

ORDINANCE 449

AUTHORIZING THE ISSUANCE OF CITY OF BANDERA, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATES OF OBLIGATION, TAXABLE SERIES 2025A, IN THE PRINCIPAL AMOUNT OF \$3,000,000, AWARDED THE SALE OF SUCH CERTIFICATES OF OBLIGATION, AND ORDAINING OTHER MATTERS RELATED THERETO

THE STATE OF TEXAS	§
COUNTY OF BANDERA	§
CITY OF BANDERA	§

WHEREAS, the City Council of the City of Bandera, Texas (the "City" or the "Issuer") deems it advisable to issue Certificates of Obligation in the amount of \$3,000,000 for the purpose of paying, in whole or in part, the City's contractual obligations for planning, acquiring, and designing, wastewater system improvements and for paying all or a portion of the legal, fiscal and engineering fees in connection with this project, and the costs of issuance related to the Certificates of Obligation.; and

WHEREAS, the City Council adopted a resolution on September 24, 2024, authorizing and directing the City Secretary to give notice of intention to issue Certificates of Obligation; and

WHEREAS, said notice has been duly published in the *Bandera Bulletin*, which is a newspaper of general circulation in said City, in its issues of October 2, 2024 and October 9, 2024; and

WHEREAS, up to the date of this Ordinance, the City has received no petition from the qualified electors of the City protesting the issuance of such Certificates of Obligation; and

WHEREAS, the Certificates of Obligation hereinafter authorized and designated are to be issued and delivered for cash pursuant to Subchapter C of Chapter 271 of the Local Government Code and Chapter 1502, Government Code, and are being sold to the Texas Water Development Board; and

WHEREAS, the meeting was open to the public and public notice of the time, place and purpose of said meeting was given pursuant to Chapter 551, Texas Government Code.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BANDERA, TEXAS:

Section 1. AMOUNT AND PURPOSE OF THE CERTIFICATES OF OBLIGATION. The certificate of obligation or certificates of obligation of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$3,000,000, for the purpose of paying, in whole or in part, the City's contractual obligations for planning, acquiring, and designing, wastewater system improvements and for paying all or a portion of the legal, fiscal and engineering fees in connection with this project and the costs of issuance related to the Certificates of Obligation (collectively, the "Project").

Section 2. DESIGNATION OF THE CERTIFICATES OF OBLIGATION. Each certificate of obligation issued pursuant to this Ordinance shall be designated: "CITY OF BANDERA, TEXAS COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION, TAXABLE SERIES 2025A", and initially there shall be issued, sold, and delivered hereunder a single fully registered certificate of obligation in the principal amount of \$3,000,000, without interest coupons, payable in installments of principal (the "Initial Certificate of Obligation"), but the Initial Certificate of Obligation may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered certificates of obligation, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Certificates of Obligation" as used in this Ordinance shall mean and include collectively the Initial Certificate of Obligation and all substitute certificates of obligation exchanged therefor, as well as all other substitute certificates of obligation and replacement certificates of obligation issued pursuant hereto, and the term "Certificate of Obligation" shall mean any of the Certificates of Obligation.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL CERTIFICATE OF OBLIGATION. (a) The Initial Certificate of Obligation is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Certificate of Obligation, without interest coupons, dated January 1, 2025, in the denomination and aggregate principal amount of \$3,000,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: **TEXAS WATER DEVELOPMENT BOARD**, or to the registered assignee or assignees of said Certificate of Obligation or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Certificate of Obligation to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL CERTIFICATE OF OBLIGATION set forth in this Ordinance.

(b) The Initial Certificate of Obligation (i) may be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Certificates of Obligation, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of the Initial Certificate of Obligation shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL CERTIFICATE OF OBLIGATION set forth in this Ordinance.

Section 4. INTEREST. The Certificates of Obligation shall not bear interest.

Section 5. FORM OF INITIAL CERTIFICATE OF OBLIGATION. The form of the Initial Certificate of Obligation, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Certificate of Obligation, shall be substantially as follows:

[The remainder of this page intentionally left blank.]

FORM OF INITIAL CERTIFICATE OF OBLIGATION

NO. R-1

\$3,000,000

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF BANDERA
CITY OF BANDERA, TEXAS
COMBINATION TAX AND SURPLUS REVENUE
CERTIFICATE OF OBLIGATION, TAXABLE SERIES 2025A**

CITY OF BANDERA, TEXAS in the COUNTY OF BANDERA (the "Issuer"), being a political subdivision of the State of Texas, hereby promises to pay to

TEXAS WATER DEVELOPMENT BOARD

or to the registered assignee or assignees of this Certificate of Obligation or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of

THREE MILLION DOLLARS

in annual installments of principal due and payable on February 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>YEAR</u>	<u>AMOUNT</u>	<u>YEAR</u>	<u>AMOUNT</u>
2025	\$	2040	\$
2026		2041	
2027		2042	
2028		2043	
2029		2044	
2030		2045	
2031		2046	
2032		2047	
2033		2048	
2034		2049	
2035		2050	
2036		2051	
2037		2052	
2038		2053	
2039		2054	

This Certificate of Obligation shall not bear interest.

THE INSTALLMENTS OF PRINCIPAL OF this Certificate of Obligation are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal of this Certificate of Obligation are payable to the registered owner hereof through the services of ***Zions Bancorporation, National Association, Houston, Texas***, which is the "Paying Agent/Registrar" for this Certificate of Obligation. Payment of all principal of this Certificate of Obligation shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Certificate of Obligation (the "Certificate of Obligation 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 principal payment date, to the registered owner hereof, at the address of the registered owner. In addition, principal may be paid by electronic or wire transfer, or such other acceptable method to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. However, if the Certificate of Obligation is owned by the Texas Water Development Board, there will be no charge. The Issuer covenants with the registered owner of this Certificate of Obligation that on or before each principal payment date for this Certificate of Obligation it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificate of Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of this Certificate of Obligation, when due.

IF THE DATE for the payment of the principal of this Certificate of Obligation shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a 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 CERTIFICATE OF OBLIGATION has been authorized in accordance with the Constitution and laws of the State of Texas, in the principal amount of \$3,000,000 for the purpose of paying, in whole or in part, the City's contractual obligations for planning, acquiring, and designing, wastewater system improvements and for paying all or a portion of the legal, fiscal and engineering fees in connection with this project and the costs of issuance.

ON January 1 2035, or any date thereafter, the unpaid installments of principal of this Certificate of Obligation may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall, in inverse order of maturity, select and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount.

AT LEAST 30 DAYS prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Certificate of Obligation or the portion hereof which is to be so prepaid or redeemed. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Certificate of Obligation, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Certificate of Obligation or any portion hereof.

THIS CERTIFICATE OF OBLIGATION, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for this Certificate of Obligation, upon the terms and conditions set forth in the Certificates of Obligation Ordinance. Among other requirements for such transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Certificate of Obligation, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Certificate of Obligation or any such portion or portions hereof by the initial registered owner hereof. A new certificate of obligation or certificates of obligation payable to such assignee or assignees (which then will be the new registered owner or owners of such new certificate of obligation or certificates of obligation) or to the initial registered owner as to any portion of this Certificate of Obligation which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Certificate of Obligation or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Certificate of Obligation or any portion hereof. The registered owner of this Certificate of Obligation shall

be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Certificate of Obligation to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Certificates of Obligation Ordinance, this Certificate of Obligation, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered certificates of obligation, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Certificate of Obligation which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute certificate of obligation issued in exchange for any portion of this Certificate of Obligation shall have a single stated principal maturity date), upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificates of Obligation Ordinance. If this Certificate of Obligation or any portion hereof is assigned and transferred or converted each certificate of obligation issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Certificate of Obligation or portion hereof for which the substitute certificate of obligation is being exchanged. Such certificates of obligation, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Certificate of Obligation or portion hereof for which they are being exchanged. No such certificate of obligation shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE CERTIFICATES OF OBLIGATION ORDINANCE, THIS CERTIFICATE OF OBLIGATION IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the certificates of obligation issued and delivered in exchange for this Certificate of Obligation or any portion hereof may be assigned, transferred and converted, subsequently, as provided in the Certificates of Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging this Certificate of Obligation or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange with respect to any Certificate of Obligation or portion thereof called for prepayment or redemption prior to maturity, within 45 days prior to its prepayment or redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Certificate of Obligation has been duly and validly authorized, issued, sold, 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 Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the principal of this Certificate of Obligation, as such principal comes due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate of Obligation is additionally secured by a lien on and pledge of surplus revenues of the Issuer's Waterworks and Sewer System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's Waterworks and Sewer System, all as provided in the Certificates of Obligation Ordinance.

BY BECOMING the registered owner of this Certificate of Obligation, the registered owner thereby acknowledges all of the terms and provisions of the Certificate of Obligation Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Certificate of Obligation Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Certificate of Obligation and the Certificate of Obligation Ordinance constitute a contract between the registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Certificate of Obligation to be signed with the manual or facsimile signature of the Mayor of the Issuer, countersigned with the manual or facsimile signature of the City Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed on this Certificate of Obligation to be dated January 1, 2025.

City Secretary, Jill Shelton

Mayor Pro Tem, Tony Battle

CITY SEAL

The following shall be printed on the back of said Certificate of Obligation:

"This Certificate of Obligation was delivered to and paid for by the Purchaser thereof on January 10, 2025".

FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:

COMPTROLLER'S REGISTRATION CERTIFICATE
REGISTER NO.

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

Witness my signature and seal this _____.

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE CERTIFICATES OF OBLIGATION. Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of ***Zions Bancorporation, National Association, Houston, Texas***, (the "Paying Agent/Registrar") books or records of the registration and transfer of the Certificates of Obligation (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and

registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Certificate of Obligation to which payments with respect to the Certificates of Obligation 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. The Issuer 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. Registration of each Certificate of Obligation may be transferred in the Registration Books only upon presentation and surrender of such Certificate of Obligation to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/ Registrar, (i) evidencing the assignment of the Certificate of Obligation, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Certificate of Obligation or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Certificate of Obligation or any portion thereof, a new substitute Certificate of Obligation or Certificates of Obligation shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Certificate of Obligation, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Certificates of Obligation issued and delivered in conversion of and exchange for the Initial Certificate of Obligation shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Certificate of Obligation shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Certificate of Obligation or any portion thereof is assigned and transferred or converted the Initial Certificate of Obligation must be surrendered to the Paying Agent/Registrar for cancellation, and each Certificate of Obligation issued in exchange for any portion of the Initial Certificate of Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Certificate of Obligation shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Certificate of Obligation is being exchanged. If only a portion of the Initial Certificate of Obligation is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Certificates of Obligation in exchange for the unassigned balance of the Initial Certificate of Obligation in the same manner as if the initial registered owner were the assignee thereof. If any Certificate of Obligation or portion thereof other than the Initial Certificate of Obligation is assigned and transferred or converted each Certificate of Obligation issued in exchange therefor shall have the same principal maturity date as the Certificate of Obligation for which it is exchanged. A form of assignment shall be printed or endorsed on each Certificate of Obligation, excepting the Initial Certificate of Obligation, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Certificates of Obligation or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Certificate of Obligation or Certificates of

Obligation, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Certificate of Obligation or Certificates of Obligation), or to the previous registered owner in case only a portion of a Certificate of Obligation is being assigned and transferred, all in conversion of and exchange for said assigned Certificate of Obligation or Certificates of Obligation or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Certificates of Obligation by any registered owner of a Certificate of Obligation. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Certificate of Obligation or Certificates of Obligation, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Certificate of Obligation or any portion thereof with respect to any Certificate of Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(b) Ownership of Certificates of Obligation. The entity in whose name any Certificate of Obligation shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Ordinance, whether or not such Certificate of Obligation shall be overdue, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, and premium, if any, on any such Certificate of Obligation shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Certificate of Obligation to the extent of the sum or sums so paid.

(c) Payment of Certificates of Obligation. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of the Certificates of Obligation, and to act as its agent to convert and exchange or replace Certificates of Obligation, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Certificates of Obligation, and of all conversions and exchanges of Certificates of Obligation, and all replacements of Certificates of Obligation, as provided in this Ordinance.

(d) Conversion and Exchange or Replacement; Authentication. Each Certificate of Obligation issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Certificate of Obligation at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered certificates of obligation, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION set forth in this Ordinance, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Certificate of Obligation shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Certificate of Obligation or

Certificates of Obligation so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Certificate of Obligation is assigned and transferred or converted each substitute Certificate of Obligation issued in exchange for any portion of the Initial Certificate of Obligation shall have a single stated principal maturity date, and shall not be payable in installments; and each such Certificate of Obligation shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Certificate of Obligation is being exchanged. If a portion of any Certificate of Obligation (other than the Initial Certificate of Obligation) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Certificate of Obligation or portion thereof (other than the Initial Certificate of Obligation) is assigned and transferred or converted, each Certificate of Obligation issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Certificate of Obligation for which it is being exchanged. Each substitute Certificate of Obligation shall bear a letter and/or number to distinguish it from each other Certificate of Obligation. The Paying Agent/Registrar shall convert and exchange or replace Certificates of Obligation as provided herein, and each fully registered certificate of obligation delivered in conversion of and exchange for or replacement of any Certificate of Obligation or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Certificates of Obligation for all purposes of this Ordinance, and may again be converted and exchanged or replaced. THE INITIAL CERTIFICATE OF OBLIGATION 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 Certificate of Obligation issued in conversion of and exchange for or replacement of any Certificate of Obligation or Certificates of Obligation issued under this Ordinance there shall be printed a certificate, in the form substantially as follows:

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Certificate of Obligation has been issued under the provisions of the Certificates of Obligation Ordinance described on the face of this Certificate of Obligation; and that this Certificate of Obligation has been issued in conversion of and exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue 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.

Zions Bancorporation, National Association
Houston, Texas
Paying Agent/Registrar

Dated _____

By _____

Authorized Representative

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Certificate of Obligation, date and manually sign the above Certificate, and no such Certificate of Obligation shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Certificates of Obligation surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Certificate of Obligation or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Certificates of Obligation in the manner prescribed herein, and said Certificates of Obligation shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Chapter 1201, Government Code, the duty of conversion and exchange or replacement of Certificates of Obligation as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the converted and exchanged or replaced Certificate of Obligation shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Certificate of Obligation which originally was issued pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Certificate of Obligation or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Certificates of Obligation or any portion thereof with respect to any Certificate of Obligation or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Certificates of Obligation issued in conversion and exchange or replacement of any other Certificate of Obligation or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of such Certificates of Obligation to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Certificates of Obligation, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of the Certificates of Obligation shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION set forth in this Ordinance.

(f) Payment of Fees and Charges. The Issuer hereby covenants with the registered owners of the Certificates of Obligation that it will (i) pay the standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of the Certificates of Obligation, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer of registration of Certificates of Obligation, and with respect to the conversion and exchange of Certificates of Obligation solely to the extent above provided in this Ordinance.

(g) Substitute Paying Agent/Registrar. The Issuer covenants with the registered owners of the Certificates of Obligation that at all times while the Certificates of Obligation are outstanding the Issuer 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 Certificates of Obligation under this Ordinance, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal date after such notice; however, the Issuer must obtain approval of the Texas Water Development Board to such change if the Texas Water Development Board owns any of the Certificates of Obligation. 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 Issuer 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 Certificates of Obligation, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Certificates of Obligation, 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.

(h) Book-Entry Only System. The Certificates of Obligation issued in exchange for the Certificates of Obligation initially issued to the purchaser specified herein shall be initially issued in the form of a separate single fully registered Certificate of Obligation for each of the maturities thereof. Upon initial issuance, the ownership of each such Certificate of Obligation shall be registered in the name of Cede & Co., as nominee of Depository Trust Company of New York ("DTC"), and except as provided in subsection (f) hereof, all of the outstanding Certificates of Obligation shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Certificates of Obligation registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Certificates of Obligation. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Certificates of Obligation, (ii) the delivery to any DTC Participant or any other person, other than a Certificate of Obligation holder, as shown on the Registration Books, of any notice with respect to the Certificates of Obligation, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Certificate of Obligation holder, as shown in the Registration Books of any amount with respect to principal of, or premium, if any, as the case may be, the Certificates of Obligation. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat

and consider the person in whose name each Certificate of Obligation is registered in the Registration Books as the absolute owner of such Certificate of Obligation for the purpose of payment of principal and premium, if any, as the case may be, with respect to such Certificate of Obligation, for the purpose of giving notices of redemption and other matters with respect to such Certificate of Obligation, for the purpose of registering transfers with respect to such Certificate of Obligation, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and premium, if any, on the Certificates of Obligation only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, and premium, if any, or as the case may be, the Certificates of Obligation to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Certificate of Obligation certificate evidencing the obligation of the Issuer to make payments of principal and premium, if any, as the case may be, pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(i) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC and that it is in the best interest of the beneficial owners of the Certificates of Obligation that they be able to obtain certificated Certificates of Obligation, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates of Obligation to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates of Obligation and transfer one or more separate Certificates of Obligation to DTC Participants having Certificates of Obligation credited to their DTC accounts. In such event, the Certificates of Obligation shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Certificate of Obligation holders transferring or exchanging Certificates of Obligation shall designate, in accordance with the provisions of this Ordinance. Notwithstanding the foregoing, the Issuer, if the Texas Water Development Board still owns the Certificates of Obligation, will not discontinue the use of DTC and its book-entry only system without prior written consent from the Texas Water Development Board.

(j) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Certificate of Obligation is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and premium, if any, or as the case may be, such Certificate of Obligation and all notices with respect to such Certificate of Obligation shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

Section 7. FORM OF SUBSTITUTE CERTIFICATES OF OBLIGATION. The form of all Certificates of Obligation issued in conversion and exchange or replacement of any other Certificate of Obligation or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Certificates of Obligation, and the Form of Assignment to be printed on each of the Certificates of Obligation, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

[The remainder of this page intentionally left blank.]

FORM OF SUBSTITUTE CERTIFICATE OF OBLIGATION

NO. _____

PRINCIPAL AMOUNT

\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF BANDERA
CITY OF BANDERA, TEXAS
COMBINATION TAX AND SURPLUS REVENUE CERTIFICATE OF OBLIGATION,
TAXABLE SERIES 2025A

**INTEREST
RATE**

0%

**MATURITY
DATE**

**DATE OF
ORIGINAL ISSUE**

January 1, 2025

**CUSIP
NO.**

ON THE MATURITY DATE specified above, the CITY OF BANDERA, TEXAS (the "Issuer") in COUNTY OF BANDERA, being a political subdivision of the State of Texas, hereby promises to pay to

CEDE & CO.

or to the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____

The Certificate of Obligation shall not bear interest.

THE PRINCIPAL OF this Certificate of Obligation is payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Certificate of Obligation shall be paid to the registered owner hereof upon presentation and surrender of this Certificate of Obligation at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of ***Zions Bancorporation, National Association, Houston, Texas***, which is the "Paying Agent/Registrar" for this Certificate of Obligation. The Issuer covenants with the registered owner of this Certificate of Obligation that on or before each principal payment date, it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Certificates of Obligation Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of the Certificates of Obligation, when due.

IF THE DATE for the payment of the principal of this Certificate of Obligation shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a 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 CERTIFICATE OF OBLIGATION is one of an issue of Certificates of Obligation initially dated January 1, 2025, authorized in accordance with the Constitution and laws of the State of Texas in the original principal amount of \$3,000,000, for paying all or a portion of the Issuer's contractual obligations for the purpose of planning, acquiring, and designing improvements to the City's sewer system and for paying professional services for legal, fiscal, and engineering fees in connection with this project.

ON January 1, 2035 or any date thereafter, the Certificates of Obligation of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the Issuer shall, in inverse order of maturity, select and designate the maturity or maturities and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of a Certificate of Obligation may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount thereof.

AT LEAST 30 days prior to the date fixed for any redemption of Certificates of Obligation or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Certificate of Obligation to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate of Obligation, and it is hereby specifically provided that the mailing of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Certificates of Obligation or portions thereof. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates of Obligation or portions thereof which are to be so redeemed. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Certificates of Obligation or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Certificate of Obligation shall be redeemed a substitute Certificate of Obligation or Certificates of Obligation having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Certificates of Obligation Ordinance.

THIS CERTIFICATE OF OBLIGATION OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Certificates of Obligation, upon the terms and conditions set forth in the Certificates of Obligation Ordinance. Among other requirements for such assignment and transfer, this Certificate of Obligation must be presented and surrendered to the Paying Agent/Registrar,

together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Certificate of Obligation or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Certificate of Obligation or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Certificate of Obligation shall be executed by the registered owner or its duly authorized attorney or representative to evidence the assignment hereof. A new Certificate of Obligation or Certificates of Obligation payable to such assignee or assignees (which then will be the new registered owner or owners of such new Certificate of Obligation or Certificates of Obligation), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Certificate of Obligation, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Certificate of Obligation, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Certificates of Obligation. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Certificate of Obligation or any portion hereof with respect to any Certificate of Obligation or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Certificate of Obligation shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Certificate of Obligation to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL CERTIFICATES OF OBLIGATION OF THIS SERIES are issuable solely as fully registered certificates of obligation, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Certificates of Obligation Ordinance, this Certificate of Obligation, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered Certificates of Obligation, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Certificate of Obligation to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Certificates of Obligation Ordinance. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Certificate of Obligation or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange with respect to any Certificate of Obligation or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Certificates of Obligation is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Certificate of Obligation Ordinance that it promptly will appoint a competent and legally qualified substitute

therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Certificates of Obligation.

IT IS HEREBY certified, recited, and covenanted that this Certificate of Obligation 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 Certificate of Obligation have been performed, existed, and been done in accordance with law; that this Certificate of Obligation is a general obligation of the Issuer, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the principal of this Certificate of Obligation, as principal comes due, have been levied and ordered to be levied against all taxable property in the Issuer, and have been pledged for such payment, within the limit prescribed by law, and that this Certificate of Obligation is additionally secured by a lien on and pledge of surplus revenues of the Issuer's Waterworks and Sewer System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with any of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's Waterworks and Sewer System, all as provided in the Certificates of Obligation Ordinance.

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

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

City Secretary

Mayor Pro Tem

CITY SEAL

The following shall be printed on the back of said Certificate of Obligation:

"This Certificate of Obligation was originally delivered to and paid for by
the Purchaser thereof on January 10, 2025".

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Certificate of Obligation 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 Certificate of Obligation has been issued under the provisions of the Certificate of Obligation Ordinance described on the face of this Certificate of Obligation; and that this Certificate of Obligation has been issued in conversion of and exchange for or replacement of a certificate of obligation, certificates of obligation, or a portion of a certificate of obligation or certificates of obligation of an issue 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.

Zions Bancorporation, National Association
Houston, Texas
Paying Agent/Registrar

Dated _____

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Certificate of Obligation, or duly authorized representative or attorney thereof, hereby assigns this Certificate of Obligation to

(Assignee's Social Security or Tax
Payer Identification Number)

(Print or type Assignee's Name and Address Including
Zip Code)

and hereby irrevocably constitutes and appoints

attorney, to transfer the registration of this Certificate of Obligation on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated _____

NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Certificate of Obligation.

Section 8. TAX LEVY. A special Interest and Sinking Fund (the "Interest and Sinking Fund") is hereby created solely for the benefit of the Certificates of Obligation, and the Interest and Sinking Fund shall be established and maintained by the Issuer at an official depository bank of the Issuer. The Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the Issuer, and shall be used only for paying the principal of the Certificates of Obligation. All ad valorem taxes levied and collected for and on account of the Certificates of Obligation, together with any premium received from the sale of the Certificates of Obligation, shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Certificates of Obligation are outstanding and unpaid, the governing body of the Issuer shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to maintain a sinking fund adequate to pay the principal of its Certificates of Obligation as such principal matures (but never less than 2% of the original principal amount of the Certificates of Obligation as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the Issuer, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the Issuer for each year while any of the Certificates of Obligation is 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 principal of the Certificates of Obligation, such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

Article 1208, Government Code, applies to the issuance of the Certificates of Obligation and the pledge of the taxes and revenue granted by the Issuer under this Section and Section 9, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Certificates of Obligation are outstanding and unpaid, the result of such amendment being that the pledge of the taxes and revenue granted by the Issuer under this Section and Section 9 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the registered owners of the Certificates of Obligation a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 9. REVENUES. That said Certificates of Obligation, together with other obligations of the Issuer, are additionally secured by and shall be payable from surplus revenues of the Issuer's waterworks and sewer system (the "Waterworks and Sewer System") remaining after (a) payment of all amounts constituting operation and maintenance expenses thereof, and (b) payment of all debt service, reserve, repair and replacement and other requirements and amounts required to be paid under all ordinances heretofore or hereafter authorizing all other obligations not on a parity with the Certificates of Obligation, which are payable from and secured by any Waterworks and Sewer System revenues, and (c) payment of all amounts payable from any Waterworks and Sewer System revenues pursuant to contracts heretofore or hereafter entered into by the Issuer in accordance with law. Notwithstanding the requirements of Section 8, if surplus revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied pursuant to Section 8 may be reduced to the extent and by the amount of the surplus revenues of the Waterworks and Sewer System then on deposit in the

Interest and Sinking Fund. However, if the surplus revenues of the Waterworks and Sewer System are budgeted for deposit into the Interest and Sinking Fund, the Issuer:

(a) shall transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Certificates of Obligation until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Certificates of Obligation; further, the Issuer shall not transfer any surplus revenue funds from the Issuer's Waterworks and Sewer System Revenue Fund to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Certificates of Obligation for the then current fiscal year has been deposited in the Interest and Sinking Fund;

(b) shall establish, adopt and maintain an annual budget that provides for either the monthly deposit of sufficient surplus Waterworks and Sewer System revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Certificates of Obligation; and

(c) shall at all times maintain and collect sufficient Waterworks and Sewer System rates and charges in conjunction with any other legally available funds that, after payment of the costs of operating and maintaining the system, produce revenues in an amount not less than 1.10 times debt service requirements of all outstanding Waterworks and Sewer System revenue bonds of the Issuer and other obligations of the Issuer which are secured in whole or in part by a pledge of revenues of the Waterworks and Sewer System, for which the Issuer is budgeting the repayment of such obligations from the revenues of the Waterworks and Sewer System, or the Issuer shall provide documentation which evidences the levy of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds except Waterworks and Sewer System rates and charges, sufficient for the repayment of Waterworks and Sewer System debt service requirements.

Section 10. TRANSFER. The Mayor and the 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 principal.

Section 11. DEFEASANCE OF CERTIFICATES OF OBLIGATION. (a) Any Certificate of Obligation shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Certificate of Obligation") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Certificate of Obligation, either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until

all Defeased Certificates of Obligation shall have become due and payable. At such time as a Certificate of Obligation shall be deemed to be a Defeased Certificate of Obligation hereunder, as aforesaid, such Certificate of Obligation shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Certificates of Obligation that is made in conjunction with the payment arrangements specified in subsection 11(a)(i) or (ii) shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Certificates of Obligation for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Certificates of Obligation immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes. Notice of such defeasance shall be furnished to the Texas Water Development Board, if the Texas Water Development Board is the owner of the outstanding bonds.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Issuer also be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Certificates of Obligation, with respect to which such money has been so deposited, shall be turned over to the Issuer, or deposited as directed in writing by the Issuer. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Certificates of Obligation may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection 11(a)(i) or (ii). All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Certificates of Obligation, with respect to which such money has been so deposited, shall be remitted to the Issuer or deposited as directed in writing by the Issuer.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America., (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

(e) In the event that the Issuer elects to defease less than all of the principal amount of Certificates of Obligation of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Certificates of Obligation by such random method as it deems fair and appropriate.

Section 12. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED CERTIFICATES OF OBLIGATION. (a) Replacement Certificates of Obligation. In the event any outstanding Certificate of Obligation is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new certificate of obligation of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Certificate of Obligation, in replacement for such Certificate of Obligation in the manner hereinafter provided.

(b) Application for Replacement Certificates of Obligation. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Certificates of Obligation shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Certificate of Obligation, the registered owner applying for a replacement certificate of obligation shall furnish to the Issuer 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 Certificate of Obligation, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Certificate of Obligation, as the case may be. In every case of damage or mutilation of a Certificate of Obligation, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Certificate of Obligation so damaged or mutilated.

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

(d) Charge for Issuing Replacement Certificates of Obligation. Prior to the issuance of any replacement certificate of obligation, the Paying Agent/Registrar shall charge the registered owner of such Certificate of Obligation with all legal, printing, and other expenses in connection therewith. Every replacement certificate of obligation issued pursuant to the provisions of this Section by virtue of the fact that any Certificate of Obligation is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Certificate of Obligation 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 Certificates of Obligation duly issued under this Ordinance.

(e) Authority for Issuing Replacement Certificates of Obligation. In accordance with Chapter 1201, Government Code, this Section 12 of this Ordinance shall constitute authority for the issuance of any such replacement certificate of obligation without necessity of further action

by the governing body of the Issuer or any other body or person, and the duty of the replacement of such certificates of obligation is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Certificates of Obligation in the form and manner and with the effect, as provided in Section 6(d) of this Ordinance for Certificates of Obligation issued in conversion and exchange for other Certificates of Obligation.

Section 13. CUSTODY, APPROVAL, AND REGISTRATION OF CERTIFICATES OF OBLIGATION; BOND COUNSEL'S OPINION; AND CUSIP NUMBERS. The Mayor of the Issuer is hereby authorized to have control of the Initial Certificate of Obligation issued hereunder and all necessary records and proceedings pertaining to the Initial Certificate of Obligation pending its delivery and its investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Certificate of Obligation said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Certificate of Obligation, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Certificate of Obligation. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Certificate of Obligation or on any Certificates of Obligation issued and delivered in conversion of and exchange or replacement of any Certificate of Obligation, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Certificates of Obligation.

Section 14. RESERVED.

Section 15. CONTINUING DISCLOSURE. CONTINUING DISCLOSURE.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"EMMA" means the Electronic Municipal Market Access system being established by the MSRB.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The Issuer shall provide annually to the MSRB through EMMA within twelve months after the end of each fiscal year ending in or after 2024, financial information and operating data with respect to the Issuer of the general type described in Exhibit A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Issuer shall provide (1) unaudited financial statements for such fiscal year within such twelve month period, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements become available.

If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the date of the new fiscal year end prior to the next date by which the Issuer otherwise would be required to provide financial information and operating data pursuant to this paragraph (b).

The financial information and operating data to be provided pursuant to this paragraph (b) may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the SEC.

(c) Event Notices.

The Issuer shall file notice of any of the following events with respect to the Certificates of Obligation to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates of Obligation, or other material events affecting the tax status of the Certificates of Obligation;
- (7) Modifications to rights of holders of the Certificates of Obligation, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Certificates of Obligation, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership, or similar event of the Issuer;

(13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer, and (b) the Issuer intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The Issuer shall notify the MSRB through EMMA, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments. The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Certificates of Obligation within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Certificates of Obligation no longer to be outstanding.

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

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

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

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

The provisions of this Section may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Certificates of Obligation in the primary offering of the Certificates of Obligation in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Certificates of Obligation consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Certificates of Obligation. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates of Obligation in the primary offering of the Certificates of Obligation. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in

accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 16. **SALE OF CERTIFICATES OF OBLIGATION.** The Certificates of Obligations are hereby sold and shall be delivered to the TEXAS WATER DEVELOPMENT BOARD at a price equal to the par amount thereof.

Section 17. **APPROVAL OF CERTIFICATES OF OBLIGATION.** The Certificates of Obligations have been purchased by the Texas Water Development Board pursuant to its Resolution No. 24-078 adopted on September 12, 2024, which provides that the Certificates of Obligations are being purchased from the Clean Water State Revolving Fund and that in accordance thereto the Executive Administrator of the Board will purchase the Certificates of Obligations at the price set forth in Section 16, with all of the proceeds to be deposited in the Escrow Fund created in the Escrow Agreement herein below approved for future distribution into the Construction Fund as set forth therein.

Section 18. **APPROVAL OF ESCROW AGREEMENT.** The Mayor of the Issuer is hereby authorized and directed to execute and deliver and the City Secretary of the Issuer are hereby authorized and directed to attest an Escrow Agreement in substantially the form attached hereto as Exhibit B. The moneys in the Escrow Fund upon authorization from the Executive Administrator of the Texas Water Development Board, or its designee, shall be deposited into the Construction Fund as established herein.

Section 19. **CONSTRUCTION FUND.** There shall be established a Construction Fund with the Issuer's depository bank and upon release of funds from the Escrow Fund such funds shall be deposited into this Construction Fund. The cost of issuance of the Certificates of Obligations, being legal, fiscal and engineering fees, may be paid from this Fund. The cost of the construction of the wastewater system improvements will be paid from this Construction Fund upon direction of the Issuer. All interest and profits from investments made with moneys in the Construction Fund shall remain on deposit in the Construction Fund as a part thereof. After completion of the payment of all costs of the wastewater system improvements, any residue remaining in the Construction Fund shall be applied in accordance with Section 21 hereof.

Section 20. **FINAL ACCOUNTING.** The Issuer shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the Issuer for wastewater system improvements together with a copy of "as built" plans of the project upon completion.

Section 21. **INVESTMENTS.** Funds on deposit in any Fund established pursuant to this Ordinance shall be secured by the depository bank of the Issuer in the manner and to the extent required by law to secure other public funds of the Issuer and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the Issuer's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in each Interest and Sinking Fund shall have a final maturity no later than the next principal payment date on which such funds will be needed, and investments purchased for and held in the Construction Fund shall have a final maturity of not

later than the date the Issuer reasonably expects the funds from such investments will be required to pay costs of the projects for which the Certificates of Obligation were issued. Income and profits from such investments shall be deposited in the respective Fund which holds such investments; however, any such income and profits from investments in the Construction Fund may be withdrawn by the Issuer and deposited in the Interest and Sinking Fund to pay all or a portion of the next coming due on the Certificates of Obligation.

Section 22. REMAINING FUNDS AND SURPLUS PROCEEDS. The City shall use any proceeds from the Certificates of Obligation that are determined to be remaining unused funds, which are those funds unspent after the original approved Project is completed, for enhancements to the original Projects that are explicitly approved by the Executive Administrator of the Texas Water Development Board or, if no enhancements are so authorized, the City shall submit a final accounting and disposition of any unused funds.

Any proceeds of the Certificates of Obligation remaining on deposit in the escrow fund and the Construction Fund upon completion of the Projects and completion of a final accounting, shall be used for any of the following purposes as approved by the City and the Executive Administrator of the Texas Water Development Board: (i) to redeem, in inverse annual order, the outstanding Certificates of Obligation owned by the Texas Water Development Board; or (ii) to deposit into the Interest and Sinking Fund for the payment of principal on the Certificates of Obligation owned by the Texas Water Development Board.

Section 23. COMPLIANCE WITH THE TEXAS WATER DEVELOPMENT BOARD'S RULES AND REGULATIONS. The Issuer covenants to comply with all applicable laws, and the rules and regulations of the Texas Water Development Board, as long as the Certificates of Obligations, or any of them, are owned by the Texas Water Development Board:

(a) **Annual Audit Reporting.** The Issuer shall provide to the Development Fund Manager of the Texas Water Development Board, without the necessity of a written request therefor, a copy of the Issuer's annual audit report, to be submitted without charge, within 180 days of the close of each Issuer fiscal year.

(b) **Insurance.** The Issuer agrees to maintain insurance coverage sufficient to protect the interests of the Texas Water Development Board in the Project.

(c) **Water Conservation Program.** The Issuer agrees and covenants that it will implement an approved water conservation program in accordance with 31 TAC 363.15.

(d) **Records and Accounts.** The Issuer agrees and covenants that it will maintain current, accurate and complete records and accounts regarding the System in accordance with 31 TAC 375.91(a)(2)(L).

(e) **Environmental Determinations.** The Issuer agrees and covenants that it will comply with any special conditions of the Executive Administrator's environmental determination in accordance with 31 TAC 375.91(a)(2)(P), including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

(f) Exercise of Remedies. The Texas Water Development Board may exercise all remedies available to it in law or equity, and any provision of the Certificates of Obligation that restricts or limits the Texas Water Development Board's full exercise of such remedies shall be of no force and effect.

(g) Proceeds of Certificates of Obligation to be Held at a Designated State Depository. Notwithstanding anything to the contrary set forth in this Ordinance, including specifically Section 17 hereof, the proceeds of the Certificates of Obligation shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(h) Prohibition on Use of Proceeds. The Issuer covenants and agrees that none of the proceeds of the Certificates of Obligations will be expended on costs incurred relating to the sampling, testing, removing or disposing of contaminated soils and/or media at the project site.

(i) Indemnification. The Issuer further agrees, to the extent permitted by law, to indemnify, hold harmless and protect the Texas Water Development Board from any and all claims or causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Issuer, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

(j) Disadvantaged Business Enterprises Program. The Issuer covenants to provide documentation to the Texas Water Development Board that it has met the procurement requirements under the Disadvantaged Business Enterprises Program prior to release of funds for applicable goods or professional services.

(k) Generally Accepted Accounting Principles. The City shall comply with the requirements set forth in 33 U.S.C. §1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets.

(l) Useful Life of the Project. The average weighted maturity of the obligations purchased by the TWDB shall not exceed 120% of the average reasonably expected economic life of the project.

(m) Federal Procurement Requirements. Prior to the release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. §1102(2)(A)(C), the City must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. §1101 *et seq.* and 33 U.S.C. §1382(b)(14).

(n) Build America, Buy America Requirements. The City will abide by all applicable requirements of the Build America, Buy America Act, Public Law 117-58.

(o) Telecommunication. The Issuer will abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

(p) Firearm Litigation. The City shall notify TWDB in writing of any suit against it by the Attorney General of Texas under Section 2.103 of the Texas Government Code and Section 1.10(f) of the Texas Penal Code, each as amended, related to federal laws regulating firearms, firearm accessories, and firearm ammunition.

Section 24. COVENANTS AND COMPLIANCE WITH THE TEXAS WATER DEVELOPMENT RESOLUTION APPROVING PURCHASE OF CERTIFICATES OF OBLIGATION. The Texas Water Development Board, in Resolution 24-078 adopted on September 12, 2024, requires that the Issuer make the following covenants in this Ordinance:

(a) The Issuer shall submit outlay reports with sufficient documentation on costs (e.g.; invoices, receipts) on a quarterly or monthly basis in accordance with the Texas Water Development Board's outlay report guidelines.

(b) All laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The Issuer, all contractors, and all subcontractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the Texas Water Development Board.

(c) The Issuer shall provide the Texas Water Development Board with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282. The Issuer shall obtain a Data Universal Numbering System ("DUNS") Number and shall register with System for Award Management ("SAM"), and maintain current registration at all times during which the Certificates of Obligations are outstanding;

(d) All loan proceeds will be timely and expeditiously used, as required by federal statute and EPA regulations, and the Issuer will adhere to an Executive Administrator-approved project schedule, which shall not be altered except for good cause shown and only with the written approval of the Executive Administrator.

(e) The City will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC §375.3, 33 U.S.C. §1388, and related State Revolving Fund Policy Guidelines.

Section 25. REMEDIES IN EVENT OF DEFAULT; SECURITY INTEREST. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the Issuer (i) defaults in the payment of the

principal, or premium, if any, on the Certificates of Obligations, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the following remedies shall be available:

(a) the Holders of any of the Certificates of Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

(b) 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 remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive. Any provision of the Certificates of Obligations or this Ordinance that restricts or limits the Texas Water Development Board's full exercise of its remedies shall be of no force and effect.

Section 26. FURTHER PROCEDURES. The officers and employees of the Issuer are hereby authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Certificates and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Certificates, the Mayor, the City Secretary, the City Administrator, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance, or (ii) obtain the approval of the Certificates by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any Certificate shall cease to be such officer before the delivery of such Certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 27. RESERVED.

Section 28. SECURITY FOR FUNDS. All funds mentioned in this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, including the Public Funds Collateral Act (Chapter 2257, Government Code), and such funds shall be used only for the purposes and in the manner permitted or required by this Ordinance.

Section 29. PUBLIC NOTICE. It is hereby officially found and determined that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, and that no petition was received from the qualified electors of the Issuer protesting the issuance of the Certificates of Obligation.

Section 30. EFFECTIVE DATE. This Ordinance becomes effective immediately after passing on first reading in accordance with Section 1201.028, Texas Government Code.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF BANDERA, TEXAS AT A REGULAR MEETING HELD ON THE 10TH DAY OF DECEMBER, 2024.

Jill Shelton
City Secretary, City of Bandera, Texas

Tony Battle
Mayor Pro Tem, City of Bandera, Texas

(SEAL)

EXHIBIT A

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 15 of this Ordinance.

I. Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The annual audited financial statements of the City, or unaudited financial statements of the City in the event the audited financial statements are not completed within twelve months after the end of any fiscal year.
2. All quantitative financial and operating data with respect to the City of the general type included in the Issuer's application to the Texas Water Development Board, but only to the extent that such information is customarily prepared by the Issuer and is publicly available.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

EXHIBIT B

ESCROW AGREEMENT

The Escrow Agreement Has Been Omitted at this Point as it Appears in Executed Form Elsewhere in this Transcript.