

AGENDA
REGULAR SESSION
TUESDAY, DECEMBER 21, 2021
CITY ANNEX BUILDING 509 W. BROADWAY FRITCH, TEXAS
6:00 PM

All agenda items are subject to action. The City Council reserves the right to adjourn into Executive Session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

Page

1. Call to Order Regular Session.


2. Pledge of Allegiance and Invocation.

3. Open forum - Comments/Concerns from Citizens.

Individual citizen comments are normally limited to five (5) minutes (time limits can be adjusted by the Mayor). The purpose of this item is to allow citizens an opportunity to address the City Council regarding any topic not on the agenda. By State law, the City Council is not allowed to respond to comments and questions asked of them by an open forum speaker. Any response by a member of the City Council must be limited to referring the matter to staff, a statement of specific factual information/ recitation of existing policy, or a proposal to place the subject on a future agenda for a future City Council meeting.

4. Consent Items:

This section shall provide for items that require action by the council, but where little or no discussion is anticipated. By a single motion, second and affirmative majority vote, items under this section are approved without further discussion or action. Any council member desiring more discussion on an item may request an item be withdrawn for separate discussion and action.

- 4.1. Approve minutes of the following meeting: 11/16/21 [11-16-21 MINUTES Regular Session.docx](#) 

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5. City Staff & Affiliated Entities Reports

[E.D.C. Report](#)  - President Kim Lindley and/or Director Suzanne Bellsnyder

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- Financial Report
- Business Activities
- EDC Committees




[\(1a\) Secretary Report - 12-21-2021.pdf](#)  **City Secretary Report - Christina Athey** 8

- Financial Updates (Budget reports, Bank, Fund Balance, Debt Service, etc.)

[City Manager Report](#)  **- Drew Brassfield** 9

- Updates on Activities within City Departments
- Updates on On-going Projects

6. New business:

- 6.1. Discussion and possible action regarding reappointment of members to EDC Board.
- 6.2. Discussion and possible action regarding [Resolution 2021-13](#)  pertaining to the City's application to FEMA's hazard mitigation grant program. 10
- 6.3. Discussion and possible action regarding [Resolution 2021-14](#)  pertaining to the City's application for a solid waste grant. 11
- 6.4. Discussion and possible action regarding [Ordinance 595](#)  authorizing the issuance of City of Fritch, Texas Waterworks and Sewer System Revenue Bonds, Series 2022; providing for the security for and payment of such bonds; and authorizing and enacting other matters and provisions relating to the subject. 12 - 43

7. Mayoral/council member announcements.

8. Future agenda items.

9. Adjournment.

Persons who plan to attend this public meeting and who may require auxiliary aid or services are requested contact Christina Athey, City Secretary at (806) 857-3143 within 48 business hours of the scheduled meeting date. Reasonable accommodations will be made to assist your needs.

The City Council may vote and/or act upon each of the items listed on this agenda.

This is to certify that I Christina Athey, City Secretary, posted this agenda on the front window of City Hall on the ____ day of _____ 2021 at _____ -- Posted in accordance with the Texas Government Code, Chapter 551.

By: _____
Christina Athey, City Secretary

By: _____
Witness

Removed from posting:

Date: _____

Time: _____

AGENDA – Council Copy
REGULAR SESSION
NOVEMBER 16, 2021
CITY ANNEX BUILDING 509 W. BROADWAY FRITCH, TEXAS
6:00PM

All agenda items are subject to action. The City Council reserves the right to adjourn into Executive Session on any agenda item should the need arise and if applicable pursuant to authorization by Title 5, Chapter 551, of the Texas Government Code.

1. Call to Order Regular Session.

- Mayor Richard Hein called the meeting to order at 6:00pm. All City Council Members were present. Employees present: City Manager Drew Brassfield and Public Works Director Brent Sheets. EDC President Kim Lindley was also present.

2. Pledge of Allegiance and Invocation.

- Alderman Jeremy Rice led the invocation and Mayor Hein led the pledge of allegiance.

3. Open forum – Comments/Concerns from Citizens.

Individual citizen comments are normally limited to five (5) minutes (time limits can be adjusted by the Mayor). The purpose of this item is to allow citizens an opportunity to address the City Council regarding any topic not on the agenda. By State law, the City Council is not allowed to respond to comments and questions asked of them by an open forum speaker. Any response by a member of the City Council must be limited to referring the matter to staff, a statement of specific factual information/ recitation of existing policy, or a proposal to place the subject on a future agenda for a future City Council meeting.

- No one signed up to speak in Open Forum.

4. Consent Items:

This section shall provide for items that require action by the council, but where little or no discussion is anticipated. By a single motion, second and affirmative majority vote, items under this section are approved without further discussion or action. Any council member desiring more discussion on an item may request an item be withdrawn for separate discussion and action.

A. Approve minutes of the following meetings: 10/19/21 Regular Session

- Mayor Pro Tem Billy Robbins made a motion to accept the consent item as presented. Alderman Tom Ray seconded. Vote 5/0. Motion passed.

5. City Staff & Affiliated Entities Reports

A. E.D.C. Report – President Kim Lindley and/or Director Suzanne Bellsnyder

- Financial Report
- Business Activities
- EDC Committees

B. City Secretary Report – Christina Athey

- Financial Updates (Payment Journal, General, Public Works, Debt, EDC, Sales Tax, Utilities Revenue, Fund Balance)

C. **City Manager Report** – Drew Brassfield

- ☒ Updates on Activities within City Departments (AC/Code, Fire, Court1, Court2, Police, Public Works)
- ☒ Updates on On-going Projects (FLAP FAQ)

6. **New business:**

A. **Discussion and possible action regarding amending Crime Control and Prevention District Budget for enhanced information systems program purchase.**

- ☒ Mayor Pro Tem Robbins made a motion to approve the budget amendment as presented. Alderman Rice seconded. Vote 5/0. Motion passed.

B. **Discussion and possible action regarding Fritch Volunteer Fire Department grant and budget amendment.**

- ☒ After some discussion from the Council regarding amending the revenue portion of the general fund to match the amended expense portion, Alderman Jim Story made a motion to approve the proposed budget amendment *as amended*. Mayor Pro Tem Robbins seconded. Vote 5/0. Motion passed.

C. **Discussion and possible action regarding future of museum.**

- ☒ Susan Bell, Velois Bell, and Tena Hays requested to give a short presentation to the Council regarding this topic. The ladies presented some signs and letters made by SFISD Elementary students expressing their desire to keep the museum open. These ladies informed the Council that they have been working to assemble volunteers and a plan to operate the museum and requested more time to complete this effort. Following discussion from all Council members, this matter was tabled to the February 2022 regular meeting.

D. **Discussion and possible action regarding wastewater treatment facility and associated funding.**

- ☒ Mayor Hein presented a spreadsheet regarding future projections of City revenue and discussed the importance of reimbursing the City on the water rights purchase from earlier in the calendar year. Frugal spending, financing options, and the need to cut back on capital expenditures were all discussed. The reimbursement aspect was requested to be on the December agenda. No motions were made as this was a discussion-only topic.

E. **Discussion regarding request from Jay Perdue to disannex Perdue's Prairie.**

(Emailed Request, Ordinance Annexing Property, Exhibits A & B, TML Annexation Paper)

- ☒ This matter was tabled. No discussion.

7. **Executive Session**– The City Council will convene into executive session in accordance with Tex. Gov't Code §551.071 to seek the advice of the city attorney about pending or contemplated litigation, settlement offers or as required under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas.

- ☒ Due to the City Attorney waiting on the Council, Mayor Hein moved this item to immediate follow the invocation and pledge. Mayor Hein called the Council into Executive Session at 6:01pm.

8. Reconvene into Open Session to take action, if necessary, regarding matters discussed in Executive Session.

A. The Council reconvened into open session at 6:17pm. No action taken.

9. Mayoral/council member announcements.

A. Alderman Rice conveyed his appreciation to the Fritch Police Department for their work on the recent robbery and burglary cases in town.

10. Future agenda items.

A. Mayor Hein requested that a budget amendment to remove the TxDOT Sidewalk Grant from the revenue and expense portions of the General Fund be on the December agenda.

11. Adjournment.

A. The meeting was adjourned at 7:15pm.

READ, PASSED AND APPROVED on this _____ day of _____, 2020.

Mayor Richard Hein

Christina Athey, City Secretary

FRITCH EDC December 2021 Report to City Council

Financial Report

November's Sales Tax Revenue for the EDC was \$5,409.46. The value of the EDC's TexPool account was \$159,520.75. The ANBank checking account balance was \$30,193.52.

Business Activity

The EDC awarded applicants from the Façade Grant Program to Moose Barn Liquor \$5,000.00 for paving front & sides (visible from Broadway), painting parking stripes and putting in concrete curb blocks. The board also awarded \$4,250.00 to Audrain Heating & Air to paint exterior woodwork and brickwork, install outdoor lighting on building, tear out stumps, pave and restripe parking.

The board considered a SEMA Leads document from the High Ground's trade show about businesses looking for sites. The board will draft a letter with our marketing document to the businesses on the lead sheet.

Reports:

The board adopted the Strategic Plan Document that will be reviewed and updated every year.

The EDC will have a workshop for businesses on February 7 at 6:00 at the City Annex building.

Board Member Opening

The board voted to reappointment 3 board members whose term was expiring, pending City Council's approval. The EDC board still has an opening for a board member. We are taking applications to fill this new vacancy on the board.

Secretary Report

12/21/2021 – Council Meeting

- **Sales Tax Report** – For November 2021 there was an 15.86% increase in sales tax revenue compared to this period of 20-21 Fiscal Year. November was up 22.72% compared to October.
- **Utility Revenue Report** – The month of November showed a decrease of 6.65% compared to this period of 20-21 Fiscal Year. November was down 8.26% compared to October.
- **Fund Balance Report** – I have adjusted the amount reported on fund balance from Unrestricted Funds to Cash and Cash Equivalent Funds. This is a more conservative amount to budget with and spend. This difference between these two types of fund balances is listed below.
 - Unrestricted funds are a calculation of all revenue owed to the city (is) received and all payables (are) paid.
 - Cash and Cash Equivalent funds are cash in the bank.
 - Current Projected (CASH) Fund Balance for 20-21FY is \$817,804.56. as of 12/15/2021. This should be the final number for the 20-21FY.
 - This amount reflects the water right purchase.
- **Budget Variance Report** – The current Budget Variance Reports have been provided for the Public Works, General, Debt Services and EDC funds as of 12/15/2021. These variances reflect the budget amendments from the November Council Meeting.
- **Accounts Payable** – All accounts are current as of 12/15/2021. Payables Issued Report has been included for the month of November 2021.
- **Payroll** – No updates or issues to report.
- **Bank Statements** – All 11 bank statements have been reconciled for month end 11/30/2021.
 - Just a reminder for the Payroll Fund Reconciliation, this account has had a difference, meaning not balanced, since the first of the Fiscal Year. This is due to TML Health billing us a different amount than our Payroll generates. Their bill is different due to their delay in updating employee(s) termination of benefits. These amounts are refunded but were not allocated properly and will need to be adjusted. Please let me know if you have any further questions.

CITY MANAGER / COUNCIL MEETING REPORT

December 17, 2021



CITY COUNCIL

Richard Hein, Mayor
Billy Robbins, Mayor Pro Tem
Tom Ray, Alderman
Jim Story, Alderman
Jeremy Rice, Alderman
Rob Hedrick, Alderman

ADMINISTRATION

Drew Brassfield, City Manager
Christina Athey, City Secretary
Yadi Rodriguez, Municipal
Judge

DEPARTMENT HEADS

Bobby Chapmon, Police Chief
Brent Sheets, Public Works
Director
Zeb Smith, Fire Chief

ADMINISTRATIVE STAFF

Trisha Burriss, Court Clerk
Brittany Burgin, Utility Clerk
Holly Morris, Utility Clerk

CONTACT INFORMATION

City of Fritch
104 N. Robey
P.O. Box 758
Fritch, Texas 79036
806-857-3143 (O)
806-857-3229 (F)

Website:

www.fritchcityhall.com

December 2021 Council Meeting

Department Updates:

Court:

- Net decrease of 13 cases (15 new violations with 28 cases being closed out).
- Collected \$4,967, retaining \$3,507.20 at the City.

Police:

- 305 calls over 36-day reporting period.
- Participated in Chamber Christmas parade and successfully apprehended the Grinch.
- Focused patrolling and traffic enforcement with holiday season.

Fire:

- November had a total of 21 calls: 1 in Moore Co., 18 in Hutchinson Co., 1 in Carson Co. and 1 in Potter Co.
- 5 firefighters have completed the Hazardous Materials for WMD Operator Course and have taken the State certification course. Results will be known around the first of the year. Awareness to operator level. Next step up is technician.

Public Works:

- Significant clean up has taken place around the wastewater plant, recycle center, City park, and baseball park.
- Maintenance work has been done at the museum (lights, plumbing, HVAC filters)

Animal Control/Code:

- All dogs in the shelter last month have now found new homes.
- Compliance has been gained on multiple properties, including Broadway properties.

On-Going Projects:

- I completed the ICS-400 Advanced Incident Command training. This will help the City in the event of a complex incident in the future.
- Significant effort has been put forth to research and identify sources of funding. More information will be shared as potential options are solidified.

RESOLUTION 2021-13

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF FRITCH, TEXAS, AUTHORIZING THE SUBMISSION OF A GRANT APPLICATION TO THE TEXAS DIVISION OF EMERGENCY MANAGEMENT (TDEM) FOR CONSIDERATION OF FUNDING UNDER THE FEDERAL EMERGENCY MANAGEMENT AGENCY'S (FEMA) HAZARD MITIGATION GRANT PROGRAM AND DESIGNATING THE CITY MANAGER TO ACT AS THE CITY'S AUTHORIZED REPRESENTATIVE IN ALL MATTERS PERTAINING TO THE CITY'S PARTICIPATION IN THE HMGP PROGRAM.

WHEREAS, the purpose of the HMGP is to reduce loss of life and property damage due to natural disasters through the implementation of eligible and relevant mitigation measures; and

WHEREAS, the City of Fritch, by virtue of its FEMA-approved Hazard Mitigation Plan, is eligible to receive HMGP funding; and

WHEREAS, the City of Fritch is vulnerable to a wide array of natural hazards including severe thunderstorms, winter storms, tornados, wildfires and flashfloods which can arise with little warning and inflict costly damages to property while placing the lives of City residents at-risk; and

WHEREAS, the City of Fritch desires to utilize HMGP funding to address a hazard mitigation action identified in the City's FEMA-approved Hazard Mitigation Plan by implementing a project to be titled, City of Fritch Utility Infrastructure Backup Generator Project; and

WHEREAS, the City of Fritch intends to apply for HMGP funding under DR-4586, a federally-declared disaster which in part, was associated with the Texas Winter Storm that occurred in Texas in February 2021.

WHEREAS, the implementation of this project will help to mitigate known natural hazard vulnerabilities in the City of Fritch.

NOW THEREFORE, be it resolved by the City Council of the City of Fritch, Texas:

1. That the City is hereby authorized to submit a HMGP application to the TDEM, to implement a hazard mitigation project to be titled City of Fritch Utility Infrastructure Backup Generator Project.
2. That the City Manager is designated to serve as the City's authorized representative in all matters pertaining to the City's involvement in the HMPG program.
3. That if this application is approved for funding the City will, at a minimum, provide 25 percent (25%) of the resources required to fully implement the project.

CONSIDERED AND APPROVED THIS 21ST DAY OF DECEMBER 2021.

Richard Hein, Mayor
City of Fritch, Texas

ATTEST:

Christina Athey, City Secretary
City of Fritch, Texas

RESOLUTION NO. 2021-14

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FRITCH, TEXAS, AUTHORIZING THE SUBMISSION OF A FY 2022 REGIONAL SOLID WASTE GRANTS PROGRAM APPLICATION TO THE PANHANDLE REGIONAL PLANNING COMMISSION (PRPC) AND AUTHORIZING THE CITY MANAGER TO REPRESENT THE CITY IN ALL MATTERS PERTAINING TO THIS APPLICATION.

WHEREAS, the citizens of the State of Texas, either directly or indirectly, pay into a state-managed solid waste tipping fee fund which provides the Texas Commission on Environmental Quality (TCEQ) the funding to administer a variety of programs designed to afford the state a higher degree of environmental protection; and

WHEREAS, a portion of these TCEQ-administered tipping fee funds have been made available to the state's local governments through the regional councils of governments of Texas to provide grants for regional/local solid waste management projects; and

WHEREAS, the primary intent of these grant funds is that they be used to implement/enhance programs at the regional/local level which promote the management goals of the regional and state solid waste plans; and

WHEREAS, the City is eligible to receive these funds and desires to undertake a program which advances the solid waste management goals and objectives of the state solid waste management plan and the Panhandle Regional Solid Waste Management Plan.

NOW THEREFORE, be it resolved by the City Council of the City of Fritch, Texas:

1. That the City Council has reviewed the project details and has duly authorized the submission of a related grant application to the PRPC.
2. That the City is applying for funds to equip and implement a program to be known as the **Fritch Recycling Center Security Upgrades**.
3. That the City Council designates the City Manager to act as it's duly authorized representative in all matters pertaining to this application.
4. That any grant funds received will be used for their intended purpose.
5. That as a condition of funding, the City agrees to provide the necessary certifications and assurances required by the TCEQ.

CONSIDERED AND APPROVED THIS 21ST DAY OF DECEMBER, 2021

Richard Hein, Mayor

ATTEST:

Christina Athey, City Secretary

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS
HUTCHINSON AND MOORE COUNTIES
CITY OF FRITCH

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

1. The City Council of the City convened in a regular meeting on December 21, 2021, at the designated meeting place, and the roll was called of the duly constituted officers and members of the City Council, as follows:

RICHARD HEIN; Mayor
THOMAS RAY; Alderman
JAMES STORY; Alderman

BILLY ROBBINS; Mayor Pro Tem
JEREMY RICE; Alderman
ROB HENDRICK; Alderman

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF FRITCH, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2022;
PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SUCH BONDS; AND
AUTHORIZING AND ENACTING OTHER MATTERS AND PROVISIONS RELATING
TO THE SUBJECT

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

AYES: _____ NOES: _____ ABSTAIN: _____

2. That a true, full and correct copy of the aforesaid Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Ordinance has been duly recorded in said City Council's minutes of said Meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the adoption of said Ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; that each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Ordinance would be introduced and considered for adoption at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting 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.

3. That the Mayor of said City (or, in the absence of the Mayor, the Mayor Pro Tem) has approved and hereby approves the aforesaid Ordinance; that the Mayor (or, in the absence of the Mayor, the Mayor Pro Tem) and the City Secretary of said City have duly signed said Ordinance; and that the Mayor (or, in the absence of the Mayor, the Mayor Pro Tem) and the City Secretary of said City hereby declare that their signing of this Certificate shall constitute the signing of the attached and following copy of said Ordinance for all purposes.

SIGNED AND SEALED ON DECEMBER 21, 2021.

City Secretary
City of Fritch, Texas

Mayor
City of Fritch, Texas

(CITY SEAL)

ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF FRITCH, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2022; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SUCH BONDS; AND AUTHORIZING AND ENACTING OTHER MATTERS AND PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the City Council of the City of Fritch, Texas (the "City ") deems it advisable to issue its bonds in the amount of \$980,000 for the purposes of purchasing interests in properties for water rights for the City's combined water and sewer system, with said bonds issued and delivered pursuant to Chapter 1502 of the Texas Government Code;

WHEREAS, it is officially found, determined, and declared that the meeting at which this Ordinance has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Ordinance, was given, all as required by the applicable provisions of Texas Government Code, Chapter 551; Now, Therefore

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

Section 1. DEFINITIONS.

"*2022 Reserve Fund*" means the special fund created, established and maintained by the provisions of Sections 7 and 11 of this Ordinance.

"*Accountant*" means an independent certified public accountant or accountants or a firm of independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"*Additional Prior Lien Obligations*" means bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 16 of this Ordinance and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Bonds.

"*Annual Debt Service Requirements*" means, as of the date of calculation, the principal of and interest on all Prior Lien Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof or other demand conditioned upon default by the Issuer on such Debt, or be payable in respect of any required purchase of such Debt by the Issuer) in such Year.

"*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 Years then remaining before Stated Maturity of such Prior Lien Obligations. For the purposes of this definition, a fractional period of a Year shall be treated as an entire 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 Fritch, Texas Waterworks and Sewer System Revenue Bonds, Series 2022 authorized by this Ordinance.

"*City Council*" means the governing body of the Issuer.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations and rules promulgated in connection therewith.

"Debt" means:

(1) all indebtedness payable from Pledged Revenues incurred or assumed by the Issuer for borrowed money and all other financing obligations of the System payable from Pledged 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 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 Issuer, or that is in effect guaranteed, directly or indirectly, by the Issuer 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 Years.

"*Defeasance Securities*" means a security described in Section 20 of this Ordinance.

"*Depository*" means one or more official depository banks of the Issuer.

"*Designated Financial Officer*" means the Mayor or City Manager or such other financial or accounting official of the Issuer so designated by the Issuer.

"*Event of Default*" means an event as described in Section 25 of this Ordinance.

"*Gross Revenues*" mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System, including the interest income from investment or deposit of money in any fund created by this Ordinance or maintained by the Issuer in connection with the System.

"*Holder*" or "*Holder*" means the registered owner, whose name appears in the Registration Books, for any Prior Lien Obligation.

"*Interest and Sinking Fund*" means the special fund maintained by the provisions of Sections 7 and 10 of this Ordinance.

"*Issuer*" means the City of Fritch, Texas, in Hutchinson and Moore Counties, Texas.

"*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 call for redemption, or otherwise.

"*Maximum Annual Debt Service Requirements*" means the greatest requirement of Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Year or in the then current 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 Earnings*" means the Gross Revenues of the System after deducting the Operating Expenses of the System, but not depreciation or other expenditures which, under standard accounting practice, should be charged to capital expenditures.

"*Net Revenues*" mean all Gross Revenues remaining after deducting Operating Expenses.

"*Operating Expenses*" means the reasonable and necessary expenses of operation and maintenance of the System, 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 Issuer, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Prior Lien Obligations), and all payments under contracts for materials and services (including water supply and power contracts) provided to the Issuer that are required to enable the Issuer to render efficient service. Depreciation shall never be considered as an Operating Expense.

"*Ordinance*" means this ordinance.

"*Outstanding*" means, when used with respect to Prior Lien Obligations, as of the date of determination, all Prior Lien Obligations theretofore delivered under this Ordinance and any ordinance authorizing Additional Prior Lien Obligations, except:

(1) Prior Lien Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;

(2) Prior Lien Obligations deemed paid pursuant to the provisions of Section 20 of this Ordinance or any comparable section of any ordinance authorizing Additional Prior Lien Obligations;

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

(4) Prior Lien Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

"*Paying Agent/Registrar*" means [], as the entity to serve as the paying agent/registrar for the Bonds, described in Section 4(a) hereof.

"*Permitted Investments*" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"*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 Issuer to the payment of the Prior Lien Obligations, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

"*Prior Lien Obligations*" means the Bonds and any Additional Prior Lien Obligations hereafter issued by the Issuer 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.

"*Prior Lien Obligation Reserve Requirement*" means the amount or a manner of calculating the amount established by each ordinance authorizing the issuance of Prior Lien Obligations that are to be secured by a debt service reserve fund to be held and maintained on deposit therein. With respect to the Bonds, such amount is the Required Reserve Amount established in Section 11(a) hereof.

"*Purchaser*" means [-].

"*Rating Agency*" means any nationally recognized securities rating agency which has assigned, at the request of the Issuer, a rating to the Prior Lien Obligations.

"*Record Date*" means Record Date as defined in the Form of Bonds in *Exhibit A* of this Ordinance.

"*Registration Books*" means the books or records for the registration of the transfer, conversion and exchange of the Bonds kept by the Paying Agent/Registrar.

"*Required Reserve Amount*" means the amount required to be maintained in the 2022 Reserve Fund pursuant to the provisions of Section 11(a) of this Ordinance.

"*Required Reserve Fund Deposits*" means the deposits and credits, if any, required to be made to the 2022 Reserve Fund pursuant to the provisions of Section 11 of this Ordinance.

"*Reserve Fund Obligation*" means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on Prior Lien Obligations would rate the Prior Lien Obligations fully insured by a standard policy issued by the issuer of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the Prior Lien Obligations would rate the Prior Lien Obligations in any one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Prior Lien Obligations and the interest thereon.

"*Reserve Fund Obligation Payment*" means any subrogation payment the Issuer is obligated to make from Pledged Revenues deposited in the 2022 Reserve Fund with respect to a Reserve Fund Obligation.

"*Special Project*" means any water, sewer, wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of Special Project Bonds and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to

secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"*Special Project Bonds*" means special revenue obligations of the Issuer which are not secured by the Pledged Revenues, but which are secured by and payable solely from special contract revenues or payments received from the System, any other legal entity, or any combination thereof, in connection with a Special Project; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such Special Project Bonds.

"*Stated Maturity*" means the annual principal payments of the Prior Lien Obligations payable on the respective dates set forth in the ordinances which authorized the issuance of such Prior Lien Obligations.

"*Subordinate Lien Obligations*" means any bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt issued by the Issuer that are payable from or reasonably expected to be payable in whole from, and equally and ratably secured by a lien on and pledge of the Pledged Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Pledged Revenues that are or will be pledged to the payment of any Prior Lien Obligations issued by the Issuer.

"*System*" means the Issuer's existing combined water and sewer system, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any Special Projects which are hereafter acquired or constructed by the Issuer with the proceeds of Special Project Bonds.

"*System Fund*" means the special fund created by the provisions of Sections 7 and 8 of this Ordinance.

"*Year*" means the regular fiscal year used by the Issuer in connection with the operation of the System, currently September 30 of each year, which may be any twelve consecutive month period established by the Issuer.

Section 2. RECITALS, AMOUNT, PURPOSE AND DESIGNATION OF THE BONDS.

(a) The recitals set forth in the preamble hereof are incorporated herein and shall have the same force and effect as if set forth in this Section.

(b) The bonds of the City of Fritch, Texas (the "Issuer") are hereby authorized to be issued and delivered in the aggregate principal amount of \$980,000 for the public purpose of providing funds to purchase interests in properties for water rights for the City's combined water and sewer system and to pay the costs incurred in connection with the issuance of the Bonds.

(c) Each bond issued pursuant to this Ordinance shall be designated: "CITY OF FRITCH, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2022" and there shall be issued, sold, and delivered hereunder one fully registered bond, without interest coupons, dated January [], 2022, in the denomination and principal amount of \$[-], numbered R-1, with any Bond issued in replacement thereof being in the denomination and principal amount hereinafter stated and numbered consecutively from R-2 upward.

(d) Principal of said Bonds shall mature and be payable in installments to [-], or to the registered assignee of said Bonds (in each case, the "Registered Owner") on the dates and in the amounts set forth below.

<i>Principal Installment Payment Date</i>	<i>Principal Installment Amount</i>
---------------------------------------------------	---------------------------------------------

(e) The Bonds shall bear interest on the unpaid balance of the principal amount thereof from the date of delivery to the scheduled due date of the principal installments of the Bonds at a rate of [-]% per annum. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Ordinance.

(f) The term "Bonds" as used in this Ordinance shall mean and include collectively the Bond numbered R-1 initially issued and delivered pursuant to this Ordinance and any substitute note exchanged therefor, as well as any other substitute or replacement note issued pursuant hereto, and the term "Bond" shall mean any such bond.

Section 3. DELIVERY OF INITIAL BOND. On the closing date, one initial Bond, numbered R-1 and representing the entire principal amount of the Bonds, payable in stated installments to the Purchaser designated in Section [-] or its designee, executed by manual or facsimile signature of the Mayor and City Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, and with the date of delivery inserted thereon by the Paying Agent/Registrar, will be delivered to such Purchaser or its designee.

Section 4. CHARACTERISTICS OF THE BONDS.

(a) Appointment of Paying Agent/Registrar. [], is hereby selected and appointed as the Paying Agent/Registrar for the Bonds. The Designated Financial Officer is authorized and directed to execute and deliver in the name and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar.

(b) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept Registration Books at the corporate trust office of the Paying Agent/Registrar, and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided within three days of presentation in due and proper form. 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. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Bond or Bonds.

Registration of assignments, transfers, conversions and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

(c) Authentication. Except as provided in subsection (i) of this section, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for conversion and exchange. No additional ordinances, orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Bonds in the manner prescribed herein. Pursuant to Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the converted 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.

(d) Payment of Principal and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(e) Payment to Registered Owner. 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 Bond, for the purpose of registering transfers with respect to such Bond, 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 certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance.

(f) Paying Agent/Registrar. The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity. 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.

(g) Substitute Paying Agent/Registrar. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal 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 Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

(h) General Characteristics of the Bonds. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may be transferred and assigned, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) the principal of and interest on the Bonds shall be payable, and (vii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bond numbered R-1 initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for any Bond or Bonds issued under this Ordinance the Paying Agent/Registrar shall execute the Paying Agent/registrar's Authentication Bond, in the FORM OF BOND set forth in this Ordinance.

Section 5. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bonds initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially in the form shown in *Exhibit A* hereto, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance,

Section 6. PLEDGE OF PLEDGED REVENUES.

(a) The Issuer hereby covenants and agrees that a first lien on the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Prior Lien Obligations, 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 ordered that the Prior Lien Obligations, 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 Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Prior Lien Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued by the Issuer.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the

Holders of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 7. SPECIAL FUNDS. To provide for the payment of the Bonds and any Additional Prior Lien Obligations there are created and established, and are hereby confirmed and ordered to be maintained so long as Prior Lien Obligations are outstanding, the following limited special funds:

(a) Fritch Waterworks and Sewer System Fund, hereinafter called the "System Fund."

(b) Fritch Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

(c) Fritch Waterworks and Sewer System Revenue Bonds 2022 Reserve Fund, hereinafter called the "2022 Reserve Fund."

Each such Fund shall be accounted for separate and apart from all other funds of the Issuer and shall be maintained in a Depository of the Issuer.

Section 8. SYSTEM FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received. All Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 9. FLOW OF FUNDS.

(a) All Gross Revenues deposited and credited to the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: to the payment of all necessary and reasonable Operating Expenses as defined herein, and the payment of such Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Prior Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2022 Reserve Fund created and established in accordance with the provisions of this Ordinance to maintain the Required Reserve Amount therein, and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any Additional Prior Lien Obligations hereafter issued by the Issuer.

Fourth: to make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

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

Section 10. INTEREST AND SINKING FUND.

(a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Prior Lien Obligations as the same become due and payable, including any mandatory sinking fund redemption

payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Prior Lien Obligations then coming due and payable.

(b) The required deposits and credits to the 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 Interest and Sinking Fund and the 2022 Reserve Fund (and in any reserve fund created pursuant to Section 11(g) hereof, taking into account any Reserve Fund Obligation held in or for the benefit of any such reserve fund) is equal to the amount required to fully pay and discharge all outstanding Prior Lien Obligations (principal, premium, if any, and interest) or (ii) the Prior Lien Obligations are no longer outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Prior Lien Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 11. 2022 RESERVE FUND.

(a) There is hereby created and ordered held at a Depository of the Issuer, for the benefit of the Bonds, the 2022 Reserve Fund. In accordance with Section 9, the Issuer shall deposit and credit to the 2022 Reserve Fund amounts required to maintain the balance in the 2022 Reserve Fund in an amount equal to the Average Annual Debt Service Requirements on the Bonds (the "Required Reserve Amount"). The Required Reserve Amount shall be maintained in the 2022 Reserve Fund at all times after the delivery of the Bonds. There shall be deposited into the 2022 Reserve Fund any Reserve Fund Obligations so designated by the Issuer. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2022 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the 2022 Reserve Fund equal the Required Reserve Amount or the portion then required to be on deposit therein, no deposits need be made to the credit of the 2022 Reserve Fund; but, if and when the 2022 Reserve Fund at any time contains less than the Required Reserve Amount then required to be on deposit therein, the Issuer covenants and agrees that the Issuer shall cure the deficiency in the 2022 Reserve Fund by making Required Reserve Fund Deposits to such fund from the Pledged Revenues in accordance with Section 9 by monthly deposits in amounts equal to not less than 1/60th of the Required Reserve Amount, with any such deficiency payments being made on or before the last day of each month until the Required Reserve Amount has been fully funded or restored. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Fund Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the System Fund in accordance with Section 9, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by Section 10. The Issuer further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional Prior Lien Obligations and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional Prior Lien Obligations. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2022 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2022 Reserve Fund shall be retained in the 2022 Reserve Fund until the 2022 Reserve Fund contains the Required Reserve Amount. During such time as the 2022 Reserve Fund contains the Required Reserve Amount or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the Issuer may, at its option, withdraw all surplus funds in the 2022 Reserve Fund and deposit such surplus in the System Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the Issuer in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2022 Reserve Fund that consist of proceeds of the Bonds or interest thereon shall be used for purposes for which the Bonds were issued or deposited to the Interest and Sinking Fund.

(d) The Issuer may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2022 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective. Notwithstanding any other provision of this Ordinance, if a Reserve Fund Obligation is utilized in connection with the Bonds after the issuance date of the Bonds, the Issuer must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General of Texas (if submission is then required by law) for approval.

(e) If the Issuer is required to make a withdrawal from the 2022 Reserve Fund for any of the purposes described in this Section, the Issuer shall promptly notify the issuer of such Reserve Fund Obligation of the necessity for a withdrawal from the 2022 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2022 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the Issuer shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 11(b) hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then outstanding Prior Lien Obligations.

(g) The Issuer may create and establish a debt service reserve fund pursuant to the provisions of any ordinance or other instrument authorizing the issuance of Prior Lien Obligations for the purpose of securing that particular issue or series of Prior Lien Obligations or any specific group of issues or series of Prior Lien Obligations (including the combining of debt service reserve funds for Prior Lien Obligations so long as the requirements of each ordinance authorizing such Prior Lien Obligations are satisfied), and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Prior Lien Obligations, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Prior Lien Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Prior Lien Obligations. Each ordinance authorizing the issuance of Prior Lien Obligations that are to be secured by a debt service reserve fund shall specify the amount or a manner of calculating the amount to be held and maintained on deposit therein.

Section 12. DEFICIENCIES; EXCESS PLEDGED REVENUES.

(a) Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Prior Lien Obligations) to make the required deposits and credits to the Interest and Sinking Fund and the 2022 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 such funds.

(b) Excess Pledged Revenues. Subject to making the deposits and credits required by this Ordinance or any ordinances authorizing the issuance of Additional Prior Lien Obligations, or the payments and credits required by the provisions of the ordinances authorizing the issuance of Subordinate Lien Obligations heretofore or hereafter issued by the Issuer, the excess Pledged Revenues may be used for any lawful purpose.

Section 13. INVESTMENT OF FUNDS; VALUATION; FUNDS SECURED; TRANSFER OF INVESTMENT INCOME.

(a) Moneys in any fund established pursuant to this Ordinance may, at the option of the Issuer, be invested in Permitted Investments, provided that all such deposits and investments shall have a market value exclusive of accrued interest at all times at least equal to the amount of money credited to such funds, and 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. Moneys in the 2022 Reserve Fund shall not be invested in securities maturing later than the final maturity of the Bonds. Such investments shall be valued in terms of current market value as of the last day of each Year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at their par or face principal amount. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or any Additional Prior Lien Obligations issued. To the extent not invested, moneys in any fund established pursuant to this Ordinance shall be secured in the manner prescribed by law for securing funds of the Issuer.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the 2022 Reserve Fund or any other reserve fund created in accordance with Section 11(g) hereof, if the 2022 Reserve Fund or such other reserve fund, as the case may be, does not contain the Required Reserve Amount or the Prior Lien Obligation Reserve Requirement, as the case may be) shall be credited to the System Fund semi-annually and shall constitute Gross Revenues.

Section 14. PAYMENT OF PRIOR LIEN OBLIGATIONS. While any of the Prior Lien Obligations are outstanding, the Issuer shall transfer to the respective paying agent/registrars therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the 2022 Reserve Fund with respect to the Bonds, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Prior Lien Obligations as shall become due on each interest or principal payment date, or date of redemption of the Prior Lien Obligations; 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 Prior Lien Obligations not later than the business day next preceding the date such payment is due on the Prior Lien Obligations. The Paying Agent/Registrar shall destroy all paid Prior Lien Obligations and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 15. ISSUER COVENANTS. The Issuer 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 Prior Lien Obligations, including this Ordinance, and in each and every Prior Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every Prior Lien Obligation 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 the 2022 Reserve Fund.

(b) Issuer's Legal Authority. It is a duly created and existing municipality of the State of Texas, and is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the 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 Issuer 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 Prior Lien Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Prior Lien Obligations 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 Issuer.

(e) Operation of System; No Free Service. It will, while any Prior Lien Obligations are outstanding, 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 Issuer 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 Issuer 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 12.

(f) Further Encumbrance. While any Prior Lien Obligations are outstanding, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Additional Prior Lien Obligations, 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 Issuer to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While any Prior Lien Obligations are outstanding, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or release without due consideration in whole or in part contractual rights constituting part of the System, or any significant or substantial part thereof; provided that whenever the Issuer 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. 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 Prior Lien Obligations.

(h) Insurance.

(1) The Issuer shall insure such parts of the System as would usually be insured by corporations operating like properties, with responsible insurance companies, against loss to the extent insurance is usually carried by corporations operating like properties. To the extent reasonably obtainable, it shall include insurance against the perils of fire, extended coverage and flooding and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the Issuer's attorney gives a written opinion to the effect that the Issuer 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 Issuer 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 bondholders and their agents and representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer 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 Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer 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 Prior Lien Obligations, ratably in the proportion that the outstanding principal of each series of Prior Lien Obligations bears to the total outstanding principal of all Prior Lien Obligations, 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 Prior Lien Obligations is subject to redemption, then for the purchase on the open market and retirement of said Prior Lien Obligations in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided, however, that the purchase price for any Prior Lien Obligation shall not exceed the redemption price of such Prior Lien Obligation 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 a Depository, 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 Issuer shall have authority to enter into coinsurance or similar plans where risk of loss is shared in whole or in part by the Issuer.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the Issuer 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.

(i) 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 Issuer 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.

(j) No Competition. That so far as it legally may, 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 Issuer will prohibit any such competing facilities.

(k) Records. It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the System, the Pledged Revenues, and the funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of a Holder of Prior Lien Obligations.

(l) Audits. After the close of each Year while any Prior Lien Obligation is outstanding, it will cause an audit to be made of the books and accounts relating to the Issuer, including the System and the Pledged Revenues by an Accountant. As soon as practicable after the close of each such Year, and when said audit has been completed and made available to the Issuer, a copy of such audit for the preceding Year shall be mailed to the Municipal Advisory Council of Texas. Such annual audit reports shall be open to the inspection of the Holders of Prior Lien Obligations and their agents and representatives at all reasonable times.

(m) Rate Covenant. It will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues equal to the greater of amounts sufficient:

(a) (1) to pay all current Operating Expenses, and (2) to produce Net Revenues for each Year at least equal to 1.00 times the Average Annual Debt Service Requirements of all then outstanding Prior Lien Obligations, or

(b) to pay the sum of: (i) all current Operating Expenses, (ii) the Average Annual Debt Service Requirements of all then outstanding Prior Lien Obligations and Subordinate Lien Obligations, (iii) required deposits to a reserve fund for any Prior Lien Obligations and Subordinate Lien Obligations then outstanding, and (iv) amounts required to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Year.

Section 16. ISSUANCE OF ADDITIONAL PRIOR LIEN OBLIGATIONS.

(a) The Issuer 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 Prior Lien Obligations, in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Prior Lien Obligations, Subordinate Lien Obligations or other obligations of the Issuer incurred in connection with the ownership or operation of the System. Such Additional Prior Lien Obligations, 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 all other Prior Lien Obligations at the time outstanding and unpaid, from a first lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund shall secure and be used to pay all Prior Lien Obligations. Each ordinance under which Additional Prior Lien Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Ordinance and the provisions of any other ordinance or ordinances authorizing Additional Prior Lien Obligations to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Prior Lien Obligations then being issued, as the same come due.

(c) Additional Prior Lien Obligations shall be issued only in accordance with this Ordinance, but notwithstanding any provisions of this Ordinance to the contrary, no installment, series or issue of Additional Prior Lien Obligations shall be issued or delivered unless:

(i) The Designated Financial Officer shall have executed a certificate stating (A) (i) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any ordinance authorizing the issuance of outstanding Prior Lien Obligations, and (ii) payments into all special funds or accounts created and established for the payment and security of all outstanding Prior Lien Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such default or deficiency; and

(ii) The Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional Prior Lien Obligations, the Net Earnings are at least equal to 1.00 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations.

(d) Reserved.

(e) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the date the ordinance authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(f) Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Issuer may deem to be in the best interest of the Issuer and the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions of this Section and the certificate required in subsection (c)(i) shall give effect to the issuance of the proposed refunding bonds and shall exclude the bonds being refunded from the calculation of Average Annual Debt Service Requirements).

(g) All calculations of Average Annual Debt Service Requirements made pursuant to this Section shall be made as of and from the date of the Additional Prior Lien Obligations then proposed to be issued.

Section 17. NO ISSUANCE OF OBLIGATIONS SENIOR TO THE PRIOR LIEN OBLIGATIONS. The Issuer covenants and agrees that it will not issue any obligations payable from and secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, senior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Prior Lien Obligations.

Section 18. ISSUANCE OF SUBORDINATE OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of the Pledged Revenues securing the payment of the Prior Lien Obligations, as may be authorized by the laws of the State of Texas.

Section 19. ISSUANCE OF SPECIAL PROJECT BONDS. The Issuer shall retain, and hereby reserves unto itself, the right to issue Special Project Bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 20. DEFEASANCE OF BONDS.

(a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the funds created and the revenues herein pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in Subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Issuer expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

(c) The term "Defeasance Securities" means any securities and obligations now or hereafter authorized by the laws of the State of Texas that are eligible to refund, retire or otherwise discharge obligations such as the Bonds.

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

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

Section 21. 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 Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft or destruction of a Bond, the registered owner shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft or destruction of such 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 that is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer 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 Issuer 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 Section 1206.022, Government Code, this Section 21 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 Issuer 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 4(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

Section 22. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED.

(a) The Designated Financial Officer is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the 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 such Bonds, and the

seal of said Comptroller shall be impressed, or placed in facsimile, on such Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

(b) The obligation of the initial purchaser to accept delivery of the Bonds is subject to the initial purchaser being furnished with the final, approving opinion of McCall, Parkhurst & Horton L.L.P., bond counsel to the Issuer, which opinion shall be dated as of and delivered on the date of initial delivery of the Bonds to the initial purchaser.

Section 23. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.

(a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

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

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

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

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

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

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued, and in the case of a current refunding bond, for a period of 90 days or less,

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

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

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage); and

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

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(8), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the Bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), the Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of the Bonds, transferred proceeds (if any) and proceeds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor or City Manager to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Disposition of Projects. The Issuer covenants that the property constituting the Projects 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 property 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 a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Designation as Qualified Tax Exempt Obligations. The Bonds are hereby designated as "qualified tax exempt obligations" as defined in section 265(b)(3) of the Code. The Issuer hereby certifies that the aggregate initial offering price of the Bonds to the public (excluding any accrued interest) is no greater than \$10 million (or such amount permitted by such section 265 of the Code). In furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in

which the Bonds are issued, the Issuer (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt bonds" being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

Section 24. SALE OF BONDS; FURTHER PROCEDURES.

(a) The Bonds are hereby initially sold and shall be delivered to [-] (the "*Purchaser*"), located in [], Texas, for cash for the par value thereof, pursuant to the private placement letter dated the date of the final passage of this Ordinance which the Mayor or City Manager is hereby authorized to execute and deliver. The Bonds shall initially be registered in the name of the Purchaser. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable.

(b) The Mayor, City Secretary and City Manager shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other 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 and the sale of the Bonds. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, 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 25. DEFAULT AND REMEDIES

(a) Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default in the performance or observance of any other covenant, agreement or obligation of the Issuer, the failure to perform which materially, adversely affects the rights of the registered owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Issuer.

(b) Remedies for Default.

(i) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the Issuer for the purpose of protecting and enforcing the rights of the Registered Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(ii) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(iii) By accepting the delivery of a Bond authorized under this Ordinance, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or trustees of the Issuer or the City Council.

(iv) None of the members of the City Council, nor any other official or officer, agent, or employee of the Issuer, shall be charged personally by the registered owners with any liability, or be held personally liable to the registered owners under any term or provision of this Ordinance, or because of any Event of Default or alleged Event of Default under this Ordinance.

Section 26. NO RULE 15c2-12 UNDERTAKING. The Issuer has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "*Rule*"). The Issuer will however provide the owner of the Bonds, with its annual audited financial report within 180 days after each of the Issuer's fiscal year end beginning with the Issuer's fiscal year ending September 30, 2021, unless such information is available on the Electronic Municipal Market Access website. If the annual audited financial report is not completed within such period, then the Issuer shall provide unaudited financial information within such period and audited financial statements for the applicable fiscal year when and if the audit report on such statements become available.

Section 27. METHOD OF AMENDMENT.

(a) That the owners of Prior Lien Obligations aggregating in principal amount 51% of the aggregate principal amount of then outstanding Prior Lien Obligations (for purposes of this sentence only, 100% of the aggregate principal amount of Prior Lien Obligations which are insured by a bond insurance provider at the time that the Issuer seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of the owners of all of the Prior Lien Obligations 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 Prior Lien Obligations so as to:

- (1) Make any change in the maturity of any of the outstanding Prior Lien Obligations;
- (2) Reduce the rate of interest borne by any of the outstanding Prior Lien Obligations;
- (3) Reduce the amount of the principal payable on the outstanding Prior Lien Obligations;
- (4) Modify the terms of payment of principal of or interest on the outstanding Prior Lien Obligations or impose any conditions with respect to such payment;

(5) Affect the rights of the holders of less than all of the Prior Lien Obligations then outstanding;

(6) Change the minimum percentage of the principal amount of Prior Lien Obligations necessary for consent to such amendment; or

(7) Amend this subsection (a) of this Section 27.

(b) That if at any time the Issuer shall desire to amend the Ordinance under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two (2) 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 at the principal office of the Paying Agent/Registrar for inspection by all owners of Prior Lien Obligations. Such publication is not required, however, if notice in writing is given to each owner of Prior Lien Obligations.

(c) That whenever at any time not less than thirty (30) days, and within one (1) year, from the date of the first publication of said notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the owners of at least 51% in the aggregate principal amount of all Prior Lien Obligations 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) That 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 Issuer and all the owners of then outstanding Prior Lien Obligations and all future Prior Lien Obligations shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) That any consent given by the owner of a Prior Lien Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice or other service of written notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Prior Lien Obligation during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice or other service of written notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the paying agent/registrar therefor and the Issuer, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then outstanding Prior Lien Obligations as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) The fact of the owning of Prior Lien Obligations issued in registered form without coupons and the amounts and numbers of such Prior Lien Obligations and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. The Issuer may conclusively assume that such ownership continues until such ownership is changed on the Registration Books.

(g) That the foregoing provisions of this Section notwithstanding, the Issuer 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 Issuer 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 Issuer;

(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, including, without limitation, those matters described in Section 26(d)(v) hereof, or those matters necessary to obtain a rating on the Bonds or to obtain the approving opinion of the Attorney General of Texas as required by law, 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 Prior Lien Obligations;

(3) To make such amendments to this Ordinance as may be required, in the opinion of nationally-recognized bond counsel selected by the Issuer, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(4) 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 Prior Lien Obligations 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 Prior Lien Obligations issued after the date of the adoption of such modification.

Section 28. PROJECT FUND.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund or account to be entitled the "Series 2022 Bond Project Fund" for use by the Issuer for payment of all lawful costs associated with the Project as hereinbefore provided, and to pay the costs of issuance of the Bonds. Upon payment of all such costs, any moneys remaining on deposit in said fund shall be transferred to the Interest and Sinking Fund. Amounts so deposited to the Interest and Sinking Fund shall be used in the manner described in Section 10 of this Ordinance.

(b) The Issuer may place proceeds of the Bonds (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds.

Section 29. RESERVED.

Section 30. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

Section 31. NO PERSONAL LIABILITY. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the Issuer or any person executing any Bond.

Section 32. OPEN MEETING. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

Section 33. IMMEDIATE EFFECTIVE DATE. This Ordinance shall take effect and be in force immediately upon and after its adoption by the City Council in accordance with the provisions of Section 1201.028, Texas Government Code.

EXHIBIT A - FORM OF BOND

The form of the Bond, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Bond initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

(a) Form of Bond.

NO. R-1

UNITED STATES OF AMERICA
STATE OF TEXAS

PRINCIPAL
AMOUNT
\$ _____

CITY OF FRITCH, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BOND
SERIES 2022

Interest Rate

Delivery Date

January [], 2022

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

THE CITY OF FRITCH, TEXAS (the "*Issuer*"), being a political subdivision of the State of Texas located in Hutchinson and Moore Counties, Texas, for value received, promises to pay, from the sources described herein, to the registered owner specified above, or registered assign (the "*Registered Owner*"), the principal amount specified above, and to pay interest thereon, from the Delivery Date set forth above, on the balance of said principal amount from time to time remaining unpaid, at the rate per annum set forth above, calculated on the basis of a 360-day year of twelve 30-day months. The unpaid principal of this Bond shall mature and be paid in Principal Installment Amounts on the Principal Installment Payment Dates set forth in the table below:

<i>Principal Installment Payment Date</i>	<i>Principal Installment Amount</i>
_____	_____

THIS BOND is dated January [], 2022, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$[] for the public purpose of purchasing interests in properties for water rights for the City's combined water and sewer system and to pay the costs incurred in connection with the issuance of the Bond.

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The Issuer shall pay interest on this Bond on [], 2022 and on each [] and [] thereafter to the date of maturity [or prior redemption]. The last principal installment of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity at the principal office [-] located in [-], Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of all other principal installments of and interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each principal and interest payment date by check or draft, dated as of such principal and interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Bond (the "*Bond Ordinance*") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the [last] business day of the month next preceding each such date (the "*Record Date*") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner.

ANY ACCRUED INTEREST due in connection with the final installment of principal of this Bond shall be paid to the Registered Owner upon presentation and surrender of this Bond for payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the Registered Owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bond, when due.

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

ON [ANY DATE], the principal installments of this Bond may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular principal installments or portions thereof, to be redeemed shall be selected and designated by the Issuer, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST FIFTEEN DAYS PRIOR to the date fixed for any optional redemption of the Bond or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the Registered Owner of the Bond at its address as it appeared on the Registration Books on the day such notice of redemption is mailed; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Bond. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bond or portions thereof which are

to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bond or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

UPON THE PAYMENT OR PARTIAL REDEMPTION of the outstanding principal balance of this Bond, the Paying Agent/Registrar, shall note in the Payment Record appearing on this Bond the amount of such payment or partial redemption, the date said payment was made and the remaining unpaid principal balance of this Bond and shall then have said entry signed by an authorized official of the Paying Agent/Registrar. The Paying Agent/Registrar shall also record such information in the Registration Books, and the Paying Agent/Registrar shall also record in the Registration Books all payments of principal installments on such Certificate when made on their respective due dates.

THIS BOND is issuable in the form of one fully-registered Bond without coupons in the denomination of \$[-]. This Bond may be transferred or exchanged as provided in the Bond Ordinance, only upon the registration books kept for that purpose at the above-mentioned office of the Paying Agent/Registrar upon surrender of this Bond together with a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent/Registrar and duly executed by the Registered Owner or his duly authorized attorney, and thereupon a new Bond of the same maturity and in the same aggregate principal amount shall be issued by the Paying Agent/Registrar to the transferee in exchange therefor as provided in the Bond Ordinance, and upon payment of the charges therein prescribed. The Issuer and the Paying Agent/Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

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

THIS BOND shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication shall have been executed by the Paying Agent/Registrar or the Comptroller's Registration Certificate hereon shall have been executed by the Texas Comptroller of Public Accounts.

THE BOND IS A SPECIAL OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM AND EQUALLY SECURED BY A FIRST LIEN ON AND PLEDGE OF THE PLEDGED REVENUES OF THE ISSUER'S WATERWORKS AND SEWER SYSTEM. REFERENCE IS HEREBY MADE TO THE BOND ORDINANCE FOR A MORE COMPLETE STATEMENT OF THE COVENANTS AND PROVISIONS SECURING THE PAYMENT OF THIS BOND AND THE SERIES OF WHICH IT IS ONE.

THE ISSUER EXPRESSLY RESERVES the right to issue further and additional special revenue obligations equally secured by a lien on and pledge of the Pledged Revenues of the Issuer's Waterworks and Sewer System on a parity with the Bond of this issue; provided, however, that any and all such additional Prior Lien Obligations may be issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Bond Ordinance, to which reference is hereby made for more complete and full particulars. The Issuer has further reserved the right in the Bond Ordinance to issue Subordinate Lien Obligations and to finance Special Projects that are not part of

the System and not payable from Pledged Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues.

THE HOLDER 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 sources whatsoever other than those described in the Bond Ordinance.

IT IS HEREBY certified, recited and covenanted that this Bond has been duly and validly authorized, issued and delivered; that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed and been done in accordance with law.

THE ISSUER HAS RESERVED THE RIGHT to amend the Bond Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bond.

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Mayor of the Issuer (or in the Mayor's absence, the Mayor Pro Tem of the Issuer) and countersigned with the manual or facsimile signature of the City Secretary of said Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

(signature)
City Secretary

(signature)
Mayor

(SEAL)

(b) Form of Paying Agent/Registrar's Authentication Certificate.

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

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

Dated: _____.

[-], in [-], Texas
Paying Agent/Registrar

By: _____
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT
(Please type or print clearly)

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

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____

_____, attorney, to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution participating in a securities transfer association recognized signature guarantee program.

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

(d) Form of Registration Certificate of the Comptroller of Public Accounts.

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

I hereby certify that there is on file and of record in my office a true and correct copy of the opinion of the Attorney General of the State of Texas approving this Bond and that this Bond has been registered this day by me.

Witness my signature and seal this _____.

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)