS, TAX AND LIMITED PLEDGE WATERWORKS AND SEWER SYSTEM REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2019,” PROVIDING FOR THE PAYMENT OF SAID CERTIFICATES OF OBLIGATION BY THE LEVY OF AN AD VALOREM TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY AND A LIMITED PLEDGE OF THE CITY’S WATERWORKS AND SEWER SYSTEM; PROVIDING THE TERMS AND CONDITIONS OF SUCH CERTIFICATES OF OBLIGATION AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SAID CERTIFICATES OF OBLIGATION, INCLUDING THE APPROVAL AND EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND A PURCHASE LETTER; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, notice of the City Council’s intention to issue certificates of obligation in the maximum principal amount of \$7,600,000 for the purpose of paying contractual obligations to be incurred for (i) acquisition, construction, improvement and equipment of park and recreational facilities, including the purchase of land therefor and (ii) professional services rendered in relation to such project and the financing thereof; has been duly published in *The Dallas Morning News*, a newspaper of general circulation in the City of McKinney, Texas, on December 13, 2018 and December 20, 2018; and

**WHEREAS**, no petition protesting the issuance of the certificates of obligation described in the aforesaid notice, signed by at least 5% of the qualified electors of the City, has been presented to or filed with the City Secretary on or prior to the date of the passage of this Ordinance; and

**WHEREAS**, the City Council hereby finds and determines that the certificates of obligation described in such notice should be authorized at this time;

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

Section 1. Authorization, Designation, Principal Amount, Purpose. Certificates of obligation of the City shall be and are hereby authorized to be issued in the aggregate principal amount of \$7,560,000 to be designated and bear the title “CITY OF MCKINNEY, TEXAS, TAX AND LIMITED PLEDGE WATERWORKS AND SEWER SYSTEM REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2019” (hereinafter referred to as the “Certificates”), for the purpose of paying contractual obligations to be incurred for (i) acquisition, construction, improvement and equipment of park and recreational facilities, including the purchase of land therefor and (ii) professional services rendered in relation to such project and the

financing thereof; pursuant to authority conferred by, and in conformity with, the Constitution and laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended.

Section 2. Fully Registered Obligations - Authorized Denominations - Stated Maturity - Interest Rates - Date. The Certificates shall be issued as a single fully registered obligation; shall be dated January 15, 2019 (the "Certificate Date"); and shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), and the Certificates shall become due and payable on August 15, 2028 (the "Stated Maturity"). The Certificates shall bear interest on the unpaid principal amount thereof from the date of initial delivery of the Certificates at the per annum rate of 3.90% (calculated on the basis of a 360-day year of twelve 30-day months) and interest shall be payable February 15 and August 15 of each year, commencing August 15, 2019, until maturity or prior redemption of Certificates.

Section 3. Payment of Certificates - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Certificates, due and payable by reason of maturity, redemption or otherwise, shall be payable, without exchange or collection charges to the registered owner thereof, 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.

The selection and appointment of BOKF, NA, Dallas, Texas, to serve as 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 Designated Payment/Transfer Office of the Paying Agent/Registrar, books and records (the "Security 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", substantially in the form attached hereto as **Exhibit A** and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe; and the Mayor and City Secretary are authorized to execute and deliver such Agreement in connection with the delivery of the Certificates. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are paid, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution, or other entity duly qualified and legally authorized to act as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered 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.

Principal of, premium, if any, and interest on the Certificates, due and payable by reason of maturity or redemption, shall be payable only to the registered owners of the Certificates (hereinafter referred to as the "Holder")

or “Holders”) appearing on the Security Register and, to the extent permitted by law, neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of and premium, if any, on the Certificates shall be payable at the Stated Maturity or redemption (excluding mandatory sinking fund redemptions) thereof only upon presentation and surrender of the Certificates to the Paying Agent/Registrar at its designated office initially in St. Paul, Minnesota, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the “Designated Payment/Transfer Office”). Interest on the Certificates shall be paid to the Holder whose name appears in the Security Register at the close of business on the Record Date (the last business day of the month next preceding the interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. 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 when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to be closed, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to be closed, and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the 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 Holder appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

#### Section 4. Redemption.

(a) Optional Redemption. The Certificates shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof,

on any date at the redemption price of par plus accrued interest to the date of redemption.

Notwithstanding the foregoing, while BOKF, NA dba Bank of Texas (the "Purchaser"), is the sole Holder of the Outstanding Certificates, upon optional redemption of all or part of the principal amount of the Certificates on any date pursuant to this Section 4(a), the City agrees that all fees and other prepaid finance charges are earned fully as of the date of the Certificates and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law.

IN THE EVENT of any Unscheduled Principal Reduction, the City shall be obligated to pay to the Purchaser, in addition to the redemption price and all other costs and fees to which the Purchaser is otherwise entitled, a Yield Maintenance Fee as compensation for the Purchaser having agreed to calculate the interest due on the Certificates at a fixed rate. In this regard, the following definitions shall apply:

"Yield Maintenance Fee" means the sum of the present value (discounted at Remaining Term Swap Rate defined below) of (i) the remaining scheduled interest payments to be paid on the Unscheduled Principal Reduction through end of the Current Fixed Period, less (ii) the interest payments which would be collected on a new loan of the same amount as the Unscheduled Principal Reduction through the end of the Current Fixed Period at the New Fixed Rate.

"Current Fixed Period" means the period of time during which the City and the Purchaser have agreed to calculate the interest due on the Certificates at a fixed rate as of the date of any Unscheduled Principal Reduction.

"Current Fixed Rate" means the fixed rate of interest upon which the Certificates interest payments are calculated as of the business day preceding any Unscheduled Principal Reduction.

"Fixing Date" means February 5, 2019.

"New Fixed Rate" means the rate equal to the sum of (i) the Remaining Term Swap Rate, plus (ii) the Original Spread.

"Original Spread" means the resulting difference when (i) Original Term Swap Rate is subtracted from (ii) the Current Fixed Rate.

"Original Term Swap Rate" means the International Swaps and Derivatives Association ("ISDA") mid-market par swap rate (or interpolated rate) as of the Fixing Date with a term matching the original term of the Current Fixed Period.

“Remaining Term Swap Rate” means ISDA's mid-market par swap rate (or interpolated rate) for the term matching the time remaining to the end of the Current Fixed Period on the business day preceding the Unscheduled Principal Reduction.

“Scheduled Principal Balance” means for any period(s) the outstanding principal balance that may be determined using the description of the funding and payment obligations of the City contained herein.

“Unscheduled Principal Reduction” means any reduction, for any reason at any time, in the Scheduled Principal Balance of the Certificates.

(b) Mandatory Redemption. The Certificates shall be subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
August 15, 2019	465,000	August 15, 2024	785,000
August 15, 2020	675,000	August 15, 2025	815,000
August 15, 2021	700,000	August 15, 2026	845,000
August 15, 2022	725,000	August 15, 2027	880,000
August 15, 2023	755,000	August 15, 2028 (maturity)	915,000

The principal amount of the Certificates required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Certificates which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in paragraph(a) of this Section and not theretofore credited against a mandatory redemption requirement.

(c) Exercise of Redemption Option. At least forty-five (45) days prior to an optional redemption date for the Certificates (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Certificates, the principal amount to be redeemed, and the date of redemption therefor.

(d) Selection of Certificates for Redemption. If less than all Outstanding Certificates are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Certificates as representing the number of Certificates Outstanding which is obtained by dividing the

principal amount of such Certificates by \$5,000 and shall select the Certificates to be redeemed by lot.

- (e) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Certificates, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether or not received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Certificates, (ii) identify the Certificates to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Certificates, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Certificates, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Certificate is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as hereinabove provided, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Certificate (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

- (f) Conditional Notice of Redemption. With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice

shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

Section 5. Registration - Transfer - Exchange of Certificates - Predecessor Certificates. A Security Register relating to the registration, payment, and transfer or exchange of the Certificates shall at all times be kept and maintained by the City at the Designated Payment/Transfer Office of the Paying Agent/Registrar and at a place within the State of Texas, and the Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each registered owner of the Certificates issued under and pursuant to the provisions of this Ordinance. Any Certificate may, in accordance with its terms and the terms hereof, be transferred or exchanged for Certificates of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Certificate to the Paying Agent/Registrar at its Designated Payment/Transfer Office for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon the surrender for transfer of any Certificate at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Certificates, executed on behalf of, and furnished by, the City, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Certificate or Certificates surrendered for transfer.

At the option of the Holder, Certificates may be exchanged for other Certificates of authorized denominations and having the same Stated Maturity, bearing the same rate of interest, and of like aggregate principal amount as the Certificates surrendered for exchange upon the surrender of the Certificates to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Certificates are so surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Certificates, executed on behalf of, and furnished by the City, to the Holder requesting the exchange.

All Certificates issued upon any transfer or exchange of Certificates shall be delivered at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the Holder and, upon the delivery thereof, the same shall be valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered in such transfer or exchange.

All transfers or exchanges of Certificates pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Certificates cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Certificates," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Certificate or Certificates registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Certificates" shall include any Certificate registered and delivered pursuant to Section 22 hereof in lieu of a mutilated, lost, destroyed, or stolen Certificate which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption of such Certificate; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate called for redemption in part.

Section 6. Execution - Registration. The Certificates shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and countersigned by the City Secretary. The signatures of said officers and the seal of the City on the Certificates may be manual or facsimile. Certificates bearing the manual or facsimile signatures of said individuals who are or were the proper officers of the City on the Certificate Date shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the delivery of the Certificates to the initial purchaser(s), and with respect to Certificates delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code, as amended.

No Certificate shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Certificate either a certificate of registration substantially as set forth in the form of the Certificates provided in Section 8(b), manually executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, or a certificate of registration substantially as set forth in the form of the Certificates provided in Section 8(c), manually executed by an authorized officer, employee, or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Certificate



shall be conclusive evidence, and the only evidence, that such Certificate has been duly certified, registered, and delivered.

Section 7. Initial Certificate. The Certificates herein authorized shall be initially issued as a single fully registered certificate in the total principal amount referenced in Section 1 and numbered T-1 (hereinafter called the "Initial Certificate") and the Initial Certificate shall be registered in the name of the Purchaser or the designee thereof. The Initial Certificate shall be the Certificate submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Certificate, the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Certificate delivered hereunder and exchange therefor one or more definitive Certificates numbered R-1 and upward of authorized denominations and principal amounts for transfer and delivery to the Holder named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

Section 8. Forms.

(a) Forms Generally. The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of the Paying Agent/Registrar, and the form of Assignment to be printed on the Certificates, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and 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 insurance legends on insured Certificates and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the City or be determined by the officers executing such Certificates as evidenced by their execution thereof. Any portion of the text of any Certificate may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The definitive Certificates and the Initial Certificate shall be printed, lithographed, or engraved or typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Certificates as evidenced by their execution thereof.

The City may provide (i) for issuance of one fully registered Certificate in the aggregate principal amount of the Stated Maturity and (ii) for registration of such Certificate in the name of a securities depository, or the nominee thereof. While any Certificate is registered in the name of a securities depository or its nominee, references herein and in the Certificates to the holder or owner of such Certificate shall mean the securities depository or its nominee and shall not mean any other person.

(b) Form of Certificate.

REGISTERED  
NO. [T-1][R-1]

REGISTERED  
\$7,560,000

UNITED STATES OF AMERICA  
STATE OF TEXAS  
CITY OF MCKINNEY, TEXAS  
TAX AND LIMITED PLEDGE WATERWORKS AND SEWER SYSTEM REVENUE  
CERTIFICATE OF OBLIGATION  
TAXABLE SERIES 2019

Certificate Date:  
January 15, 2019

Interest Rate:  
3.90%

Stated Maturity:  
August 15, 2028

Registered Owner: BOKF, NA dba BANK OF TEXAS

Principal Amount: SEVEN MILLION FIVE HUNDRED SIXTY THOUSAND DOLLARS

The City of McKinney (hereinafter referred to as the "City"), a body corporate and municipal corporation in the County of Collin, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount stated above from the date of initial delivery of the Certificates 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 February 15 and August 15 of each year, commencing August 15, 2019, until maturity or prior redemption of Certificates. Principal of this Certificate shall be payable at its Stated Maturity to the Registered Owner hereof upon presentation and surrender to BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender at its designated offices in St. Paul, Minnesota (the "Designated Payment Transfer Office"). Interest shall be payable to the Registered Owner of this Certificate (or of one or more Predecessor Certificates, as defined in the Ordinance hereinafter referenced) whose name appears on the "Security 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 the 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 Security Register or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. 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 when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to be closed, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to be closed, and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, 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.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$7,560,000 for the purpose of paying contractual obligations to be incurred for (i) acquisition, construction, improvement and equipment of park and recreational facilities, including the purchase of land therefor and (ii) professional services rendered in relation to such projects and the financing thereof; pursuant to the authority conferred by and in conformity with the Constitution and laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and pursuant to an ordinance adopted by the governing body of the City (hereinafter referred to as the "Ordinance").

The Certificates shall be subject to mandatory redemption prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount (\$)</u>	<u>Redemption Date</u>	<u>Principal Amount (\$)</u>
August 15, 2019	465,000	August 15, 2024	785,000
August 15, 2020	675,000	August 15, 2025	815,000
August 15, 2021	700,000	August 15, 2026	845,000
August 15, 2022	725,000	August 15, 2027	880,000
August 15, 2023	755,000	August 15, 2028 (maturity)	915,000

The particular Certificates to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Certificates 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 Certificates which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Certificate plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the

optional redemption provisions appearing below and not theretofore credited against a mandatory redemption requirement.

The Certificates may be redeemed prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if in part by lot by the Paying Agent/Registrar), on any date at the redemption price of par plus accrued interest to the date of redemption.

Notwithstanding the foregoing, while BOKF, NA dba Bank of Texas (the "Purchaser"), is the sole Holder of the Outstanding Certificates, upon optional redemption of all or part of the principal amount of the Certificates on any date pursuant to the Ordinance, the City agrees that all fees and other prepaid finance charges are earned fully as of the date of the Certificates and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law.

IN THE EVENT of any Unscheduled Principal Reduction, the City shall be obligated to pay to the Purchaser, in addition to the redemption price and all other costs and fees to which the Purchaser is otherwise entitled, a Yield Maintenance Fee as compensation for the Purchaser having agreed to calculate the interest due on the Certificates at a fixed rate. In this regard, the following definitions shall apply:

"Yield Maintenance Fee" means the sum of the present value (discounted at Remaining Term Swap Rate defined below) of (i) the remaining scheduled interest payments to be paid on the Unscheduled Principal Reduction through end of the Current Fixed Period, less (ii) the interest payments which would be collected on a new loan of the same amount as the Unscheduled Principal Reduction through the end of the Current Fixed Period at the New Fixed Rate.

"Current Fixed Period" means the period of time during which the City and the Purchaser have agreed to calculate the interest due on the Certificates at a fixed rate as of the date of any Unscheduled Principal Reduction.

"Current Fixed Rate" means the fixed rate of interest upon which the Certificates interest payments are calculated as of the business day preceding any Unscheduled Principal Reduction.

"Fixing Date" means February 5, 2019.

"New Fixed Rate" means the rate equal to the sum of (i) the Remaining Term Swap Rate, plus (ii) the Original Spread.

"Original Spread" means the resulting difference when (i) Original Term Swap Rate is subtracted from (ii) the Current Fixed Rate.

“Original Term Swap Rate” means the International Swaps and Derivatives Association (“ISDA”) mid-market par swap rate (or interpolated rate) as of the Fixing Date with a term matching the original term of the Current Fixed Period.

“Remaining Term Swap Rate” means ISDA’s mid-market par swap rate (or interpolated rate) for the term matching the time remaining to the end of the Current Fixed Period on the business day preceding the Unscheduled Principal Reduction.

“Scheduled Principal Balance” means for any period(s) the outstanding principal balance that may be determined using the description of the funding and payment obligations of the City contained herein.

“Unscheduled Principal Reduction” means any reduction, for any reason at any time, in the Scheduled Principal Balance of the Certificates.

At least thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Certificate to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinance. If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

In the event a portion of the principal amount of a Certificate is to be redeemed, payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Certificate to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Certificate or Certificates of like maturity and interest rate in any authorized denominations provided by the Ordinance for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Certificate is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Certificate to an assignee of the registered owner within forty-five (45) days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Certificate redeemed in part.

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar

on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City and are additionally payable from and secured by a lien on and limited pledge of the Net Revenues of the City's combined waterworks and sewer system (the "System"), as provided in the Ordinance. In the Ordinance, the City reserves and retains the right to issue Additional Certificates equally and ratably secured with the Certificates by a parity lien on and pledge of the Net Revenues.

Reference is hereby made to the Ordinance, a copy of which is on file at the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the Registered Owner 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 Certificates; the properties constituting the System; the Net Revenues pledged to the payment of the principal of and interest on the Certificates; the nature, extent, and manner of enforcement of the pledge; the terms and conditions relating to the transfer or exchange of this Certificate; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Registered Owners; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the tax levy and the liens, pledges, charges, and covenants made therein may be discharged at or prior to the maturity of this Certificate, and this Certificate deemed to be no longer Outstanding thereunder; and for the other terms and provisions thereof. Capitalized terms used herein and not otherwise defined herein have the meanings assigned in the Ordinance.

This Certificate, subject to certain limitations contained in the Ordinance, may be transferred on the Security 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 Security Register occurs, 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 by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the Registered Owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to the payment of the interest hereon, (ii) on the date of surrender of this Certificate as the owner entitled to the payment of the principal hereof at its 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 a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the 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 appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented, and covenanted that the City is a duly organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Certificates is duly authorized by law; that all acts, conditions, and things required to exist and be done precedent to and in the issuance of the Certificates to render the same lawful and valid obligations of the City have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Certificates do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Certificates by the levy of a tax and a limited pledge of and lien on the Net Revenues of the System as aforesaid. In case any provision in this Certificate or any application thereof shall be 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, the City Council of the City has caused this Certificate to be duly executed under the official seal of the City as of the Certificate Date.

CITY OF MCKINNEY, TEXAS

\_\_\_\_\_  
Mayor

COUNTERSIGNED:

\_\_\_\_\_  
City Secretary

(CITY SEAL)

- (c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Certificate only.

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE )  
 COMPTROLLER )  
 OF PUBLIC ACCOUNTS ) REGISTER NO. \_\_\_\_\_  
 )  
 THE STATE OF TEXAS )

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

WITNESS my signature and seal of office this \_\_\_\_\_.

\_\_\_\_\_  
 Comptroller of Public Accounts  
 of the State of Texas

(SEAL)

- (d) Form of Certificate of Paying Agent/Registrar to Appear on definitive Certificates only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Certificate has been duly issued and registered under the provisions of the within mentioned Ordinance; the Certificate or Certificates of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar located in St. Paul, Minnesota, is the "Designated Payment/Transfer Office" for this Certificate.

BOKF, NA, Dallas, Texas,  
 as Paying Agent/Registrar

Registration date:

\_\_\_\_\_

By \_\_\_\_\_  
 Authorized Signature



(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto  
(Print or typewrite name, address, and zip code of transferee:)\_\_\_\_\_

\_\_\_\_\_  
(Social Security or other identifying number \_\_\_\_\_) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

\_\_\_\_\_  
Signature guaranteed:

\_\_\_\_\_  
NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within Certificate in every particular.

Section 9. Definitions. For purposes of this Ordinance and for clarity with respect to the issuance of the Certificates herein authorized, and the levy of taxes and appropriation of Net Revenues therefor, the following words or terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

- (a) The term “Additional Certificates” shall mean combination tax and revenue certificates of obligation or other obligations which the City is authorized to issue, whether at the time of the adoption of this Ordinance or thereafter, hereafter issued under and pursuant to the provisions of Subchapter C of Chapter 271, Texas Local Government Code, as amended, or any similar law hereafter enacted, and payable from ad valorem taxes and additionally payable from and secured by a lien on and pledge of the Net Revenues on a parity with and of equal dignity with the lien and pledge securing the payment of the Certificates.
- (b) The term “Certificates” shall mean the \$7,560,000 “City of McKinney, Texas, Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Taxable Series 2019” authorized by this Ordinance.
- (c) The term “Certificate Fund” shall mean the special Fund created and established under the provisions of Section 10 of this Ordinance.

- (d) The term “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.
- (e) The term “Fiscal Year” shall mean the annual financial accounting period used with respect to the System now ending on September 30th of each year; provided, however, the City Council may change, by ordinance duly passed, such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes and to be consistent with the ordinances authorizing the additional obligations of the City.
- (f) The term “Maintenance and Operation Expenses” shall mean all reasonable and necessary expenses directly related and attributable to the operation and maintenance of the System, including, but not limited to, the cost of insurance, the purchase and carrying of stores, materials, and supplies for servicing, repairing, or maintaining System facilities, the payment of salaries and labor, and other expenses reasonably and properly charged, under generally accepted accounting principles, to the operation and maintenance of the System. Depreciation charges on equipment, machinery, and other facilities comprising the System and expenditures classed under generally accepted accounting principles as capital expenditures shall not be considered as “Maintenance and Operation Expenses” for purposes of determining “Net Revenues”.
- (g) The term “Net Revenues” shall mean, with respect to any period, all income, revenues, and receipts received from the operation and ownership of the System less Maintenance and Operation expenses of the System during such period.
- (h) The term “Outstanding” when used in this Ordinance with respect to Certificates means, as of the date of determination, all Certificates theretofore issued and delivered under this Ordinance, except:
  - (1) those Certificates theretofore cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
  - (2) those Certificates for which payment has been duly provided by the City in accordance with the provisions of Section 24 hereof by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity; and

(3) those Certificates that have been mutilated, destroyed, lost, or stolen and for which (i) replacement Certificates have been registered and delivered in lieu thereof or (ii) have been paid, all as provided in Section 22 hereof.

(i) The term "System" shall mean the City's waterworks and sewer system, including all present and future additions, extensions, replacements, and improvements thereto.

Section 10. Certificate Fund. The City covenants that for the purpose of paying the interest on and providing 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 "Special 2019 Tax and Limited Pledge Revenue Certificate of Obligation Fund" (hereinafter, the "Certificate Fund") which Certificate Fund shall be kept and maintained at the City's depository bank, and moneys deposited in the Certificate Fund shall be used for no other purpose. 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 moneys on deposit in the Certificate Fund (on or prior to a principal and/or interest payment date) an amount sufficient to pay the amount of principal and/or interest falling due on the Certificates.

Section 11. Tax Levy. To provide for the payment of the "Debt Service Requirements" on the Certificates being (i) the interest on said Certificates and (ii) a sinking fund for their redemption at maturity or a sinking fund of 2% (whichever amount shall be the greater), there shall be and there is hereby levied, within the limitations prescribed by law, for the current year and each succeeding year thereafter while said Certificates or any interest thereon shall remain Outstanding, a sufficient tax on each one hundred dollars' valuation of taxable property in said 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 Council 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 Council establishes the annual tax rate and passes an ordinance levying ad valorem taxes each year, the Council shall determine:
  - (1) 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 Net Revenues appropriated and allocated to pay such Debt Service Requirements prior to the Collection Date for the ad valorem taxes to be levied.
  - (2) The amount of Net Revenues and any other lawfully available revenues which are 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 calendar year.
  - (3) The amount of Debt Service Requirements to become due and payable 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.
- (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 (3) above less the sum total of the amounts established in paragraphs (1) and (2), after taking into consideration delinquencies and costs of collecting such annual taxes.

The Mayor, Mayor Pro Tem, City Manager, Director of Finance and City Secretary of the City, individually or jointly, are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Certificates, from funds on deposit in the Certificate Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Certificates as the same accrues or matures or comes due by reason of redemption prior to maturity; such transfers of funds to be made in such manner as will cause collected funds to be deposited with the Paying Agent/Registrar on or before each principal and interest payment date for the Certificates.

The City has sufficient current funds available and such funds are hereby appropriated to make the payments to become due on the Certificates on August 15, 2019, and the Mayor, Mayor Pro Tem, City Manager, Director of

Finance and City Secretary of the City, individually or jointly, are hereby authorized and directed to transfer and deposit in the Certificate Fund such amount of current funds which will be sufficient to pay the amounts to become due on the Certificates on August 15, 2019.

Section 12. Limited Pledge of Net Revenues. The City hereby covenants and agrees that the Net Revenues of the System (within the limitation of a total amount of \$1,000) are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates and the pledge of such Net Revenues herein made for the payment of the Certificates shall constitute a lien on such Net Revenues until such time as the City shall pay all of such \$1,000, after which time the pledge shall cease, all in accordance with the terms and provisions hereof and be valid and binding without any physical delivery thereof or further act by the City; provided, however, this limited pledge of such \$1,000 shall be junior and subordinate to the lien on and pledge of Net Revenues of the System securing the payment of all bonds or similar obligations now outstanding and hereafter issued by the City that are payable from and secured by a lien on and pledge of the Net Revenues of the System which is prior in right and claim to the lien on and limited pledge of Net Revenues securing the payment of the Certificates.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Certificates and the pledge of the revenues granted by the City under this Section of this Ordinance, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Certificates are Outstanding and unpaid such that the pledge of the revenues granted by the City under this Section of this Ordinance is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Certificates 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 Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 13. System Fund. The City hereby covenants and agrees that all revenues derived from the operation and ownership of the System shall be kept separate and apart from all other funds, accounts, and moneys of the City, and shall be deposited as collected into the "City of McKinney, Texas, Waterworks and Sewer System Fund" (hereinafter called the "System Fund"). All moneys 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, to wit:

First: To the payment of the reasonable and proper Maintenance and Operation Expenses of the System as

defined herein or required by statute to be a first charge on and claim against the revenues of the System.

Second: To the payment of all amounts required to be deposited in any special funds created and established for the payment, security, and benefit of any obligations of the City having a prior lien on and pledge of the Net Revenues in accordance with the terms and provisions of any ordinance authorizing the issuance of any such obligations.

Third: To the payment of the amounts required to be deposited in the Certificate Fund for the payment of the Certificates and the special funds and accounts created and established for the payment of Additional Certificates.

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

Section 14. Deposits to Certificate Fund. Subject to the provisions of Section 13 hereof, the City hereby covenants and agrees to cause to be deposited in the Certificate Fund from the pledged Net Revenues in the System Fund, the amount of Net Revenues pledged to the payment of the Certificates.

Deposits of the Net Revenues to be made to the Certificate Fund, as hereinabove provided, shall be made to such Fund. Ad valorem taxes levied, collected, and deposited in the Certificate Fund for and on behalf of the Certificates may be taken into consideration and utilized to reduce the amount of the deposits otherwise required to be deposited in the Certificate Fund from the Net Revenues of the System. In addition, any surplus proceeds 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 and the Net Revenues.

Section 15. Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 16. 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, any Holder shall be entitled to 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 17. Special Covenants. The City hereby covenants as follows:

- (1) That it has the lawful power to pledge the Net Revenues supporting this issue of Certificates and has lawfully exercised said powers under the Constitution and laws of the State of Texas, including said power existing under Subchapter C of Chapter 271, Texas Local Government Code, as amended and Chapter 1502, Texas Government Code, as amended.
- (2) That other than for the payment of (A) those obligations having a prior lien on the Net Revenues, (B) the limited pledges relating to the (i) "City of McKinney, Texas, Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2009," dated May 1, 2009 and (ii) "City of McKinney, Texas, Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2010," dated May 1, 2010; and (C) the Certificates, the Net Revenues are not in any manner pledged to the payment of any debt or obligation of the City or of the System.
- (3) That, as long as any Certificates or any interest thereon remain Outstanding and the pledge of the Net Revenues has not been fully satisfied, the City will not sell, lease, or encumber 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.

Section 18. Issuance of Additional Certificates. The City hereby expressly reserves the right to hereafter issue Additional Certificates payable from and secured by a lien on and pledge of the Net Revenues of equal rank and dignity, and on a parity in all respects, with the lien thereon and pledge thereof securing the payment of the Certificates.

It is the intention of this governing body 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 revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in any ordinance authorizing the issuance of any other obligations of the City payable in whole or in part from the Net Revenues of the System, and to the extent of any irreconcilable conflict between the provisions contained herein and in any ordinance authorizing any other obligations of the City payable in whole or in part from the Net Revenues of the System, the provisions, agreements, and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders of any such obligations.

Section 19. Sale of the Certificates – Purchase Letter Approval. The offer of the Purchaser to purchase the Certificates in accordance with a purchase letter, dated as of January 15, 2019 (the “Purchase Letter”), attached hereto as **Exhibit B** and incorporated herein by reference as a part of this Ordinance for all purposes, is hereby accepted and the sale of the Certificates to the Purchaser is hereby approved and authorized, and the City has determined and does determine that the terms of such Purchase Letter are in the City’s best interests. The Mayor and City Secretary are hereby authorized and directed to sign the acceptance clause of the Purchase Letter for and on behalf of the City and as the act and deed of this Council. Delivery of the Certificates to the Purchaser shall occur as soon as possible upon payment being made therefor in accordance with the terms of sale.

Section 20. Notices to Owners - Waiver. Wherever this Ordinance provides for notice to Holders 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 Holder appearing on the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Certificates. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Holder 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 Holders 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 21. Cancellation. All Certificates surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled 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 cancelled by the Paying Agent/Registrar. All cancelled Certificates held by the Paying Agent/Registrar shall be returned to the City.

Section 22. Mutilated, Destroyed, Lost, and Stolen Certificates. If (a) 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 (b) 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 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 under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including 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 23. Proceeds of Sale. The proceeds of sale of the Certificates excluding accrued interest, if any, received from the Purchasers, and amounts to pay costs of issuance, shall be deposited in a fund maintained at a City depository bank (the "Construction Fund"). Pending expenditure for authorized projects and purposes, such proceeds of sale may be invested in authorized investments in accordance with the provisions of Texas Government Code, Chapter 2256, as amended, including specifically guaranteed investment contracts permitted by Section 2256.015, et seq., and the City's investment policies and guidelines, and any investment earnings realized may be expended for such authorized projects and purposes or deposited in the Certificate Fund as shall be determined by the City Council. Accrued interest, if any, received from the Purchasers as well as proceeds of sale, including investment earnings thereon, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Certificate Fund.

Section 24. Satisfaction of Obligations of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Certificates, at the times and in the manner stipulated in this Ordinance, then the pledge of taxes levied and the lien on and pledge of the Net Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Certificates, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (a) money sufficient to pay in full such Certificates or the principal amount(s) thereof at maturity or the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (b) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Certificates, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof.

Any moneys so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Certificates, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Certificates and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Certificates for which such moneys were deposited and are held in trust to pay, shall upon the request of the City be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

The term "Government Securities", as used herein, shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (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 on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas.

Section 25. Ordinance a Contract - Amendments. This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and 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 Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders owning a majority in aggregate principal amount of the Certificates and Additional Certificates then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Certificates, no such amendment, addition, or rescission shall (a) extend the time or times of payment of the principal of, premium, if any, and interest on the Certificates,

reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Certificates, (b) give any preference to any Certificate over any other Certificate, or (c) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition, or rescission.

Section 26. Further Procedures. Any one or more of the Mayor, Mayor Pro Tem, City Manager, Assistant City Manager, Director of Finance, and City Secretary 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 on behalf of the City all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance and the issuance, sale and delivery of the Certificates. In addition, prior to the delivery of the Certificates, the Mayor, Mayor Pro Tem, City Manager, Assistant City Manager, Director of Finance, City Secretary or Bond Counsel to the City are each hereby authorized and directed to approve any changes or corrections to this Ordinance or to any of the documents authorized and approved by this Ordinance: (i) in order to cure any ambiguity, formal defect, or omission in the Ordinance or such other document, or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Certificates by the Attorney General. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 27. 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, including the printing and supply of definitive Certificates, and shall take and have charge and control of the Initial Certificate pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts, and the delivery thereof to the Purchasers.

Furthermore, the Mayor, the Mayor Pro Tem, the City Secretary, the City Manager, and the Finance Director of the City, any one or more of said officials, 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 Purchaser and the initial exchange thereof for definitive Certificates.

- Section 28. Bond Counsel's Opinion. The Purchasers' obligation to accept delivery of the Certificates is subject to being furnished a final opinion of Norton Rose Fulbright US LLP, Attorneys, Dallas, Texas, Bond Counsel to the City, approving such Certificates as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Certificates. A true and correct reproduction of said opinion is hereby authorized to be printed on the definitive Certificates.
- Section 29. 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, the Paying Agent/Registrar, and the Holders, 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, the Paying Agent/Registrar, and the Holders.
- Section 30. Inconsistent Provisions. All ordinances, orders, or 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 contained herein.
- Section 31. 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 32. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.
- Section 33. Severability. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance or the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.
- Section 34. 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 of the Texas Government Code, as amended.
- Section 35. Effective Date. In accordance with the provisions of Texas Government Code, Section 1201.028, as amended, this Ordinance shall be in force and effect from and after its passage and it is accordingly so ordained.

**DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCKINNEY, TEXAS, THIS 15<sup>th</sup> DAY OF JANUARY, 2019.**

CITY OF MCKINNEY, TEXAS

---

GEORGE C. FULLER  
Mayor

CORRECTLY ENROLLED:

---

EMPRESS DRANE  
City Secretary

(City Seal)

APPROVED AS TO FORM:

---

MARK S. HOUSER  
City Attorney

**EXHIBIT A**  
**PAYING AGENT/REGISTRAR AGREEMENT**

**EXHIBIT B**  
**PURCHASE LETTER**