

CERTIFICATE FOR ORDINANCE

STATE OF TEXAS §

COUNTY OF LLANO §

We, the undersigned officers of the City of Llano, Texas (the "City"), hereby certify as follows:

1. The City Council of the City convened in REGULAR MEETING ON THE _____ DAY OF _____, 2014, at the City Hall (the "Meeting"), and the roll was called of the duly constituted officers and appointed officials of the City Council and all of the persons were present, except the following absentees: _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF LLANO, TEXAS,
LIMITED TAX NOTES, SERIES 2014, IN AN AMOUNT OF \$240,000;
AUTHORIZING THE LEVY OF AN AD VALOREM TAX; APPROVING A
PAYING AGENT/REGISTRAR AGREEMENT; AND AUTHORIZING OTHER
MATTERS RELATING TO THE ISSUANCE OF THE NOTES

was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Ordinance be passed; and, after due discussion, said motion carrying with it the passage of the Ordinance, prevailed and carried by the following vote:

AYES: _____ ABSTENTION: _____

NOES: _____

2. A true, full and correct copy of the Ordinance passed at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that the Ordinance has been duly recorded in the City Council minutes of the Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from the City Council minutes of the Meeting pertaining to the passage of the Ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Ordinance would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose, and that the Meeting was open to the public and public notice of the time, place and purpose of the meeting was given, all as required by Chapter 551, *Texas Government Code*.

3. The Mayor and the City Secretary of the City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of the Ordinance for all purposes.

SIGNED AND SEALED as of the _____ day of _____, 2014.

Mayor

City Secretary

[SEAL]

**ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF LLANO, TEXAS,
LIMITED TAX NOTES, SERIES 2014, IN AN AMOUNT OF \$240,000;
AUTHORIZING THE LEVY OF AN AD VALOREM TAX; APPROVING A
PAYING AGENT/REGISTRAR AGREEMENT; AND AUTHORIZING OTHER
MATTERS RELATING TO THE ISSUANCE OF THE NOTES**

STATE OF TEXAS §

COUNTY OF LLANO §

WHEREAS, the City Council of the City of Llano, Texas (the "City"), desires to provide for payment in whole or in part of contractual obligations incurred or to be incurred for acquiring and renovating a building for the City police department (the "Project"); and

WHEREAS, the notes hereinafter authorized and designated are to be issued and delivered for cash and mature before the seventh anniversary of the date the Attorney General approves the notes pursuant to Chapter 1431, *Texas Government Code*, as amended; and

WHEREAS, it is considered to be in the best interest of the City that the notes be issued at this time.

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

Section 1. RECITALS, AMOUNT AND PURPOSE OF THE NOTES. The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section. The "City of Llano, Texas, Limited Tax Notes, Series 2014" (the "Notes") are hereby authorized to be issued and delivered in the aggregate principal amount of \$240,000 for the purposes set forth in the first paragraph of the preamble above.

Section 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS, AND MATURITIES OF NOTES. Each Note issued pursuant to this Ordinance shall be designated: "CITY OF LLANO, TEXAS, LIMITED TAX NOTE, SERIES 2014," and initially there shall be issued, sold, and delivered hereunder fully registered notes, without interest coupons, dated December 1, 2014, in the respective denominations and principal amounts hereinafter stated, numbered consecutively from R-1 upward (except the initial Note delivered to the Attorney General of the State of Texas which shall be numbered T-1), payable to the respective initial Registered Owners thereof (as designated in Section 11 hereof), or to the registered assignee or assignees of said notes or any portion or portions thereof (in each case, the "Registered Owner"), and said notes shall mature and be payable monthly on the 5th day of each month (or the next business day if any 5th day of the month is not a business day) and in the principal amounts, respectively, as set forth in the following schedule:

<u>Payment Date</u>	<u>Principal Amount Due</u>
1/5/15	\$2,484.99
2/5/15	\$2,493.17
3/5/15	\$2,501.38
4/5/15	\$2,509.61
5/5/15	\$2,517.87
6/5/15	\$2,526.16
7/5/15	\$2,534.47
8/5/15	\$2,542.82
9/5/15	\$2,551.19
10/5/15	\$2,559.58
11/5/15	\$2,568.01
12/5/15	\$2,576.46
1/5/16	\$2,584.94
2/5/16	\$2,593.45
3/5/16	\$2,601.99
4/5/16	\$2,610.55
5/5/16	\$2,619.15
6/5/16	\$2,627.77
7/5/16	\$2,636.42
8/5/16	\$2,645.10
9/5/16	\$2,653.80
10/5/16	\$2,662.54
11/5/16	\$2,671.30
12/5/16	\$2,680.10
1/5/17	\$2,688.92
2/5/17	\$2,697.77
3/5/17	\$2,706.65
4/5/17	\$2,715.56
5/5/17	\$2,724.50
6/5/17	\$2,733.47
7/5/17	\$2,742.46
8/5/17	\$2,751.49
9/5/17	\$2,760.55
10/5/17	\$2,769.63
11/5/17	\$2,778.75
12/5/17	\$2,787.90
1/5/18	\$2,797.07
2/5/18	\$2,806.28
3/5/18	\$2,815.52
4/5/18	\$2,824.79
5/5/18	\$2,834.08
6/5/18	\$2,843.41
7/5/18	\$2,852.77
8/5/18	\$2,862.16
9/5/18	\$2,871.58
10/5/18	\$2,881.04
11/5/18	\$2,890.52
12/5/18	\$2,900.04
1/5/19	\$2,909.58

<u>Payment Date</u>	<u>Principal Amount Due</u>
2/5/19	\$2,919.16
3/5/19	\$2,928.77
4/5/19	\$2,938.41
5/5/19	\$2,948.08
6/5/19	\$2,957.78
7/5/19	\$2,967.52
8/5/19	\$2,977.29
9/5/19	\$2,987.09
10/5/19	\$2,996.92
11/5/19	\$3,006.79
12/5/19	\$3,016.68
1/5/20	\$3,026.61
2/5/20	\$3,036.58
3/5/20	\$3,046.57
4/5/20	\$3,056.60
5/5/20	\$3,066.66
6/5/20	\$3,076.76
7/5/20	\$3,086.88
8/5/20	\$3,097.04
9/5/20	\$3,107.24
10/5/20	\$3,117.47
11/5/20	\$3,127.73
12/5/20	\$3,138.02
1/5/21	\$3,148.35
2/5/21	\$3,158.72
3/5/21	\$3,169.11
4/5/21	\$3,179.55
5/5/21	\$3,190.01
6/5/21	\$3,200.51
7/5/21	\$3,211.05
8/5/21	\$3,221.62
9/5/21	\$3,232.22
10/5/21	\$3,242.86
11/5/21	\$3,253.53
12/5/21	\$3,264.51

The term "Notes" as used in this Ordinance shall mean and include collectively the notes initially issued and delivered pursuant to this Ordinance and all substitute notes exchanged therefor, as well as all other substitute notes and replacement notes issued pursuant hereto, and the term "Note" shall mean any of the Notes.

The Notes shall be issued initially as a single Note in the amount of \$240,000. Notes may be transferred or exchanged in authorized denominations of \$5,000 or integral multiples thereof.

Section 3. INTEREST. The Notes shall bear interest, calculated on the basis of a 365 or 366 day year, as the case may be (but based on actual days elapsed), from their delivery date to their maturity date at three and 95/100s percent (3.950%) per annum.

Interest shall be payable in the manner provided and on the dates stated in the FORM OF NOTE set forth in this Ordinance.

Section 4. CHARACTERISTICS OF THE NOTES.

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

Except as provided in Section 4(c) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, date and manually sign said Note, and no such Note shall be deemed to be issued or outstanding unless such Note is so executed. The Paying Agent/Registrar promptly shall cancel all paid Notes and Notes surrendered for conversion and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing conversion and exchange of any Note or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Notes in the manner prescribed herein, and said Notes shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201 of the *Texas Government Code* as amended, the duty of conversion and exchange of Notes as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Note, the converted and exchanged Note shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Notes which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Payment of Notes and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Notes at its designated payment and transfer office in Llano, Texas, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Notes, and of all conversions and exchanges of Notes, and all replacements of Notes, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the past due interest 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 Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

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

(d) Substitute Paying Agent/Registrar. The City covenants with the Registered Owners of the Notes that at all times while the Notes are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Notes under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than thirty (30) days' written notice to the Paying Agent/Registrar, to be effective at such time which will not disrupt or delay payment on the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Notes, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Registered Owner of the Notes, by United States mail, first-class postage prepaid, which notice also shall give the address of the new

Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Definitive Notes(s). The definitive Notes herein authorized shall be issued as fully registered Notes, being one Note for each maturity in the denomination of the applicable principal amount and the definitive Note(s) shall be registered in the names of the purchaser or the designees thereof as set forth in Section 11 hereof. Immediately after the delivery of the initial Note, the Paying Agent/Registrar shall, at the request of the holders of the Notes, cancel the initial Note delivered hereunder and exchange therefor Notes in the form of a separate single fully registered Note for each of the maturities thereof registered in the name of the purchaser thereof. If the holders of the Notes so desire, they may hold Note T-1 in lieu of holding definitive Notes.

(f) Initial Note. The City shall issue an Initial Note, embodying all Note maturities, for approval by the Attorney General of Texas and registration by the Comptroller of Public Accounts of the State of Texas. The form of the initial Note (bearing identification No. T-1), is attached hereto as Exhibit A. Upon receipt of the initial Note, authenticated by the Comptroller of Public Accounts, the Paying Agent/Registrar shall, upon request of the holder of the Notes, cancel such initial Note in exchange for the definitive Notes; provided, in lieu of further definitive Notes, the holder of the Notes may elect to hold Note T-1 only.

Section 5. FORM OF NOTES. The form of the definitive Notes, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

NO. R-	FORM OF NOTE	PRINCIPAL AMOUNT
	UNITED STATES OF AMERICA STATE OF TEXAS COUNTY OF LLANO CITY OF LLANO, TEXAS LIMITED TAX NOTE, SERIES 2014	\$ _____
	<u>INTEREST RATE</u> 3.950%	<u>NOTE DATE</u> December 1, 2014
		<u>MATURITY DATE</u>

REGISTERED OWNER:

PRINCIPAL AMOUNT:

ON THE MATURITY DATE specified above, the City of Llano, Texas (the "City"), being a municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon

from the date of delivery hereof, monthly, on the fifth day of each month (or the next following business day if any fifth day of the month is not a business day), beginning January 5, 2015 to the maturity date specified above, at the interest rate per annum specified above.

THE NOTE shall bear interest, calculated on the basis of a 365 or 366 day year, as the case may be (but based on actual days elapsed), from its delivery date to its maturity date at three and 95/100s percent (3.950%) per annum.

THE PRINCIPAL OF AND INTEREST ON this Note are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Note shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity, to First State Bank Central Texas, Temple, Texas, which is the "Paying Agent/Registrar" for this Note. The payment of interest on this Note shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Note (the "Note Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (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 owner of a Note appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for redemption and payment at the office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Note Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Notes, when due.

IF THE DATE for the payment of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the offices for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day on which

banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS NOTE may be prepaid at the option of the City, in whole or in part, prior to maturity, for the principal amount being prepaid plus accrued interest thereon, without premium. The City shall give the holder of the Notes at least 10 days prior written notice of such prepayment.

THIS NOTE is one of a Series of Notes dated December 1, 2014, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$240,000, for the purpose of acquiring and renovating a building for the City police department.

IN THE EVENT any Paying Agent/Registrar for the Notes is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Note Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Notes.

IT IS HEREBY certified, recited and covenanted that this Note has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Note have been performed, existed and been done in accordance with law; that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Note, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said City, and have been pledged for such payment, within the limit prescribed by law.

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

IT IS FURTHER CERTIFIED that the City has designated the Notes as "qualified tax exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

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

City Secretary

Mayor

(SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

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

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

Dated FIRST STATE BANK CENTRAL TEXAS
Paying Agent/Registrar

BY: _____
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____.
Please insert Social Security or Taxpayer Identification Number of Transferee
_____. (Please print or typewrite name
and address, including zip code, of Transferee)
_____ the within Note and
all rights thereunder, and hereby irrevocably constitutes and appoints
_____, attorney, to register the transfer of the
within Note on the books kept for registration thereof, with full power of substitution in
the premises.

Dated: _____

Signature Guaranteed:

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

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

FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO. _____

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

Witness my signature and seal this _____ day of _____, _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. INTEREST AND SINKING FUND. A special "Interest and Sinking Fund" is hereby created and shall be established and maintained by the City at First State Bank Central Texas, Temple, Texas. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said City, and shall be used only for paying the interest on and principal of said Notes. All ad valorem taxes levied and collected for and on account of said Notes shall be deposited, as collected, to the credit of said Interest and Sinking Fund. During each year while any of said Notes are outstanding and unpaid, the governing body of said City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on said Notes as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of said Notes as such principal matures (but never less than two percent (2%) of the original amount of said Notes as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of said City, with full allowances being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in said City, for each year while any of said Notes are outstanding and unpaid, and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Notes, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

The Mayor and City Secretary are hereby ordered to do any and all things necessary to accomplish the transfer of monies to the Interest and Sinking Fund of this issue in ample time to pay such items of principal and interest.

Section 7. [deleted]

Section 8. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED NOTES.

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

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

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

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

(e) Authority for Issuing Replacement Notes. In accordance with Chapter 1201 of the *Texas Government Code*, as amended, this Section 8 of this Ordinance shall constitute authority for the issuance of any such replacement Note without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such Notes is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Notes in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Notes issued in conversion and exchange for other Notes.

Section 9. CUSTODY, APPROVAL, AND REGISTRATION OF NOTES; BOND COUNSEL'S OPINION. The Mayor is hereby authorized to have control of the Notes initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Notes pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Notes said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Note attached to such Notes, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Note. The approving legal opinion of the City's Bond Counsel may, at the option of the City, be printed on the Notes issued and delivered under this Ordinance, but neither

shall have any legal effect, and shall be solely for the convenience and information of the Registered Owners of the Notes.

Section 10. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE NOTES. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Notes as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than ten percent (10%) of the proceeds of the Notes 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 ten percent (10%) of the proceeds or 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 ten percent (10%) of the debt service on the Notes, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds five percent (5%) of the proceeds of the Notes or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of five percent (5%) 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 five percent (5%) of the proceeds of the Notes (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 Notes 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 Notes 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 Notes, 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 Notes, other than investment property acquired with

(1) proceeds of the Notes invested for a reasonable temporary period of three (3) years or less or, in the case of a refunding bond, for a

period of thirty (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 ten percent (10%) of the proceeds of the Notes;

(g) to otherwise restrict the use of the proceeds of the Notes or amounts treated as proceeds of the Notes, as may be necessary, so that the Notes 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) the City hereby designates the Notes as "qualified tax exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986 as amended. The City, and any subordinate entities to the City hereby covenant that they do not intend to issue, and shall not issue, more than \$10,000,000 of tax exempt obligations during calendar 2014 (excluding private activity bonds which are not 501(c)(3) bonds).

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 Notes, 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 Notes 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 Notes, 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 Notes under Section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor to execute any documents, Notes 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 Notes.

Section 11. SALE OF NOTES. The Notes are hereby initially sold and shall be delivered to First State Bank Central Texas, at a purchase price of par, with interest to accrue from the date of delivery. It is hereby officially found, determined and disclosed that the terms of the sale are the most advantageous reasonably obtainable. The initial Notes shall be registered in the name of First State Bank Central Texas

Proceeds from the sale of the Notes shall be deposited into a separate fund of the City, to be held by First State Bank Central Texas, and to be known as the "City of Llano, Texas, Series 2014 Notes Fund." Moneys from this fund shall be used solely to pay for contractual obligations incurred for the Project.

Section 12. REMEDIES IN EVENT OF DEFAULT. In addition to all of the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees that in the event of default in payment of principal or interest on any of the Notes when due, or, in the event it fails to make the payments required to be made into the Interest and Sinking Fund or defaults in the observance or performance of any other of the contracts, covenants, conditions or obligations set forth in this Ordinance or in the Notes, the following remedies shall be available:

(a) the Registered Owners shall be entitled to a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the City and the officials thereof to observe and perform the contracts, covenants, obligations or conditions prescribed in this Ordinance; and

(b) any delay or omission to exercise any right or power accruing upon any default shall not impair any such right or power nor 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.

Section 13. INTEREST EARNINGS ON NOTE PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Notes shall be used along with other Note proceeds for the purpose for which the Notes are issued set forth in Section 1 hereof; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Note proceeds which are required to be rebated to the United States of America pursuant to Section 10 hereof in order to prevent the Notes from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 14. APPROVAL OF PAYING AGENT/REGISTRAR AGREEMENT. The City hereby approves the entry of a Paying Agent/Registrar Agreement with First State Bank Central Texas, Temple, Texas. The Mayor is hereby authorized to amend, complete or modify such agreement as necessary and is further authorized to execute such agreement, and the City Secretary is hereby authorized to attest such agreement.

Section 15. DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS. The City hereby designates the Notes as "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code, conditioned upon the purchaser identified in Section 11 hereof certifying that the aggregate initial offering price of the Notes to the public (excluding any accrued interest), together with the aggregate principal amount of all other tax exempt obligations issued by the City or any subordinate entity to the City during calendar year 2014, is no greater than \$10,000,000. Assuming such condition is met, in furtherance of such designation, the City represents, covenants and warrants the following: (a) that during the calendar year in which the Notes are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Notes will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (b) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Notes are issued, by the City (or any subordinate entities) will not exceed \$10,000,000; and (c) that the City will take such action or refrain from such action as necessary, and as

more particularly set forth in Section 11, hereof, in order that the Notes will not be considered "private activity bonds" within the meaning of Section 141 of the Code.

Section 16. SEVERABILITY. The provisions of this Ordinance are severable; and in case any one or more of the provisions of this Ordinance or the application thereof to any person or circumstance should be held to be invalid, unconstitutional, or ineffective as to any person or circumstance, the remainder of this Ordinance nevertheless shall be valid, and the application of any such invalid provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

Section 17. FINANCIAL STATEMENTS AND REPORTS. So long as First State Bank Central Texas is the holder of a Note, the City will promptly furnish to First State Bank Central Texas from time to time upon request such information regarding the business and affairs and financial condition of the City as First State Bank Central Texas may reasonably request.

Section 18. POST ISSUANCE COMPLIANCE. The City Council hereby approves a "Post Issuance Compliance Policy" regarding tax exempt obligations issued by the City, including the Notes.

Section 19. REIMBURSEMENT. The City hereby states its official intent to reimburse itself from the proceeds of the Note for expenditures to be made by the City with regard to the Project. In that regard, the maximum principal amount of the Note is \$240,000. The original expenditures will be made for the Project. The account from which such expenditures will be made by the City is the general fund of the City. This section is intended to be an official intent of the City given in accordance with Section 1.150-2 of the Regulations to the Internal Revenue Code of 1986 as amended.

PASSED AND APPROVED this _____ day of _____, 2014.

CITY OF LLANO, TEXAS

BY: _____
Mayor

ATTEST:

City Secretary

Exhibit A

NO. T-1

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF LLANO
CITY OF LLANO, TEXAS
LIMITED TAX NOTE,
SERIES 2014

PRINCIPAL
AMOUNT
\$240,000

INTEREST RATE
3.950%

NOTE DATE
December 1, 2014

MATURITY DATE
As stated below

REGISTERED OWNER: FIRST STATE BANK CENTRAL TEXAS

PRINCIPAL AMOUNT: TWO HUNDRED FORTY THOUSAND AND NO/100
DOLLARS

ON THE MATURITY DATES specified below, the City of Llano, Texas (the "City"), being a municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "Registered Owner") the principal amount set forth above, and to pay interest thereon from the date of delivery hereof, monthly, on the fifth day of each month (or the next following business day if any fifth day of the month is not a business day), beginning January 5, 2015, to the maturity dates specified below, at the interest rate per annum specified above.

Principal amounts due hereon shall be payable on the following dates and in the following respective amounts:

<u>Payment Date</u>	<u>Principal Amount Due</u>
1/5/15	\$2,484.99
2/5/15	\$2,493.17
3/5/15	\$2,501.38
4/5/15	\$2,509.61
5/5/15	\$2,517.87
6/5/15	\$2,526.16
7/5/15	\$2,534.47
8/5/15	\$2,542.82
9/5/15	\$2,551.19
10/5/15	\$2,559.58
11/5/15	\$2,568.01
12/5/15	\$2,576.46
1/5/16	\$2,584.94
2/5/16	\$2,593.45
3/5/16	\$2,601.99
4/5/16	\$2,610.55
5/5/16	\$2,619.15
6/5/16	\$2,627.77

<u>Payment Date</u>	<u>Principal Amount Due</u>
7/5/16	\$2,636.42
8/5/16	\$2,645.10
9/5/16	\$2,653.80
10/5/16	\$2,662.54
11/5/16	\$2,671.30
12/5/16	\$2,680.10
1/5/17	\$2,688.92
2/5/17	\$2,697.77
3/5/17	\$2,706.65
4/5/17	\$2,715.56
5/5/17	\$2,724.50
6/5/17	\$2,733.47
7/5/17	\$2,742.46
8/5/17	\$2,751.49
9/5/17	\$2,760.55
10/5/17	\$2,769.63
11/5/17	\$2,778.75
12/5/17	\$2,787.90
1/5/18	\$2,797.07
2/5/18	\$2,806.28
3/5/18	\$2,815.52
4/5/18	\$2,824.79
5/5/18	\$2,834.08
6/5/18	\$2,843.41
7/5/18	\$2,852.77
8/5/18	\$2,862.16
9/5/18	\$2,871.58
10/5/18	\$2,881.04
11/5/18	\$2,890.52
12/5/18	\$2,900.04
1/5/19	\$2,909.58
2/5/19	\$2,919.16
3/5/19	\$2,928.77
4/5/19	\$2,938.41
5/5/19	\$2,948.08
6/5/19	\$2,957.78
7/5/19	\$2,967.52
8/5/19	\$2,977.29
9/5/19	\$2,987.09
10/5/19	\$2,996.92
11/5/19	\$3,006.79
12/5/19	\$3,016.68
1/5/20	\$3,026.61
2/5/20	\$3,036.58
3/5/20	\$3,046.57
4/5/20	\$3,056.60
5/5/20	\$3,066.66
6/5/20	\$3,076.76

<u>Payment Date</u>	<u>Principal Amount Due</u>
7/5/20	\$3,086.88
8/5/20	\$3,097.04
9/5/20	\$3,107.24
10/5/20	\$3,117.47
11/5/20	\$3,127.73
12/5/20	\$3,138.02
1/5/21	\$3,148.35
2/5/21	\$3,158.72
3/5/21	\$3,169.11
4/5/21	\$3,179.55
5/5/21	\$3,190.01
6/5/21	\$3,200.51
7/5/21	\$3,211.05
8/5/21	\$3,221.62
9/5/21	\$3,232.22
10/5/21	\$3,242.86
11/5/21	\$3,253.53
12/5/21	\$3,264.24
	\$239,999.73

THE NOTE shall bear interest, calculated on the basis of a 365 or 366 day year, as the case may be (but based on actual days elapsed), from its delivery date to its maturity date at three and 95/100s percent (3.950%) per annum.

THE PRINCIPAL OF AND INTEREST ON this Note are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Note shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity, to First State Bank Central Texas, Temple, Texas, which is the "Paying Agent/Registrar" for this Note. The payment of interest on this Note shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the Ordinance authorizing the issuance of this Note (the "Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the last business day of the month preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (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 owner of a Note

appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

ANY ACCRUED INTEREST due at maturity as provided herein shall be paid to the Registered Owner upon presentation and surrender of this Note for redemption and payment at the office of the Paying Agent/Registrar. The City covenants with the Registered Owner of this Note that on or before each principal payment date and interest payment date for this Note it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Note Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Notes, when due.

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

THIS NOTE may be prepaid at the option of the City, in whole or in part, prior to maturity, for the principal amount being prepaid plus accrued interest thereon, without premium. The City shall give the holder of the Notes at least 10 days prior written notice of such prepayment.

THIS NOTE represents a Series of Notes dated December 1, 2014, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$240,000, for the purpose of paying contractual obligations to be incurred for acquiring and renovating a building for the City police department.

IN THE EVENT any Paying Agent/Registrar for the Notes is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Note Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Notes.

IT IS HEREBY certified, recited and covenanted that this Note has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Note have been performed, existed and been done in accordance with law; that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Note, as such interest comes due and such principal matures, have been levied and ordered to be levied against all taxable property in said City, and have been pledged for such payment, within the limit prescribed by law.

BY BECOMING the Registered Owner of this Note, the Registered Owner thereby acknowledges all of the terms and provisions of the Note Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Note Ordinance is duly recorded and available for inspection in the official minutes and records of the governing

body of the City, and agrees that the terms and provisions of this Note and the Note Ordinance constitute a contract between each Registered Owner hereof and the City.

IT IS FURTHER CERTIFIED that the City has designated the Notes as "qualified tax exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986.

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

City Secretary

Mayor

(SEAL)

FORM OF ASSIGNMENT

ASSIGNMENT

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

Please insert Social Security or Taxpayer Identification Number of Transferee _____

(Please print or typewrite name and address, including zip code, of Transferee)
_____ the within Note and
all rights thereunder, and hereby irrevocably constitutes and appoints
_____, attorney, to register the transfer of the
within Note on the books kept for registration thereof, with full power of substitution in
the premises.

Dated: _____

Signature Guaranteed:

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

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

FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS

COMPTROLLER'S REGISTRATION CERTIFICATE:
REGISTER NO. _____

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

Witness my signature and seal this _____ day of _____, _____.

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)