

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF CITY OF MISSION, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2023 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,255,000 PROVIDING FOR THE PAYMENT OF THE BONDS FROM A LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH BONDS; PROVIDING FOR THE TERMS AND CONDITIONS OF SUCH BONDS; RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF THE BONDS; AND MAKING OTHER PROVISIONS REGARDING SUCH BONDS AND MATTERS INCIDENT THERETO

STATE OF TEXAS           §  
COUNTY OF HIDALGO   §  
CITY OF MISSION       §

WHEREAS, the City of Mission, Texas (the "City" or "Issuer") has heretofore issued, sold, and delivered, and there are currently outstanding, pursuant to applicable laws, the following series or issues of obligations which are payable from a first lien on and pledge of the Net Revenues (as hereinafter defined) of the City's combined Waterworks and Sewer System (the "Previously Issued Parity Bonds"):

City of Mission, Texas Waterworks and Sewer System Refunding Bonds, Series 2016, dated July 1, 2016, now outstanding in the aggregate principal amount of \$3,170,000 (the "Series 2016 Bonds");

WHEREAS, the City Council has heretofore issued the following outstanding obligations which are payable from a second and subordinate lien on and pledge of the Net Revenues (as hereinafter defined) of the City's combined Waterworks and Sewer System (the "Junior Lien Bonds"):

City of Mission, Texas Waterworks and Sewer System Junior Lien Revenue Taxable Bonds, Series 2009, dated December 18, 2009, now outstanding in the aggregate principal amount of \$2,725,000 (the "Series 2009 Bonds");

City of Mission, Texas Waterworks and Sewer System Junior Lien Refunding Bonds, Series 2014, dated June 1, 2014, now outstanding in the aggregate principal amount of \$3,150,000 (the "Series 2014 Bonds");

City of Mission, Texas Waterworks and Sewer System Junior Lien Revenue Bonds, Series 2015, dated September 28, 2015, now outstanding in the aggregate principal amount of \$12,685,000 (the "Series 2015 Bonds");

WHEREAS, the City may, subject to complying with certain conditions, issue Additional Bonds, payable from a first lien on and pledge of the Net Revenues on parity with the City's outstanding Previously Issued Bonds as hereinafter defined;

WHEREAS, the City Council of the City deems it in the best interests of the City to issue bonds and to use the proceeds thereof to provide funds (i) to pay contractual obligations to pay the planning, design, and construction of certain wastewater system improvements and (ii) to pay the costs of issuance related to the issuance of these bonds;

WHEREAS, the Texas Water Development Board has approved a maximum loan to the City in the maximum amount of \$4,255,000 upon the terms and conditions as outlined in the Texas Water Development Board's Resolution adopted on June 6, 2023;

WHEREAS, the City Council hereby finds and determines that all of the bonds herein authorized to be issued and the deposits to certain accounts can and should be payable from and secured by a first lien on and pledge of the Net Revenues of the System;

WHEREAS, the bonds hereinafter authorized are to be issued and delivered pursuant to Sections 1502.051 through 1502.070, Texas Government Code, as amended, and other applicable laws of the State of Texas;

WHEREAS, it is hereby officially found and determined that the meeting at which this ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

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

Section 1. DEFINITIONS. For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, terms have the meanings assigned to them in this section.

“Additional Bonds” has the meaning assigned thereto in section 18 of this ordinance.

“Annual Debt Service Requirements” means, as of the date of calculation, the principal of and interest on all Parity Bonds coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City during such Fiscal Year for which the annual debt service is being calculated, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the City:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as "Balloon Debt"), and a designated financial officer shall deliver to the City a certificate providing for the retirement of (and the instrument

creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the City has elected to apply the rule set forth in clause (1) above;

(2) Prepaid Debt. Principal of and interest on the Bonds, and Parity Bonds, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside irrevocably in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt; and

(3) Variable Rate. As to any Parity Bonds that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the City, either (A) an interest rate equal to the average rate borne by such Parity Bonds (or by comparable debt in the event that such Parity Bonds have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Bonds which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Parity Bonds taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Bonds);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

“Average Annual Debt Service Requirements” means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Bonds. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond

proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

“Bonds” means the City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Series 2023 issued hereunder.

“Cede & Co.” means the designated nominee and its successors and assigns of The Depository Trust Company, New York.

“City” and “Issuer” mean the City of Mission, Texas, and where appropriate, the City Council.

“Debt” means:

(1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

“Depository” means one or more official depository banks of the City.

“DTC” means The Depository Trust Company, New York, New York and its successors and assigns.

“DTC Participant” means securities brokers and dealers, banks, trust companies, clearing

corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Fiscal Year” means the twelve-month accounting period used by the City in connection with the operation of the System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the City, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

“Funded Debt” means all Parity Bonds created or assumed by the City that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the City to a date, more than one year after the original creation or assumption of such Debt by the City.

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

“Holder” means the registered owner, whose name appears in the Security Register, for any Parity Bond.

“Interest and Sinking Fund” means the special Fund created, established and maintained by the provisions of Sections 12 and 13 of this Ordinance.

“Junior Lien Bonds” means (i) any bonds, notes, warrants, certificates of obligation or other Debt issued by the City that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Parity Bonds and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Junior Lien Bonds.

“MSRB” means the Municipal Securities Rulemaking Board.

“Maintenance and Operating Expenses” means the reasonable and necessary expenses of operation and maintenance of the System as required by Section 1502.056, Texas Government Code, as amended, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Bonds), and all payments under contracts now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

“Maturity” means, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

“Maximum Annual Debt Service Requirements” means the greatest requirements of

Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Fiscal Year or in the then current Fiscal Year for the particular obligations for which such calculation is made. Capitalized interest payments provided from Debt proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

“Net Revenues” mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

“Ordinance” means this ordinance.

“Outstanding”, when used with respect to Parity Bonds, means, as of the date of determination, all Parity Bonds theretofore delivered under this Ordinance and any ordinance authorizing Additional Bonds, except:

(1) Parity Bonds theretofore cancelled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Bonds deemed paid pursuant to the provisions of Section 36 of this Ordinance or any comparable section of any ordinance authorizing Additional Bonds;

(3) Parity Bonds upon transfer of or in exchange for and in lieu of which other Parity Bonds have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Additional Bonds; and

(4) Parity Bonds under which the obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

“Paying Agent/Registrar” shall have the meaning set forth in Section 8(a) hereof.

“Parity Bonds” means the Previously Issued Parity Bonds, the Bonds and any Additional Bonds hereafter issued by the City or obligations issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

“Permitted Investments” means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

“Pledged Revenues” means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Bonds, and excluding those revenues excluded from Gross Revenues.

“Rating Agency” means any nationally recognized securities rating agency which has assigned, at the request of the City, a rating to the Parity Bonds.

“Record Date” as used in connection with any Bond, shall mean the close of business on the fifteenth business day of the month next preceding each Interest Payment Date.

“Required Reserve Amount” means the amount required to be maintained in the Parity Bonds Reserve Fund pursuant to the provisions of Section 14 of this Ordinance.

“Required Reserve Fund Deposits” means the deposits and credits, if any, required to be made to the Reserve Fund pursuant to the provisions of Section 14 of this Ordinance.

“SEC” means the United States Securities and Exchange Commission.

“Stated Maturity” means the annual principal payments of the Parity Bonds payable on the respective dates set forth in the ordinances which authorize the issuance of such Parity Bonds.

“System” means the City's combined waterworks and sewer system, which includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the City for the supply, treatment, transmission and distribution of treated potable water, for the collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, and all water (in any form) owned by the City.

“Term Bonds” means those Parity Bonds so designated in the ordinances authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

“Term of Issue” means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

“TWDB” shall mean the Texas Water Development Board.

Section 2. FINDINGS. The City hereby finds and determines that the recitations contained in the preamble hereto are true and correct and incorporates the said recitals in the preamble as if set forth in full at this place.

Section 3. AUTHORIZATION; DESIGNATION; PURPOSES. The Bonds shall be designated as the "City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Series 2023" and shall be issued in fully registered form in the total authorized aggregate principal amount of Four Million Two Hundred Fifty-Five Thousand Dollars (\$4,255,000) (i) to provide funds to pay contractual obligations to pay the planning, design, and construction of certain wastewater system improvements and (ii) to pay costs of issuance, in accordance with Sections 1502.051 through 1502.070 of the Texas Government Code.

Section 4. DATE AND INTEREST PAYMENT DATES; INITIAL BONDS; DEFINITIVE BONDS; DENOMINATIONS (a) The Bonds shall be dated \_\_\_\_\_, 2023, and shall bear interest at the rates set forth in this Section 4 of this Ordinance from the date of delivery, or the most recent interest payment date to which such interest has been paid or duly

provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on \_\_\_\_\_, and semiannually thereafter on February 15 and August 15 of each year thereafter until maturity.

(b) The Initial Bond(s) herein authorized shall be issued either (i) as a single fully registered Bond in the total principal amount of \$4,255,000 with principal and interest payments to become due and payable as provided in this Section 4 and numbered T-1, or (ii) as separate, fully registered Bonds for each year of stated maturity in the applicable principal amounts and denominations and to be numbered consecutively from T-1 and upward (the "Initial Bond(s)"), and, in either case, the Initial Bond(s) shall be registered in the name of the TWDB or the designee(s) thereof, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF INITIAL BOND set forth in Exhibit "A" hereof. The Initial Bond(s) submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced. The Initial Bond(s) issued and delivered pursuant to this Ordinance are not required to be, and shall not be, authenticated by the Paying Agent/ Registrar, but on each substitute bond issued in exchange for any Initial Bond or in exchange for any Bond issued under this Ordinance, the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF DEFINITIVE BONDS set forth in Exhibit "B".

(c) The Initial Bond(s) shall be submitted to the office of the Attorney General of the State of Texas for approval, certified and registered by the office of the Comptroller of Public Accounts and delivered to and delivered to the Paying Agent/Registrar. The Paying Agent/Registrar, pursuant to written instructions from the City, or the designee(s) thereof, and in accordance with Section 8 hereof, shall cancel the Initial Bond(s) delivered hereunder and exchange therefore Definitive Bonds (as hereinafter defined) of authorized denominations, stated maturities, principal amounts and bearing applicable interest rates, for transfer and delivery to the holders named at the addresses identified therefor; all pursuant to and in accordance with Section 7 hereof and such written instructions from the TWDB, or the designee(s) thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require. The Initial Bond(s) submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

(d) The definitive bonds (the "Definitive Bonds") shall be numbered consecutively from R-1, upward and shall mature and bear interest at the rates set forth in the Maturity Schedule and may be transferred and exchanged as set out in this Ordinance, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF DEFINITIVE BONDS set forth in Exhibit "B" hereof. Each substitute Bond issued in exchange for any Initial Bonds or Bonds issued under this Ordinance, shall require that the Paying Agent/Registrar execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BONDS.

(e) The Bonds shall mature on February 15, in each of the years and in the principal amounts set out in the following schedule:





Section 5. SALE OF THE BONDS. The Initial Bonds are hereby sold and shall be delivered to the Texas Water Development Board for cash at the price of par and upon the terms and conditions set forth in the resolution of the TWDB dated the date of the TWDB meeting a copy of which is attached as Exhibit "C" in the form and substance presented to the City at this meeting. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall initially be registered in the name of the Texas Water Development Board.

In order that the City shall satisfy in a timely manner all of its obligations under this Ordinance, and the agreement executed in connection with the sale of the Bonds the Mayor, the City Secretary and all other appropriate officers and agents of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance and delivery of the Bonds, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, notices and other documents as may be reasonably necessary to satisfy the City's obligations under this Ordinance, and the agreement executed in connection with the sale of the Bonds and to direct the transfer and application of funds of the City consistent with the provisions of this Ordinance. The Mayor is authorized to execute an agreement with the TWDB setting forth the terms and uses of all grant funds to be made available by TWDB.

While TWDB is the owner of the Bonds, the principal or redemption price of the Bonds shall be payable by wire transfer without exchange or collection charges. Otherwise, principal or redemption price of the Bonds shall be payable in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender, as they respectively become due and payable, at the principal trust office of the Paying Agent/Registrar. As long as TWDB is the owner of the Bonds, the interest on each Bond shall be payable by wire transfer without exchange or collection charges dated as of the Interest Payment Date. Otherwise, interest on each Bond shall be payable in any coin or currency of the United States of America mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Bond Register.

Section 6. DELIVERY OF BONDS; USE OF PROCEEDS. (a) Pursuant to Section 5 hereof, the City shall deliver the Bonds to the TWDB upon receipt of the Purchase Price.

(b) Proceeds of Sale. Promptly after the delivery of the Bonds, the proceeds from the sale and delivery of the Bonds shall be allocated as follows:

- (i) Escrow Accounts. At Closing, proceeds in the amount of \$\_\_\_\_\_ from the sale of the Bonds to the TWDB shall be deposited in the TWDB No. 1001643, City of Mission, Texas Waterworks and Sewer System Revenue Bonds, Series 2023 Escrow Account and TWDB No. G1001644, Grant Agreement Escrow Account (the "Escrow Accounts"), subject to being withdrawn only with the approval of the Executive Administrator of the TWDB or another designated representative under the terms of the Escrow Agreement between the City and the Escrow Agent in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257, attached hereto as Exhibit "D".

- (ii) Construction Fund. The Waterworks and Sewer System Revenue Bonds, Series 2023 Construction Fund (the “Construction Fund”) is hereby created as a special fund of the City. Money deposited in the Construction Fund from the Escrow Funds shall be used only for the purposes set forth in Section 3 of this Ordinance.
- (iii) Costs of Issuance. Proceeds in an amount equal to the costs of issuance of the Bonds shall be applied to pay such costs as the City may arrange.
- (iv) Unused Proceeds. Unused proceeds, which are those funds unspent after the original approved project is completed, shall be used for enhancements to the original project that are explicitly approved by the Executive Administrator. If no enhancements are authorized by the Executive Administrator, the City shall submit a final accounting and disposition of any unused funds.
- (v) Surplus Proceeds. The City shall use any loan proceeds from the Bonds that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator.

Section 7. OPTIONAL REDEMPTION.

(a) The City reserves the right to call the Bonds for early redemption only in inverse order of maturity on any date beginning on or after the first interest payment date which is ten (10) years from the dated date of the Bonds, at a redemption price of par, together with all accrued interest to the date fixed for redemption. If less than all of the Bonds of a particular maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar on behalf of the City.

(b) Bonds may be redeemed only in integral multiples of \$5,000 of principal amount. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, the Registrar shall treat each Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. Upon surrender of any Bond for redemption in part, the Registrar, in accordance with Section 7 hereof, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 8. CHARACTERISTICS OF THE BONDS. (a) Registration, Transfer, and Exchange; Authentication. \_\_\_\_\_ is hereby appointed as the registrar and paying agent for the Bonds (the “Paying Agent/Registrar”) pursuant to the terms and provisions of the Paying Agent/Registrar Agreement, a substantial copy of which is attached hereto as Exhibit “E” which is hereby authorized, approved and incorporated hereto by reference by the City and which the appropriate officials of the City are hereby authorized to execute. The officers of the City are each hereby authorized to execute, attest and affix the City's seal to the Paying Agent/Registrar Agreement, the terms and provisions of which are hereby approved.

The City shall keep or cause to be kept at the designated corporate trust office of the Paying Agent/Registrar books or records for the registration of the transfer and exchange of the Bonds

(the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds surrendered for transfer and exchange. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the preparation, execution and delivery of the substitute Bonds in the manner prescribed herein. Pursuant to the Texas Government Code, Chapter 1201, the duty of transfer and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the transferred and exchanged Bond shall be valid, incontestable and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Substitute Paying Agent/Registrar. The City covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option and to the extent permitted by law, (i) act in the capacity of Paying Agent/Registrar or (ii) 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 or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, 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.

(c) *Book-Entry-Only System for Bonds.* The Bonds issued in exchange for the Bonds initially issued to the purchaser(s) specified in Section 4 herein shall be initially issued in the form of a separate single fully registered Bond for each maturity thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("DTC"), and except as provided in subsection (e) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to the Bonds 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 securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("DTC Participant") to hold securities, to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. 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 Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds or (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. 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 Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the order of the registered 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 interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the Issuer to make payments of principal and interest 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., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(d) *Successor Securities Depository; Transfers Outside Book-Entry-Only Systems.* In the event that the Issuer determines to discontinue the use of the Book-Entry-Only System through DTC, or DTC determines to discontinue providing its services with respect to the Bonds, the Issuer 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 Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds

credited to their DTC accounts. In such event, the Bonds 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 registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance. Whenever a successor securities depository has been appointed pursuant to this paragraph, the terms DTC and DTC Participant as used in this Ordinance shall refer to such successor securities depository and its participants, respectively.

(e) *Payments to Cede & Co.* Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

(f) *DTC Letter of Representation.* The officers of the Issuer are herein authorized for and on behalf of the Issuer and as officers of the Issuer to enter into one or more amendments to the Blanket Letters of Representation with DTC as deemed necessary to establish and maintain the Book-Entry-Only System with respect to the Bonds.

Section 9. EXECUTION OF BONDS; SEAL. The Bonds shall be signed by the Mayor and countersigned by the City Secretary of the City Council, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of such officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose signature shall be on the Bonds, or on any certification required in connection with the Bonds, shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds or certification required in connection with the Bonds, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 10. PLEDGE OF PLEDGED REVENUES. The Pledged Revenues are hereby irrevocably pledged, on parity, to the payment and security of the Parity Bonds, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the Parity Bonds, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Bonds, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, and the amounts payable from such funds shall be superior to the lien on and pledge of the Net Revenues securing payment of any Subordinate Lien Obligations issued by the City.

Section 11. DEPOSITS TO REVENUE FUND. There has been created and established on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund entitled the “City of Mission, Texas, Waterworks and Sewer System Revenue Fund” (the “Revenue Fund”). All Gross Revenues of the System shall be credited to the Revenue Fund immediately upon receipt and all Maintenance and Operation Expenses of the System shall be paid

from such Gross Revenues as a first charge against same. The City shall maintain a two (2)-month reserve amount based upon the budgeted amount of Maintenance and Operation Expenses for the current Fiscal Year, which amount shall be retained in the Revenue Fund.

Section 12. FLOW OF FUNDS. All gross revenues deposited and credited to the Revenue Fund are hereby pledged and appropriated to the extent required, for the following uses and in the order of priority shown:

- First, to the Maintenance and Operation Expenses;
- Second, to the Interest and Sinking Fund in equal monthly installments made on or before the day prior to the 1<sup>st</sup> day of each month hereafter, as will be sufficient to pay the interest scheduled to come due on the Parity Bonds on the next interest payment date; and such amounts, in equal monthly installments, as will be sufficient to pay the next maturing principal of the Parity Bonds;
- Third, to make deposits to the Parity Bonds Reserve Fund as provided in Section 14;
- Fourth, to the "Waterworks and Sewer System Junior Lien Revenue Bonds Interest and Sinking Fund" (the "Junior Lien Interest and Sinking Fund") and to the "Waterworks and Sewer System Junior Lien Revenue Bonds Reserve Fund" (the "Junior Lien Reserve Fund") when and in the amounts required by the ordinances authorizing the issuance of the Junior Lien Bonds and any bonds which the City has reserved the right to issue on a parity and equal dignity with the Junior Lien Bonds;
- Fifth, to the Improvement and Contingency Fund, when and in the amounts required by ordinances of the City authorizing the issuance of obligations secured by the Net Revenues of the System;

Any Net Revenues remaining after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose.

Section 13. PARITY BONDS INTEREST AND SINKING FUND; REQUIREMENTS.

(a) For the sole purpose of paying the principal of and interest on the Previously Issued Parity Bonds, the Bonds and the Additional Bonds, as the same come due, there has been created and established on the books of the City a separate fund entitled the "City of Mission, Texas, Waterworks and Sewer System Parity Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). The City covenants that while any Parity Bonds are outstanding, funds will be deposited to the Interest and Sinking Fund as required under Section 12, hereof.

(b) The required monthly deposits and credits to the Parity Bonds Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Parity Bonds Interest and Sinking Fund is equal to the amount required to fully pay and discharge all outstanding Parity Bonds (principal, premium, if any, and

interest) or (ii) no Parity Bonds remain outstanding. For the purpose of determining whether sufficient funds are on deposit in or credited to the Parity Bonds Interest and Sinking Fund, to satisfy the requirements of paragraphs (i) or (ii), to fully pay and discharge all outstanding Parity Bonds, all amounts on deposit in and credited to the Parity Bonds Reserve Fund shall be deemed to be on deposit in and credited to the Parity Bonds Interest and Sinking Fund.

(c) Accrued interest and capitalized interest, if any, received at Closing from the purchaser of any Parity Bonds shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required in the Parity Bonds Interest and Sinking Fund.

(d) While any of the Parity Bonds are outstanding, the City shall transfer to the respective paying agent/registrars therefor, from funds on deposit in and credited to the Parity Bonds Interest and Sinking Fund, and, if necessary, funds on deposit in the Parity Bonds Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Bonds as shall become due on each interest or principal payment date, or date of redemption of the Parity Bonds. Such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrars for the Parity Bonds not later than the business day next preceding the date such payment is shall only be used to pay the principal of and interest on such Parity Bonds. The Paying Agent/Registrar shall destroy all Parity Bonds paid in full and furnish the City with an appropriate certificate of cancellation or destruction.

#### Section 14. PARITY BONDS RESERVE FUND REQUIREMENTS.

As a debt service reserve fund for the Parity Bonds, the City has created the Parity Bonds Reserve Fund (the "Reserve Fund"). The City covenants to maintain in the Reserve Fund, at all times, an amount no less than the Average Annual Debt Service Requirements of the outstanding Parity Bonds (the "Required Reserve Amount"). The Reserve Fund currently shows a balance of \$\_\_\_\_\_. The Required Reserve Amount required under the City's Parity Bond Ordinances for parity bonds outstanding prior to issuance of the Bonds is \$\_\_\_\_\_. The Required Reserve Amount after the issuance of the Bonds will be \$\_\_\_\_\_. The City covenants, that over the initial sixty (60) months following the delivery of the Bonds, to deposit to the Reserve Fund, in equal monthly installments, an equal amount of money until the Reserve Fund contains therein the Required Reserve Amount resulting from issuance of the Bonds.

When and so long as the money and investments in the Reserve Fund are not less than the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund. When and if the Reserve Fund contains less than the Required Reserve Amount due to any increase in the Required Reserve Amount as a result of the issuance of any Additional Bonds, any increase in the Required Reserve Amount may be funded from Net Revenues, or from proceeds of any Additional Bonds, or any other available source or combination of sources. Except for the Bonds, all or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of any Additional Bonds shall be funded within not more than five years from the dated of such delivery, by deposits of Net Revenues in equal monthly installments on or before the 25<sup>th</sup> of each month thereafter ("Required Reserve Fund Deposits"). If and when the Reserve Fund at any time contains less than the Required Reserve Amount due to any cause or condition, other than the issuance of Additional Bonds, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, such deficiency shall be made up as soon as possible from the next available Net Revenues, or from any other sources



available for such purpose by depositing to the credit of the Reserve Fund, monthly on or before the 25<sup>th</sup> of each month thereafter, a sum equal to 1/10<sup>th</sup> of the deficiency amount, until the Reserve Fund is restored to the Required Reserve Amount. Principal amounts of any Parity Bonds which must be redeemed pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such bonds. The City specifically covenants that when and so long as the Reserve Fund contains the Required Reserve Amount, the City shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the Interest and Sinking Fund.

Section 15. IMPROVEMENT AND CONTINGENCY FUND. There has been established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund entitled “City of Mission Waterworks and Sewer System Improvement and Contingency Fund” (the “Improvement and Contingency Fund”). The Improvement and Contingency Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or for paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or for any other lawful purpose.

Section 16. IMPROVEMENT AND CONTINGENCY FUND REQUIREMENTS. Subject and subordinate to making the required deposits to the credit of the Parity Bonds Interest and Sinking Fund, the Parity Bonds Reserve Fund, the Junior Lien Bonds Sinking Fund and the Junior Lien Bonds Reserve Fund, the City shall deposit to the credit of the Improvement and Contingency Fund, all remaining surplus Net Revenues in the System Fund to be used for authorized purposes.

Section 17. PAYMENT OF THE BONDS. On or before one day prior to each February 15 and August 15, while any of the Bonds are outstanding and unpaid, the City shall make available to the paying agent therefor, out of the Interest and Sinking Fund and the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds, as shall become due on such dates, respectively, at maturity or by redemption prior to maturity. At the direction of the City, the appropriate paying agent shall either deliver paid Bonds to the City or destroy all paid Bonds, and furnish the City with an appropriate certificate of cancellation or destruction.

Section 18. ISSUANCE OF ADDITIONAL BONDS ON A PARITY WITH THE BONDS. (a) The City shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue, and deliver Additional Bonds, in accordance with law, and this Ordinance, in any amounts, for any lawful purpose, including the refunding of any Bonds, or other obligations. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with the Bonds and all other outstanding Parity Bonds, from an irrevocable first lien on and pledge of the Net Revenues.

(b) The principal of all Additional Bonds must be scheduled to be paid or mature on February 15 or August 15 of the years in which such principal and interest is scheduled to be paid or mature.

Section 19. CONDITIONS FOR ISSUANCE OF ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Ordinance, and no installment, series or issue of Additional Bonds shall be issued or delivered unless the following requirements are satisfied:

(a) The City Manager and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition, or obligation in connection with all outstanding Parity Bonds and the ordinances authorizing same, and that the Interest and Sinking Fund and the Reserve Fund and any reserve fund securing any other series of issue of Parity Bonds each contains the amount then required to be therein.

(b) An independent certified public accountant (“CPA”), or independent firm of CPA’s, acting by and through a CPA, or independent Engineer signs and delivers a written certificate to the effect that, during either the next preceding Fiscal Year, or any 12 consecutive calendar month period ending not more than 90 days prior to the date of the then proposed Additional Bonds, the Net Revenues were, in the opinion thereof, at least equal to the greater of (i) 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including deposits to all funds, of the Parity Bonds and the Additional Bonds to be outstanding after the issuance of the then proposed Additional Bonds, or (ii) 1.10 times the Maximum Annual Debt Service Requirements (computed in the same manner as for Parity Bonds) of all outstanding obligations payable from a lien on and pledge of the Net Revenues of the System and all obligations to be outstanding after the issuance of the then proposed Additional Bonds. In making a determination of Net Revenues for any of the purposes described in this section, the CPA or independent Engineer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the Net Revenues tests described above, make a pro forma determination of the Net Revenues of the System for the period of time covered by said CPA’s or independent Engineer’s certification or opinion based on such change in rates and charges being in effect for the entire period covered by said CPA’s or independent Engineer's certificate or opinion.

(c) Provision shall be made in the Ordinance authorizing their issuance for immediately increasing the Parity Bonds Reserve Fund to the Required Reserve Amount as required by Section 14 hereof with the proceeds of the Additional Bonds, or other available source or combination of sources including Net Revenues, or both.

(d) that all calculations of Maximum Annual Debt Service Requirements made pursuant to this Section are made as of and from the date of the Additional Bonds then proposed to be issued.

(e) All calculations of maximum annual principal and interest requirements of any bonds made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, and for any other purpose under this Ordinance, principal amounts of any Bonds which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal of such bonds.

The City reserves the right to issue Additional Bonds to refund all or any part of the outstanding Parity Bonds or any other obligations of the City payable, in whole or in part, from the Pledged Revenues, pursuant to any law then available, upon such terms and conditions as the City Council may deem to be in the best interest of the City, its inhabitants and other customers of the System, and, unless all of the then outstanding Parity Bonds are refunded, the conditions precedent prescribed for the issuance of Additional Bonds and the representations and certifications required in Section 18 and this Section 19 shall be satisfied and shall give effect to the Maximum Annual Debt Service Requirements of the proposed refunding Additional Bonds (but shall not give effect to the Maximum Annual Debt Service Requirements of the obligations being refunded following their cancellation or provision being made for their payment); provided, however, if as a result of such refunding, the Annual Debt Service Requirements are not increased in any Fiscal Year, the City shall not be required to satisfy the requirements of Section 18(b) as a requirement for the issuance of such refunding Additional Bonds.

Section 20. DEFICIENCIES - EXCESS PLEDGED OR NET REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits and credits to the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

(b) Subject to making the deposits and credits required by this Ordinance, or any ordinances authorizing the issuance of Additional Bonds, or the payments and credits required by the provisions of the ordinances authorizing the issuance of Junior Lien Bonds, the excess Net Revenues may be used for any lawful purpose.

Section 21. INVESTMENT OF FUNDS; VALUATION; TRANSFER OF INVESTMENT INCOME.

(a) Money in the Revenue Fund and the Interest and Sinking Fund, may, at the option of the City, be invested in Permitted Investments under the Public Funds Investment Act; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such deposited funds shall be secured as required under the Public Funds Collateral Act, Chapter 2257, Government Code. All such investments shall be valued in terms of current market value no less frequently than the last business day of the City's Fiscal Year, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the City. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments of the kind described above, or in a common pool of such investments held by the City or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments shall be credited to the Revenue

Fund semi-annually.

Section 22. PAYMENT OF PARITY BONDS. While any of the Parity Bonds are outstanding, the City shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, funds on deposit in the respective reserve funds established for the benefit of respective Parity Bonds, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Parity Bonds as shall become due on each interest or principal payment date, or date of redemption of the Parity Bonds; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Parity Bonds not later than the business day next preceding the date such payment is due on the Parity Bonds; provided that funds withdrawn from a reserve fund established for a particular issue or series of Parity Bonds shall only be used to pay the principal of and interest on such Parity Bonds. The Paying Agent/Registrar shall destroy all paid Parity Bonds and furnish the City with an appropriate certificate of cancellation or destruction.

Section 23. RATES AND CHARGES. For the benefit of the Holders of the Parity Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Parity Bonds are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Pledged Revenues at least equal to the greater of 1.25 times the Average Annual Debt Service Requirements of the Parity Bonds or 1.10 times the Maximum Annual Debt Service Requirements of all outstanding obligations payable from a lien on and pledge of the Net Revenues of the System;
- C. to produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues to the Interest and Sinking Fund and Reserve Fund, including required deposits for any issue or series of Parity Bonds, and other amounts payable under Section 13 hereof;
- D. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D, sufficient to pay the principal of and interest on any Junior Lien Bonds issued by the City and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Parity Bonds and Junior Lien Bonds and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and
- E. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

Should the annual audit report required by Section 25 hereof reflect that the Pledged Revenues for the Fiscal Year covered thereby were less than necessary to meet the requirements of this Section, the City Council will review the operations of the System and the rates and charges for services provided, and the City Council will make the necessary adjustments or revisions, if any, in order that the Pledged Revenues for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

Section 24. GENERAL COVENANTS. The City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) *Performance*. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any ordinance authorizing the issuance of Parity Bonds, including this Ordinance, and in each and every Parity Bond; it will promptly pay or cause to be paid the principal of and interest on every Parity Bond on the dates and in the places and manner prescribed in such ordinances and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and every reserve fund established for the benefit of any issue or series of Additional Bonds.

(b) *City's Legal Authority*. It is a duly created and existing home rule city of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) *Title*. It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Parity Bonds, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) *Liens*. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(e) *Operation of System; No Free Service*. It will, while the Parity Bonds are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be

allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 9.

(f) Mandatory Connection to Service. The City shall require and insure that all owners of property, capable of receiving service as a result of the improvements to be undertaken with the proceeds of the Bonds, actually connect their properties to the City's wastewater system constructed by these funds within a reasonable period of time not to exceed 90 days from the date the City notifies the property owner that service is available; provided however, that the Executive Administrator may extend this time upon written request for good cause shown. In this connection, the City shall exercise its authority pursuant to Section 17.934(a)(2) of the Texas Water Code to impose any incentives or penalties available under law.

(g) Further Encumbrance. While the Parity Bonds are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance; but the right of the City to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(h) Sale or Disposal of Property. While the Parity Bonds are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the City retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the System if (i) the City's consulting engineer delivers a certificate to the City Council to the effect that, following such action by the City, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Bonds are to be outstanding to comply with the obligations of the City contained in this Ordinance and in the ordinances authorizing the issuance of Additional Bonds; (ii) the City Council makes a finding and determination to the same effect as the certificate of the City Manager set forth in (i) above and (iii) each national rating service then maintaining a rating on any Parity Bond delivers a letter to the City to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the unenhanced rating on any Parity Bonds then in effect. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Parity Bonds.

(i) Insurance. (1) It shall cause to be insured such parts of the System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. The amount of coverage shall never be less than

sufficient to protect the TWDB's interest in the project. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives at all reasonable times. Upon the occurrence of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property are hereby pledged as security for the Parity Bonds and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(i) for the redemption prior to maturity of the Parity Bonds, ratably in the proportion that the Outstanding principal of each series of Parity Bonds bears to the total Outstanding principal of all Parity Bonds, provided that if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as Outstanding in making the foregoing computation; or

(ii) if none of the Outstanding Parity Bonds is subject to redemption, then for the purchase on the open market and retirement of said Parity Bonds in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Bond shall not exceed the redemption price of such Parity Bond on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(2) The foregoing provisions of (1) above notwithstanding, the City shall have authority to enter into coinsurance or similar plans where risk of loss is shared in whole or in part by the City.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(4) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance

program shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

(j) *Governmental Agencies.* It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City's consulting engineer has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(k) *No Competition.* It will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

Section 25. RULES; REGULATIONS AND CONDITIONS OF TEXAS WATER DEVELOPMENT BOARD. In compliance with the published rules and regulations of the Texas Water Development Board, and the grant conditions imposed under the TWDB Resolution No. 23-041, the City agrees and covenants as follows:

(a) Proceeds from the sale of the Bonds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils and/or media at the project site. The City shall indemnify, hold harmless, and protect the TWDB from any and all claims, 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 City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the project to the extent permitted by law;

(b) The City shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;

(c) The City will abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by Texas Water Code §17.183;

(d) The City shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

(e) That upon completion of the project to be financed with the proceeds of the Bonds, the proper officials of the City shall cause to be prepared and submitted to the TWDB the following documentation:

(i) a final accounting of the total costs of the project and the expenditure of funds therefor; and



(ii) a copy of the construction plans for the project as built and completed.

(iii) In addition to other information required by the TWDB, said final accounting shall identify all funds utilized or represented to be available in the City's application, from whatever source derived.

(f) Prior to closing, the City shall adopt and implement the water conservation program approved by the TWDB.

(g) That the City will notify the Executive Administrator, prior to taking any actions, of any intent to alter its legal status in any manner, including, but not limited to, conversion to a conservation or reclamation district or the sale-transfer-merger with another retail public utility.

(h) That the City will not convey or transfer its Bonds held by TWDB to another entity without the prior written approval of the conveyance and assumption by the TWDB.

(i) That the City will comply with all conditions as specified in the final environmental finding of the Executive Administrator, when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

(j) Neither the City nor a related party to the City will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Bonds.

(k) That no revenues received from rates or fees collected from the wastewater system constructed in whole or in part from the proceeds of the Bonds shall be used for any purpose other than utility purposes and that the annual financial statement prepared by the City under Texas Local Government Code §103.001 shall include a specific report on compliance with this condition.

(l) That the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

Section 26. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The City covenants and agrees that so long as any of the Parity Bonds remain Outstanding, the City will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof, as provided by generally accepted accounting practices (GAAP), consistently applied, and by Chapter 1502, Texas Government Code, as amended, or other applicable law. The Holders of the Parity Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, the City will cause an audit report of such records and accounts to be made by an Accountant. The City will submit annually a copy of such audit to the TWDB. Copies of each annual audit shall be made available for public inspection during normal business hours at the City's principal office and the City Secretary's office and may be furnished to, upon written request, any Holder upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

Section 27. COVENANTS TO MAINTAIN TAX EXEMPT STATUS.

(a) General Tax Covenant. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to Sections 103 and 141 through 150 of the Code and applicable Regulations. The City covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Section; provided, however, that the City shall not be required to comply with any particular requirement of this Section if the City has received an opinion of nationally recognized bond counsel (“Counsel's Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section. In the event the provisions of the Code are amended, or new regulations or rulings are promulgated or issued thereunder, such that requirements in addition to those stated herein become applicable to the Bonds, the City covenants to comply with such additional requirements to the extent necessary to prevent any adverse effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes.

(b) Use of Proceeds. The City covenants and agrees that its use of the Sales Proceeds of the Bonds will at all times satisfy the following requirements:

(i) Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be applied as follows:

(a) Net Premium. Net Premium, if any, will be allocated to underwriter’s discount and to costs of issuance;

(b) Costs of Issuance. An amount equal to the costs of issuance of the Bonds shall be applied to pay such costs as the City may arrange.

(c) Escrow Account. The remaining proceeds from the sale of the Bonds, together with any investment earnings on such proceeds, to the extent required, shall be deposited to the Escrow Account to be used to pay for the costs of the project.

(ii) Private Business Use. Except as permitted by section 141 of the Code and the Regulations, the City shall at all times prior to the last stated maturity of the Bonds:

(a) not use or permit the use of gross proceeds of the Bonds or any property acquired, constructed or improved with such gross proceeds in any activity carried on by any person or entity (including the United States or any agency, department, and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(b) not directly or indirectly impose or accept any charge or other payment by any person who is treated as using gross proceeds of the Bonds or any property the

acquisition, construction, or improvement of which is to be financed or refinanced directly or indirectly with such gross proceeds other than ad valorem taxes or interest earned on Investments acquired with such gross proceeds pending application for their intended purposes.

(iii) Private Loan Use. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use gross proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such gross proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such gross proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such gross proceeds or any property acquired, constructed or improved with such gross proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(iv) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code, and the Regulations, the City shall not directly or indirectly invest gross proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with gross proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

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

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

(vii) No-Arbitrage Covenant. The City shall certify, through an authorized officer, employee or agent, that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City reasonably expects that the proceeds of the Bonds will not be used, directly or indirectly, in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and applicable regulations thereunder, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

- (a) Proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;

- (b) amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
- (c) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.

Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds (including interest or other investment income derived from Bond proceeds), regulate investments of proceeds of the Bonds and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and applicable regulations thereunder.

(viii) Arbitrage Rebate. The City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Bonds (within the meaning of Section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) obtain information and maintain records regarding the receipt, investment and expenditure of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds and to identify the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate, at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government and (iii) pay, at such times and in such manner as required by applicable regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(ix) Elections. The City hereby directs and authorizes the City Judge, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as he may deem necessary or appropriate in connection with the Bonds, in the Bond as to Tax Exemption or similar or other appropriate certificate, form or document.

Section 28. DISPOSITION OF PROJECT. The Issuer covenants that the project financed with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the project comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to

comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 29. INTEREST EARNINGS ON BOND PROCEEDS; APPROPRIATION TO PAY INTEREST. Interest earnings, if any, derived from the investment of proceeds from the sale of the Bonds shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America in order to prevent the Bonds from being arbitrage Bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 30. UNDERTAKING TO PROVIDE INFORMATION. (a) This Section constitutes the written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR part 240, §240. 15c2-12) (the “Rule”). Capitalized terms used in this Section and not otherwise defined in this Ordinance shall have the meanings assigned such terms in subsection (d) hereof. Under Texas law, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant in accordance with generally accepted auditing standards, and must file each audit report with the State Comptroller within 180 days after the close of the Issuer’s Fiscal Year. The Issuer’s fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer’s audit reports to any bondholder or any member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

(b) The Issuer, as an “obligated person” within the meaning of the Rule, undertakes to provide the following information as provided in this Section:

- (1) Audited Financial Statements, if any; and
- (2) Certain Specified Event Notices.

(c) (1) The Issuer shall provide the Audited Financial Statements by March 31<sup>st</sup> of each year while any Bonds are Outstanding to the MSRB. If Audited Financial Statements are not available by the required time, the City will provide unaudited financial statements by the required time and Audited Financial Statements when and if such Audited Financial Statements become available.

(2) The Issuer shall provide a Specified Event Notice in a timely manner *not in excess of ten business days* after the occurrence of the event. Each Specified Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(d) The following are the definitions of the capitalized terms used in this section not otherwise defined in this Ordinance.

(1) “Audited Financial Statements” means the Issuer's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which

financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

(2) "Certain Specified Event" means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- (xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, any event described in (xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or

officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(3) “Specified Event Notice” means electronic notice of a Certain Specified Event.

(e) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer’s information.

(f) Any failure by the Issuer to perform in accordance with this Section shall not constitute an event of default under this Ordinance.

**UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR IN 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.**

(g) The SEC has adopted amendments to the Rule which approve the establishment by the MSRB of the Electronic Municipal Market Access (“EMMA”) which, as of its implementation effective date of July 1, 2009, is the sole national municipal securities information repository. On and after July 1, 2009, all information and documentation filing required to be made by the City will be made with the MSRB in electronic format only in accordance with MSRB guidelines. Access to such filings is provided, without charge to the general public, by the MSRB.

(h) 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.

(i) The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although the registered and beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

(j) The City may amend its continuing disclosure agreement 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 City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described

herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 Bonds in the primary offering of the Bonds. If the City so amends the continuing disclosure agreement, it has agreed to include an explanation, in narrative form, of the reasons for the amendment.

(k) During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

Section 31. ISSUANCE OF JUNIOR LIEN BONDS. The City hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Bonds, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Parity Bonds, as may be authorized by the laws of the State of Texas and elsewhere in this Ordinance.

Section 32. LIMITED OBLIGATIONS OF THE CITY. The Parity Bonds are limited, special obligations of the City payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Parity Bonds from any funds raised or to be raised through taxation by the City.

Section 33. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 34. 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 City (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (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 Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.



(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.

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

(e) The TWDB may exercise all remedies available to it in law or equity, and any provision of the Bonds that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.

Section 35. DEFEASANCE. The City may defease the provisions of this Ordinance and discharge its obligations to the Registered Owners of any or all of the Bonds to pay the principal of and interest thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar or with the State Treasurer of the State of Texas either: (a) cash in an amount equal to the principal amount of such Bonds plus interest thereon to the date of maturity, or (b) pursuant to an escrow or trust agreement, cash and/or direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of the Bonds plus interest thereon to the date of maturity. Upon such deposit, such Bonds shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

Section 36. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

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

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 7(a) of this Ordinance for Bonds issued in exchange for other Bonds.

Section 37. AMENDMENT OF ORDINANCE. (a) The holders of the Parity Bonds aggregating a majority in principal amount of the aggregate principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the holders of all of the effected Parity Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Bonds so as to:

- (1) Make any change in the maturity of the outstanding Parity Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Parity Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Parity Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Parity

- Bonds or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Parity Bonds then outstanding;
  - (6) Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or in the State of Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file for inspection by all registered owners of Parity Bonds at the designated trust office of the registrar for the Parity Bonds. Such publication is not required, however, if notice in writing is given to each registered owner of the Parity Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and all the holders of then outstanding Parity Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the registered owner of a Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Parity Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent and the City, but such revocation shall not be effective if the registered owners of at least a majority in aggregate principal amount of the then outstanding Parity Bonds as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section, the fact of the holding of Parity Bonds issued in registered form without coupons and the amounts and numbers of such Parity Bonds and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. For purposes of this Section, the holder of a Parity Bond in such registered form shall be the owner thereof as shown on such Registration Books. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

(g) The foregoing provisions of this Section notwithstanding, including subsection (b), the City by action of the City Council may amend this Ordinance for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Parity Bonds;

(3) To make any changes or amendments requested by any Rating Agency, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Parity Bonds;

(4) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the outstanding Parity Bonds, in order, to the extent permitted by law, to facilitate the economic and practical utilization of credit agreements with respect to the Parity Bonds including, without limitation, supplementing the definition of "Annual Debt Service Requirements" to address the amortization of payments due and owing under a credit agreement;

(5) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding, and (ii) such modification shall be specifically referred to in the text of all Additional Bonds issued after the date of the adoption of such modification.

Notice of any such amendment may be published or given by the City in the manner described in subsection (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

Section 38. CUSTODY, APPROVAL AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to the initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City), and the assigned CUSIP numbers may, at the option of the City, be printed on or attached to the Bonds issued and delivered under this Ordinance, but such additions or attachments shall not have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 39. UNAVAILABILITY OF AUTHORIZED PUBLICATION. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 40. NO RECOURSE AGAINST CITY OFFICIALS. No recourse shall be had for the payment of principal of or interest on any Parity Bonds or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Parity Bonds.

Section 41. FURTHER ACTIONS. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the initial sale and delivery of the Bonds, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Mayor, the Mayor Pro-Tem, the City Manager or Assistant City Manager, the City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and (ii) obtain the approval of the Bonds by the Texas Attorney General's office.

In case any officer of the City whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 42. INTERPRETATIONS. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance and the Table of Contents of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Bonds.

Section 43. INCONSISTENT PROVISIONS. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 44. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the

sole and exclusive benefit of the City and the registered owners of the Bonds.

Section 45. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

Section 46. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 47. REPEALER. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

Section 48. NOTICE. Any notice, demand, direction, request, or other instrument authorized or required by this Order to be given to or filed with the City shall be sent by first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the parties:

Attention: City Manager  
City of Mission, Texas  
1201 E. 8<sup>th</sup> Street  
Mission, Texas 78572

Section 49. OPEN MEETING. It is hereby found, determined and declared that a sufficient Written notice of the date, hour, place and subject of the meeting of the City at which this Order was adopted was posted at a place convenient and readily accessible at all times to the general public at the administrative offices of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that these meetings have been open to the public as required by law at all times during Which this Order and the subject matter thereof has been discussed, considered and formally acted upon. The City further ratifies, approves and confirms such written notices and the contents and posting thereof.

PASSED AND APPROVED ON THIS \_\_\_\_\_.

CITY OF MISSION, TEXAS

\_\_\_\_\_  
Mayor

ATTEST:

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

(CITY SEAL)







been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date") which shall be 15 days after the Special Record Date shall be sent at least five business days prior to the Special Record Date by United States mail, Paying Agent/Registrar class, postage prepaid, to the address of each Registered Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the Business Day prior to the mailing of such notice.

IF THE DATE for any payment due on the Bonds shall be a Saturday, Sunday, or legal holiday, or a day on which banking institutions in the City where the principal trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS dated \_\_\_\_\_, 2023, aggregating Four Million Two Hundred Fifty-Five Thousand Dollars (\$4,255,000) (i) to provide funds to pay contractual obligations to pay the planning, design, and construction of certain wastewater system improvements and (ii) to pay costs of issuance, in accordance with Sections 1502.051 through 1502.070 of the Texas Government Code and an ordinance adopted by the City Council (the "Ordinance").

THE CITY RESERVES THE RIGHT to call the Bonds for early redemption on any date beginning on or after the first interest payment date which is ten (10) years from the dated date of the Bonds, at a redemption price of par, together with all accrued interest to the date fixed for redemption. If less than all of the Bonds of a particular maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar on behalf of the City.

NOT LESS THAN THIRTY (30) DAYS prior to an optional redemption date, notice of such redemption shall be sent by the Paying Agent/Registrar by U.S. mail, first-class, postage prepaid, in the name of the City to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

If a portion of any Bond shall be redeemed a substitute Bond or Bonds 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 City.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the trust office of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly

executed by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance. This Bond is not transferable unless the prior written consent of Financial Security Assurance Inc. to such transfer has been obtained.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED to accept for transfer or exchange any Bond called for redemption in whole or in part during the 45-day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Bond called for redemption in part.

THE CITY has reserved the right, subject to the restrictions stated, and adopted by reference in the Ordinance, to issue Additional Bonds which may be made payable from, and secured by, a first lien on and pledge of the "Pledged Revenues" equally and ratably on a parity with the Bonds and all other outstanding Parity Bonds.

THE BONDS are issuable in the form of fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Registered Owner of any Bond may surrender the same in exchange for any equal aggregate principal amount of Bonds of the same maturity and for any other authorized denominations. Such exchanges shall be without expense to the Registered Owner hereof, but any taxes, fees or other governmental charges required to be paid with respect to the same shall be paid by the Registered Owner requesting such exchange as a condition precedent to the exercise of such privilege.

THIS BOND, and the other Bonds of the series of which it is a part and the City's Previously Issued Parity Bonds and the interest thereon are secured by and payable from a first lien on and pledge of the Pledged Revenues of the City's Waterworks and Sewer System as described in the Ordinance.

THE CITY HAS RESERVED the right to amend the Ordinance with the approval of the holders of 51% of all outstanding Bonds subject to the restrictions stated in the Ordinance.

THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES all of the terms and provisions of the Ordinance and agrees to be bound by such terms and conditions.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the aforesaid revenues.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the Mayor of the City and countersigned with the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed, or placed in facsimile, on this Bond.

CITY OF MISSION, TEXAS

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Norie Gonzalez Garza, Mayor

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Anna Carrillo, City Secretary

(SEAL)

COMPTROLLER'S REGISTRATION CERTIFICATE

REGISTER NO. \_\_\_\_\_

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

WITNESS MY SIGNATURE AND SEAL this \_\_\_\_\_.

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

(SEAL)



been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date") which shall be 15 days after the Special Record Date shall be sent at least five business days prior to the Special Record Date by United States mail, Paying Agent/Registrar class, postage prepaid, to the address of each Registered Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the Business Day prior to the mailing of such notice.

IF THE DATE for any payment due on the Bonds shall be a Saturday, Sunday, or legal holiday, or a day on which banking institutions in the City where the principal trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS dated \_\_\_\_\_, 2023, aggregating Four Million Two Hundred Fifty-Five Thousand Dollars (\$4,255,000) (i) to provide funds to pay contractual obligations to pay the planning, design, and construction of certain wastewater system improvements and (ii) to pay costs of issuance, in accordance with Sections 1502.051 through 1502.070 of the Texas Government Code and an ordinance adopted by the City Council (the "Ordinance").

THE CITY RESERVES THE RIGHT to call the Bonds for early redemption on any date beginning on or after the first interest payment date which is ten (10) years from the dated date of the Bonds, at a redemption price of par, together with all accrued interest to the date fixed for redemption. If less than all of the Bonds of a particular maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar on behalf of the City.

NOT LESS THAN THIRTY (30) DAYS prior to an optional redemption date, notice of such redemption shall be sent by the Paying Agent/Registrar by U.S. mail, first-class, postage prepaid, in the name of the City to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

If a portion of any Bond shall be redeemed a substitute Bond or Bonds 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 City.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the trust office of the Paying Agent/Registrar , duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance. This Bond is not transferable unless the prior written consent of Financial Security Assurance Inc. to such transfer has been obtained.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED to accept for transfer or exchange any Bond called for redemption in whole or in part during the 45-day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Bond called for redemption in part.

THE CITY has reserved the right, subject to the restrictions stated, and adopted by reference in the Ordinance, to issue Additional Bonds which may be made payable from, and secured by, a first lien on and pledge of the "Pledged Revenues" equally and ratably on a parity with the Bonds and all other outstanding Parity Bonds.

THE BONDS are issuable in the form of fully registered Bonds without coupons in the denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity. The Registered Owner of any Bond may surrender the same in exchange for any equal aggregate principal amount of Bonds of the same maturity and for any other authorized denominations. Such exchanges shall be without expense to the Registered Owner hereof, but any taxes, fees or other governmental charges required to be paid with respect to the same shall be paid by the Registered Owner requesting such exchange as a condition precedent to the exercise of such privilege.

THIS BOND, and the other Bonds of the series of which it is a part and the City's Previously Issued Parity Bonds and the interest thereon are secured by and payable from a first lien on and pledge of the Pledged Revenues of the City's Waterworks and Sewer System as described in the Ordinance.

THE CITY HAS RESERVED the right to amend the Ordinance with the approval of the holders of 51% of all outstanding Bonds subject to the restrictions stated in the Ordinance.

THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES all of the terms and provisions of the Ordinance and agrees to be bound by such terms and conditions.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the aforesaid revenues.

IN WITNESS WHEREOF, this Bond has been signed with the manual or facsimile signature of the Mayor of the City and countersigned with the manual or facsimile signature of the City Secretary, and the official seal of the City has been duly impressed, or placed in facsimile, on this Bond.

CITY OF MISSION, TEXAS



\_\_\_\_\_  
Mayor

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

(SEAL)

Form of Paying Agent/Registrar Authentication Certificate

AUTHENTICATION CERTIFICATE

It is hereby certified that this bond has been delivered pursuant to the Ordinance described in the text of this bond, in exchange for or in replacement of a bond, bonds or a portion of a bond or bonds of an issue of bonds which was originally approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Date of Authentication

\_\_\_\_\_  
as Paying Agent/Registrar

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

Form of Assignment

ASSIGNMENT

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

DATED: \_\_\_\_\_

Signature

Guaranteed: \_\_\_\_\_

\_\_\_\_\_  
Registered Owner

NOTICE: Signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.	NOTICE: The Signature above must correspond to same name of the registered owner as show on the face of this bond in every particular, without alteration, enlargement, or change whatsoever.
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**EXHIBIT C**

**TWDB RESOLUTION**

**EXHIBIT D**  
**ESCROW AGREEMENT**

**EXHIBIT E**

**PAYING AGENT/REGISTRAR AGREEMENT**