

ORDINANCE NO. 81-4-A

ORDINANCE AUTHORIZED THE ISSUANCE OF \$300,000.00 CITY OF NEWTON
UTILITY SYSTEM REVENUE BONDS. SERIES 1981

BE IT ORDAINED BY THE CUTY COUNCIL OF THE CITY OF NEWTON:

ARTICLE 1

FINDINGS AND DETERMINATIONS

Section 1.1: Findings and Determinations, It is hereby officially found and determined that:

- a) The City of Newton, Texas (the “city”), presently has an outstanding a portion of the following revenue bonds:
 1. City of Newton, Texas, Utility System Revenue Bonds, Series 1963, dated May 16, 1963, issued pursuant to the authority of that certain City Ordinance adopted by the City Council of the City on the 9th day of April, 1963 (the “1963” Ordinance”)
 2. City of Newton, Texas, Utility System Revenue Bonds, Series 1964, dated February 15, 1964, issued pursuant to the authority of that certain City Ordinance adopted by the City Council of the City on the 29th day of January, 1964 (the “1964 Ordinance”).

Collectively, the “Outstanding Bonds”). The outstanding Bonds are payable from certain net revenues (as defined in the 1963 Ordinance) derived from the operation of the City’s System (as defined in the 1964 ordinance). Both the 1963 and 1964 Ordinances permit the issuance of additional Bonds (as defined in such 1963-1964 Ordinances) secured by a first lien on and pledge of the net revenues of the System in the same manner and to the same extent as are the outstanding Bonds, such additional Bonds to be on a parity and of equal dignity with the outstanding bonds, subject to the terms and conditions specified in such 1963 and 1964 ordinances.

- b) The City desires to purchase, acquire, or construct improvements, enlargements, extensions, additions or repairs to its sanitary sewer system, and desires, further, to issue additional bonds payable from the net revenues of its system on parity with the Outstanding Bonds, subject to the terms and conditions of the 1963 and 1964 Ordinances.
- c) The 1963 and 1964 Ordinances contain terms and provisions with respect to additional parity revenue bonds that are onerous and not in the best interests of the City, and it is in the best interests of the City, following the issuance of the bonds, authorized pursuant to the terms and provisions hereof, not to issue any additional parity revenue bonds pursuant to such terms and conditions. Accordingly, the City desires that, following the issuance of the bonds authorized pursuant to the terms and provisions hereof, and after retirement of the Outstanding Bonds through

either payment or refunding, all additional parity revenue bonds shall be issued upon the terms and provisions set forth in this ordinance.

- d) The City I authorized pursuant to Article 1111 et seq. Vernon’s Texas Civil Statutes, as amended, to issue additional bonds payable from the net revenues of its electric light and power system, gas system, water system and sewer system, and pursuant to Article 1112 thereof, is authorized to issue such bonds without and an election for the purpose of providing money for equations, extensions, construction, improvement, or repair of such systems and facilities.
- e) The City has given notice as required by Article 2368a, Vernon’s Texas Civil Statutes, as amended, of its intention to issue the bonds hereinafter, authorized, and has not revived any petitions for referendum concerning the issuance of such bonds.

ARTICLE III

Series 1981 Bonds

Section 3.1 Names, Amount, Purpose, Authorization.

The bonds to be issued hereunder shall be known and designated as City of Newton, Texas, Utility System Revenue Bonds, Series 1981 (the “Series 191 bonds”), and shall be issued in the aggregate principal amount of \$300,000.00 for the purpose of providing money for acquisitions, extensions, construction, improvements, or repair of the City’s Sanitary Sewer System, all under, by virtue of an in strict conformity with the Constitution and laws of the State of Texas particularly Articles 1111 to 1118 both inclusive, Vernon’s Texas Civil Statutes, as amended, and as authorized by the ordinances authorizing the issuance of the Outstanding Bonds.

Section 3.2: Date, Denomination, Maturities and Interest Rates:

The series 1981 Bonds shall be coupon bonds without right of registration, shall be dated May 15, 1981, shall be in the denomination of \$5000.00 each, shall be numbered consecutively in order of their maturities from 1 through 60, shall mature on the maturity date, in each of the years and in the amounts shown below and shall bear interest per annum from their date until the principal thereof is paid at the rates shown below:

Maturity Date: May 15

Yrs. Maturing	Amts. Maturing	Interest Rates
1982	10000	5.5
1983	10000	5.5
1984	10000	5.5
1985	10000	5.5
1986	10000	5.5
1987	10000	5.5
1988	10000	5.5
1989	10000	5.5
1990	10000	5.5
1991	20000	5.5
1992	20000	5.5

1993	25000	5.6
1994	50000	5.6
1995	50000	5.6
1996	25000	5.6

Interest at such rates shall be in evidence by coupons appertaining to each of the Series 1981 Bonds payable semiannually on each of the dates shown in the Form of Bond set forth in this Ordinance

Section 3.3: Redemption Prior to Maturity.

The Series 1981 bonds may be redeemed, at the option of the City, prior to their scheduled maturities on the dates and in the manner provided in the Form of Bond set forth in this Ordinance.

Section 3.4: Manner of Payment, Characteristics and Execution.

The series 1981 Bonds, and the interest coupons appertaining thereto, shall be payable, shall have the characteristics, and shall be signed and executed (and the Series 1981 Bonds shall be sealed), all as provided and in the manner indicated in the Form of bond set forth in this Ordinance.

Section 3.5: Form of Series 1981 Bonds, Coupons, and Comptroller’s Registration Certificate.

The Series 1981 Bonds, including the coupons appertaining thereto and the form of registration certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each of the Series 1981 Bonds, shall be in substantially the following form, with such additions, deletions and variations as may be necessary or desirable and consistent with the terms of this Ordinance:

FORM OF BOND

UNITIES STATES
OF AMERICA
NO:_____

STATE OF TEXAS
COUNTY OF NEWTON
\$5000.00

**CITY OF NEWTON, TEXAS
UTILITY SYSTEM REVENUE BOND
SERIES 1981**

ON MAY 15, _____, the City of Newton, Texas, a Municipal Corporation duly incorporated under the laws of the State of Texas (herein the “City”), for value received, hereby PROMISES TO PAY TO BEARER , but solely from certain Net Revenues as hereinafter provided, the principal sum of

FIVE THOUSAND DOLLARS

And to pay interest thereon from the date hereof until the principal thereof is paid at the rate of _____ percent per annum, payable semiannually on each May 15, and November 15, commencing on November 15, 1981. The principal of this bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the united States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this bond or proper interest coupon, at the following, which shall be referred to collectively as the paying agent for this series of bonds:

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
HOUSTON, TEXAS

Or, at the option bearer, at

THE FIRST NATION ABNK OF NEWTON,
NEWTON, TEXAS

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS of like tenor and effect and except as to serial number, interest rate, right of prior redemption and maturity, by numbered 1 through 60 in the denomonitation of \$5000.00 each, in the aggregate principal amount of \$300,000 issued pursuant to an ordinance adopted by the City Council of the City on April 30, 1981 (herein the "ordinance") for the purpose of providing money for acquisitions, extensions, construction, improvement, or repair of the City's sanitary sewer system, all under, by virtue of and in strict conformity with the Constitution and laws if the State if Texas, particularly Articles 1111 to 1118, both inclusive, Vernon's Texas Civil Statutes, as amended.

THE DATE OF THISBOND, in conformity with the Ordinance, is May 15, 1981.

THIS BOND AND ALL OF THE BONDS OF THIS SERIES, are special obligations of the City that, together with the City's outstanding Utility System Revenue Bonds, Series 1963 and 1964 ("the outstanding bonds") are equally and ratably payable from and secured by a first lien on the "Net Revenues" collected and received by the City from the operation and ownership of the City's system, as defined and provided in the Ordinances, which Net Revenues are required to be set aside for and pledged to the payment of Outstanding Bonds, this series of bonds, and all additional bonds issued on a parity therewith, in the interest and sinking fund and the reserve fund required to be maintained for the payment of all binds, all as more fully described and provided for in the Ordinance. This bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and do not constitute an indebtedness or general obligation of the City.

On May 15, 1991, or on any interest payment date thereafter, the outstanding bonds of this series may be redeemed prior to their scheduled maturities, at the option of the City, I

whole or in part, for the principal amount thereof and accrued interest of the date fixed for redemption.

Notice of any such redemption shall be given in writing to the paying agent and published, at least once, if a financial publication published in the City of New York, New York, or the City of Austin, Texas not less than thirty days prior to the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the paying agents for the payment of the required redemption price of the bonds called for redemption. If such notice of redemption, due provision shall be made with the paying agents for the payment of the required redemption price of the bonds called for redemption. If for such payment is made, all as provided above, the bonds redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the paying agent with the funds so provided for such payment.

THE CITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL PARITY REVENUE BONDS, subject to the restrictions contained in the ordinances, which shall be equally and ratably payable from, and secured by first lien on pledge of, the aforesaid Net Revenues in the same manner and to the same extent as this bond and the series of which it is a part.

THE BEARER HEREOF and of any interest coupon appertaining hereto shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

IT IS HEREBY DECLARED AND REPRESENTED that this bond has been duly and validity issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this bond have been performed, existed, and been done in accordance with law; that the bonds of this series do not exceed any statutory limitation; and that provision has been made for the payment of principal of and interest on this bond and all the bonds of this series by the irrevocable pledge of the Net Revenues.

IN WITNESS WHEREOF, the City has caused this bond and the interest coupons appertaining hereto to be executed by the facsimile signatures of the Mayor and City Secretary, and the official seal of the City to be impressed, or placed in facsimile, on this bond.

CITY OF NEWTON, TEXAS

BY: _____
MAYOR

COUNTERSIGNED:

City Secretary
(Seal)

FOR OF INTEREST COUPON:

NO: _____ \$ _____

ON _____ 1, _____,

Unless the bond to which this coupon appertains has been called for prior redemption and due provision has been made to redeem same, the CITY OF NEWTON, promises to PAY TO BEARER, but solely from the Net Revenues described in the bond to which this coupon appertains, the amount shown on this interest coupon, in lawful money of the United States of America, without exchange or collection charges to bearer, upon the presentation and surrender of this interest coupon at

TEXAS COMMERCE BANK NATIONAL ASSOCIATION
HOUSTON, TEXAS

Or, at the option of the bearer, at
THE FIRST NATIONAL BANK OF NEWTON, NEWTON, TEXAS

Such amount being interest due that day on the bond, bearing the number hereinafter designated, of that issue of City of Newton, Texas Utility System Revenue Bonds, Series 1981, dated May 15, 1981. The bearer hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

City Secretary

Mayor

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE:

OFFICE OF THE COMPTROLLER & REGISTER NO. _____

THE STATE OF TEXAS &

I, hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the City of Newton, Texas payable from the revenues and other funds pledged to its payment by and in the proceedings

authorizing the same, and I do further certify that this bond has this day been registered by me.

WITNESS BY SIGNATURE AND SEAL OF OFFICE THIS THE ____ DAY OF _____, 19__.

COMPTROLLER OF PUBLIC ACCOUNT
OF THE STATE OF TEXAS

SEAL

ARTICLE IV

ADOPTION OF PROVISIONS OF 1963 ORDINANCE WHILE OUTSTANDING BONDS REMAIN OUTSTANDING

Section 4.1: Adoption of Provisions of 1963 ordinance.

The series 1981 Bonds authorized by this ordinance shall be issued upon the terms and conditions contained in Sections 8-13, both inclusive, of the 1963 ordinance, and such designated portions of said 1963 Ordinance shall, but only so long as the Outstanding Bonds remain outstanding, apply with equal force to the series 1981 Bonds hereby authorized as though such provisions were fully set forth herein. The Series 1981 Bonds are being issued as additional bonds pursuant to Section 10.07 of the 1963 Ordinance and the Series 1981 Bonds and the Outstanding Bonds are in all respects on a parity and of equal dignity with one another, payable from and secured by a first lien on and pledge of net revenues of the system as provided in the 1963 ordinance.

ARTICLE V

ADDITIONAL PAYMENTS INTO BOND AND RESERVE FUNDS CREATED PURSUANT TO 1963 ORDINANCE

Section 5.1: Additional payments Into Bond Fund.

In addition to the deposits into the Bond Fund required by the 1963 ordinance and 1964 Ordinance, on or before the 25th day of each month, beginning with the month of May of 1981, and continuing so long as any Series 1981 bonds remain outstanding, the City shall pay into the Bond Fund an amount which is less than:

One-sixth of the next maturing interest on the series 1981 Bonds, and

One-twelfth of the next maturing principal of the series 1981 Bonds.

If in any month the City shall for any reason fail to pay into said Bond Fund the full amounts have stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Bond Fund from the first available and unallocated revenues of the following month or months, and such payments shall be in addition to the amounts herein above provided to be otherwise paid into said Bond Fund. The amount received from the purchasers of the Series 1981 Bonds as accrued interest from the date of the Bonds to the date of delivery, if any, shall be deposited in the Bond Fund, which shall reduce by such amount the sums which would otherwise be required to be placed in the Bond Fund from the revenues of the System.

Section 5.2: Additional Payments in Reserve Fund.

In addition to the deposits into the Reserve Fund required by the 1963 ordinance and the 1964 Ordinance, on or before the 35th day of each month, beginning with the month of May, 1981 the City shall make the following deposits into the Reserve Fund:

The sum of \$523.00 monthly (being a sum equal to one-twelfth of one-fifth of the average annual principal and interest requirements on the Series 1981 Bonds, to wit, such monthly deposits into the Reserve Fund will be in sufficient amounts so that, in not later than 5 years from the date of the Series 1981 Bonds, said Reserve Fund will contain an balance of not less than the average annual principal and interest requirements on the outstanding Bonds and the Series 1981 Bonds in compliance with Section 10.07 (d) of the 1963 ordinance.

Such monthly payments shall be continued until such time as there is in the Reserve Fund, including the balance required to be in the Reserve Fund by the 1963 and 1964 ordinances, a balance of not less than \$52,695.00, an amount equal to the average annual principal and interest requirements on all first lien revenue bonds payable from the System. When said balance of not less than \$52,695.00 is reached in the Reserve Fund, as above provided, then insofar as the Series 1981 Bonds are concerned, no further payments need be made into the Reserve Fund; however, in the event that such balance is ever reduced to an amount less than \$52,695.00 the monthly payments, as above provided, shall be resumed and continued until said balance of not less than \$52,695.00 is again reached and maintained. If in any month the City shall, for any reason, fail to pay into said Reserve Fund, the full amount stipulated, amounts equivalent to such deficiency shall be set apart and paid into said Reserve Fund from the first available and unallocated revenues of the following month or months and shall be in addition to the monthly deposit hereinabove provided to be otherwise paid into said Reserve Fund.

ARTICLE VI

CERTAIN PROVISIONS RELATING TO SERIES 1981 BONDS AND ADDITIONAL BONDS PRIOR TO AND AFTER RETIREMENT OF OUTSTANDING BONDS

Section 6.1: Prior to Retirement of Outstanding Bonds.

The 1963 and 1964 Ordinances contain certain terms, provisions, conditions and requirements regarding the Series 1981 Bonds and the issuance of additional bonds. The City desires, and is obligated by law, full and strictly to abide by and perform each and all such terms, provisions, conditions, and requirements of the 193 and 1964 Ordinances so long as the outstanding Bonds remain outstanding. The City hereby covenants and agrees that, so long as any of the Outstanding Bonds remains outstanding, it shall abide by and perform each and all of such terms, provisions, conditions and requirements pertaining to the Series 1981 Bonds and the issuance of additional bonds.

Section 6.2: Additional Bonds After retirement of Outstanding Bonds.

However after all of its outstanding bonds are no longer outstanding, but prior to the final maturity of the Series 1981 Bonds, the City desires to make certain changes to the terms, provisions, conditions and requirements regarding the Series 1981 Bonds and issuance of additional bonds, which are hereby found, determined and declared to be in the best interest of the City. Accordingly after all the outstanding Bonds are no longer outstanding, all of the terms, provisions, conditions and requirements in the 1963 and 1964 Ordinances shall be of no further force and effect, and the provisions of Articles VII through X, both inclusive, of this ordinance shall apply.

ARTICLE VII DEFINITIONS AND INTERPRETATIONS AFTER RETIREMENT OF OUTSTANDING BONDS

Section 7.1: Definitions.

For the remainder of this ordinance, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

“Additional Parity bonds” shall mean the additional parity revenue bonds permitted to be issued by the City pursuant to Section 8.1 of this Ordinance.

“Average Annual Principal and Interest Requirements” shall mean the average annual principal and interest requirements on the Parity Bonds, which, upon the issuance of the Series 1981 Bonds, are determined to be \$31,368.00, and which shall be recomputed upon the issuance of each series of Additional Parity Bonds and set forth in the ordinance authorizing the issuance of each series of Additional parity Bonds.

“City” shall mean the City of Newton, Texas, and, where appropriate, the City Council thereof and any successor to the City as owner of the System.

“Gross Revenues” shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System (but excluding any utility deposits), the interest income from the investment or deposit of money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund and any other revenues hereafter pledged to the payment of all parity Bonds.

“Holder” or “holders” shall mean the bearer or bearers or owner or owners as the case may be, of one or more Parity Bonds.

“Maintenance and Operation Expense” shall mean 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 governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Bonds), and all payments under contracts now or hereafter defined as operating expenses by the Legislature of Texas, Depreciation shall never be considered as a Maintenance and Operation Expense.

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

“Parity Bonds” shall mean the Series 1981 Bonds and each series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain outstanding within the meaning of this Ordinance.

“Series 1981 Bonds” shall mean the City of Newton, Texas, Utility System Revenue Bonds, and Series 1981.

“Special Project” shall mean, to the extent permitted by law, any property, improvements or facility declared by the City not to be part of the system and substantially all of the costs of the acquisition, construction, and installation of which is paid from proceeds of a financing transaction other than the issuance of Parity Bonds or other bonds, payable from ad valorem taxes or revenues of the System, and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes or revenues of the system, 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 repayments of such costs or acquisitions, constructions and installation under such financing transaction.

“System” shall mean all properties, facilities, improvements, equipment, interests, rights and powers constituting the electric light and power, gas, water and sewer systems of the City, including all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to such systems but excluding all Special Projects.

Section 7.1.2: Interpretations.

All definitions of terms used herein and all pronouns used in this ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein

and to sustain the validity of the Parity Bonds and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Parity Bonds.

ARTICLE VIII
SECURITY AND SOURCE OF PAYMENT FOR ALL PARITY BONDS AFTER
RETIREMENT OF OUTSTANDING BONDS

Section 8.1: Pledge and Source of Payment. The City hereby covenants and agrees that all Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds hereinafter established and shall be applied in the manner hereinafter set forth, in order to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal, interest and any redemption premiums on the Parity Bonds, and all expenses of paying same. The Parity bonds shall constitute special obligations of the City that shall be payable solely from, and shall be equally and ratably secured by a first lien on, the Net Revenues, as collected and received by the City from the operation and the ownership of the System, which Net Revenues shall, in the manner hereinafter provided, be set aside for and pledged to the payment of the Parity Bonds in the Interest and Sinking Fund and the Reserve Fund as hereinafter provided, and the Parity Bonds shall in all respects on a parity with and equal dignity with one another. The holders of Parity Bonds and the interest coupons appertaining thereto shall never have the right to demand payment of either the principal or interest on the Parity Bonds out of any funds raised or to be raised by taxation.

Section 8.2: Rates and Charges.

So long as Parity Bonds remain outstanding, there shall be fixed, charged and collected rates and charges for the use and services of the System, which shall be fully sufficient at all times:

- a) to pay all Maintenance and Operation Expenses; and
- b) to produce net Revenues in each fiscal year at least equal to 150 percent of the Average Annual Principal and Interest Requirements, but in no event less than the amount required to establish and maintain the Interest and Sinking Fund and the Reserve Fund as hereinafter provided and to pay all outstanding obligations payable for the Net Revenues of the System, other than Parity Bonds, as and when the same become due.

Section 8.3: Special Funds.

The following special funds shall be created and shall be established, maintained and accounted for as hereinafter provided so long as any of the Parity Bonds remain outstanding:

- a) New Utility System Revenue Fund (the "Revenue Fund");
- b) New Utility System Revenue Bonds Interest and Sinking Fund (the "Interest and Sinking Fund"); and
- c) New Utility System Revenue Bonds Reserve Fund (the "Reserve Fund").

The Revenue Fund shall be maintained as a separate account on the books of the City. The interest and Sinking Fund and the Reserve Fund shall be maintained at an official depository bank of the City, separate and apart from all other funds and accounts of the City, and shall constitute trust funds which shall be half in trust for the benefit of the holders of the Parity Bonds, and the proceeds of which (except for the interest income, which shall be transferred to the Revenue Fund) shall be and are hereby pledged to the payment of the Parity Bonds. All of the Funds named above shall be used solely as provided in this ordinance so long as any Parity Bonds remain outstanding.

Section 8.4: Flow of Funds.

All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Mondays from time to time on deposit to the credit of the Revenue Fund shall be applied as follows in the following order or priority:

- a) First, to pay Maintenance and Operation Expenses.
- b) Second, to make all deposits into the Interest and Sinking Fund required by this Ordinance and any ordinance authorizing the issuance of Additional Parity Bonds.
- c) Third, to make all deposits into the Reserve Fund, required by this Ordinance and any ordinance authorizing the issuance of Additional Parity Bonds.
- d) Fourth, for any lawful purpose.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund, and such Parity Bonds shall not be regarded as being outstanding except for the purpose of being paid with the moneys on deposit in such Funds.

Section 8.5: Interest and Sinking Fund:

On or before the last business day of each month so long as any Parity Bonds remain outstanding, there shall be transferred into the Interest and Sinking Fund the following amounts:

- (i) Such amounts, in approximately equal monthly installments, as will be sufficient to pay the interest schedule to become due on the Parity Bonds on the next interest payment date; and
- (ii) Such amounts, in approximately equal monthly installments, as will be sufficient to pay the next maturing principal of the Parity Bonds, including the principal amount of, and any redemption premiums on, any Parity Bonds payable as a result of the exercise or operation of any redemption provision contained in this Ordinance or in any ordinance authorizing the issuance of Additional Parity Bonds.

Moneys deposited to the credit of the interest and Sinking Fund (except for interest income, which shall be transferred to the Revenue Fund) shall be used solely for the

purpose of paying principal (either at maturity or prior redemption or to purchase Parity bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the parity Bonds, plus all bank charges and other costs and expenses relating to such payment. On or before each principal and/or interest payment date for the Parity Bonds, the City shall transfer from the interest and Sinking Fund to the paying agents for the Parity Bonds an amount equal to the Principal, interest and redemption premiums payable on the Parity Bonds on such date, together with a n amount equal to all bank charges and other costs and expenses relating to such payment. The paying agents for the parity Bonds shall totally destroy all paid Parity Bonds and all coupons and shall provide the City with an appropriate certificate of destruction.

Section 8.6: Reserve Fund.

On or before the last business day of each month so long as any Parity Bonds remain outstanding, after making the transfers into the Interest and Sinking Fund required in the preceding Section, there shall be transferred into the Reserve Fund from the Revenue Funds such amounts, in approximately equal monthly installments, as will be sufficient to accumulate therein, by no later than five (5) years from the date of each series of Parity Bonds, money and investments in an aggregate amount at least equal to the Average Annual Principal and Interest Requirements. After such amount has accumulated in the Reserve Fund and so long thereafter as the Reserve Fund contains such amount, no further deposits shall be required to be made into the Reserve Fund; but if and whenever the balance in the Reserve Fund is reduced below such amount, monthly deposits into the Reserve Fund shall be resumed and continued in amounts at least equal to one-sixtieth (1/60th) of the Average annual Principal and Interest Requirements until the Reserve Fund contains more than such amount, the City may transfer any excess amount to the interest and Sinking Fund. The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Parity Bonds to mature or be redeemed.

Section 8.7: Deficiencies in Funds.

If in any month there shall not be deposited into any Fund maintained pursuant to Article VIII of this ordinance the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated moneys in the Revenue Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such funds during any succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any deficiencies.

Section 8.8: Investment of Fund; Transfer of Investment Income.

- a) Money in each Fund created or maintained pursuant to Article VIII of this ordinance, may at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or any of its agencies or instrumentalities, or in any other obligations permitted by law;

provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of moneys in the Reserve Fund mature later than the final maturity date of the Parity Bonds. All such investments shall be valued in terms of current market value as of the last business day of the City's fiscal year. Any obligation in which money is so invested shall be kept and held in the official depository bank of the City at which the Fund is maintained from which such investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Bond.

- b) All investments and income derived from such deposits and investments shall be transferred or credited as received to the Revenue Fund, and shall constitute the Gross Revenues of the System.

Section 8.9: Security for Uninvested Funds.

So long as any Parity Bonds remain outstanding, all invested moneys on deposit in, or credited to, Funds created or maintained pursuant to Article VIII of this ordinance shall be secured by the pledged of security, as provided by law in the State of Texas, in a principal amount not less than the amount of such invested funds.

ARTICLE IX

ADDITIONAL PARITY BONDS AFTER RETIREMENT OF OUTSTANDING BONDS

Section 9.1: Parity Bonds.

The City reserves the right to issue, for any lawful purpose, including the refunding of any previously issued Parity Bonds or any other bonds or obligations for the City issued in connection with the System, one or more series of Additional Parity Bonds, payable from, and secured by a first lien on and pledge of, payable from, and secured by a first lien on and pledge of, the Net Revenues of the System, on a parity with the Series 1981 Bonds and any other Additional Parity Bonds then outstanding; provided, however, that no Additional Parity Bonds may be issued unless:

- a) The additional Parity Bonds mature on, and interest is payable on, the same days of the year as the Series 1981 Bonds;
- b) The interest and Sinking Fund and the Reserve Fund each contain the amount of money then required to be on deposit therein;
- c) The Net Earnings of the System (as herein below defined) for either the preceding fiscal year or any consecutive 12 month period out of the 18 month period immediately preceding the date on which the bond ordinance authorizing such Additional Parity Bonds is adopted, as certified by an independent certified public accountants, were equal to at least 150 percent of the Average Annual Principal and Interest Requirements for al Parity Bonds that will be outstanding after the issuance of the Additional Parity Bonds then proposed to be issued; provided , however, that this requirement shall not apply to the issuance of refunding bonds that will have the result of reducing the Average Annual Principal and Interest Requirements for the Parity Bonds; and

- d) Provision is made in the bond ordinance authorizing the Additional Parity Bonds then proposed to be issued for additional payments into the interest and sinking Fund sufficient to provide for the payment of principal of and interest on such Additional Parity Bonds and additional payments into the Reserve Fund so that the Reserve Fund will in not later than five years from eh date of such Additional Parity Bonds, contain a balance of not less than the Average Annual Principal and Interest Requirements for all Parity Bonds that will be outstanding after the Additional Parity Bonds then proposed to be issued are issued and delivered.

For the purpose of Section 9.1©, the term “Net Earnings for the System” shall mean all of the Net Revenues of the System, except that in calculating Net Revenues there shall not be deducted as Maintenance and Operation Expenses any charge, disbursement or expenditure for repairs, extensions, or otherwise which, under standard accounting practice, should be charged to capital expenditures.

Section 9.2: Subordinate Lien Bonds.

The City reserves the right to issue, for any lawful purpose, bonds, notes, or other obligations secured in whole or in part by liens on and pledges of the Net Revenues that are junior and subordinate to the lien on and pledge of Net Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

Section 9.3: Special Project Bonds.

The City reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

ARTICLE X
COVENANTS AND PROVISIONS
RELATING TO ALL PARITY BONDS
AFTER RETUREMENT OF OUTSTANDING BONDS

Section 10.1: Punctual Payment of Parity Bonds.

The City will punctually pay or cause to be paid the interest on and principal of all Parity Bonds according to the terms thereof and will faithfully do and perform, and at all times, fully observe, any and all covenants, undertakings, stipulations and provision contained in this ordinance and in any ordinance authorizing the issuance of Additional Parity Bonds.

Section 10.2: Maintenance of System.

So long as any Parity Bonds remain outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principals. In operating and maintaining the System,, the City will comply with all contractual provisions and agreements entered into by it and

with all valid rules, and agreements entered into by it and with all valid rules, regulations, directions or order of any governmental, administrative or judicial body promulgating same.

10.3: Sale of Encumbrance of System.

So long as any Parity Bonds remain outstanding, the City will not sell, dispose or, except as permitted in Article VIII, further encumber the System; provided, however that this provision shall not prevent the City from disposing of any portion of the System which has been declared surplus or is no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to be lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 10.4: Insurance.

The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent insurance is customarily carried by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. The cost of all such insurance together with any additional insurance shall be a part of the Maintenance and Operation Expenses, and such insurance shall be carried for the benefit of the holders of the Parity Bonds and the City, as their interests may appear.

Section 10.5: Accounts, Records, and Audits.

So long as any Parity Bonds remain outstanding, the City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and property entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof. The City shall after the close of each of its fiscal years cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared; the City shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas, the major municipal rating agencies and any holders of Parity Bonds who shall request the same. All expenses incurred in preparing such audits shall be maintained and Operation Expenses.

Section 10.6: Competition.

To the extent it legally may, the City 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 and will prohibit the operation of any such competing facilities.

Section 10.7 Pledge and Encumbrance of Net Revenues.

The City covenants and represents that it has the lawful power to pledge the Net Revenues to the payment of the Parity Bonds and has lawfully exercised such power

under the construction and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the Parity Bonds, the Net Revenues are not and will not be pledged to the payment of any debt or obligation of the City, or in any other manner encumbered unless such pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

Section 10.8: Bondholders Remedies. This ordinance shall constitute a contract between the City and the holders of the Parity Bonds from time to time outstanding and this ordinance shall be and remain irrevocably until the Parity Bonds and the interest thereon shall be full paid or discharged or provision therefore shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Parity Bonds or a default in the performance of any duty or covenant provided by law or in this ordinance, the holder or holders of any of the Parity Bonds or of any of the appurtenant interest coupons may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any holder of any of the Parity Bonds or of any of said coupons may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues thereof into the special funds herein provided, and the application of such Gross Revenues and Net Revenues in the manner required in this ordinance.

Section 10.9: Discharge by Deposit.

The City may discharge its obligations to the holders of any or all of the Parity Bonds and coupons appertaining thereto to pay principal, interest and redemption premium (if any) thereon by depositing with any paying agent for such Parity Bonds or with the State Treasurer of the State of Texas either: (I) cash in an amount equal to the principal amount and redemption premium, if any, of such Parity Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, direct obligations of, or obligations the principal and interest of which are guaranteed by, the United States of American in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption; provided, however, that if any of such Parity Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the ordinance, authorizing such Parity Bonds. Upon such deposit, such Parity Bonds and Coupons appertaining thereto shall no longer be regarded to be outstanding or unpaid.

Section 10.10: Legal Holidays.

In any case where the date fixed for payment of interest on or principal of the Parity Bonds or the date fixed for redemption of any Parity Bonds shall be a legal holiday or a day on which a paying agent for the Parity Bonds is authorized by law to close, then payment of interest or principal by such paying agent succeeding business day with the

same force and effect as if made on the date fixed for such payment and no interest shall accrue for the period from such date to the date of actual payment.

Section 10.11: Unavailability of Authorized Publication.

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

Section 10.12: No Recourse against City Officials.

No recourse shall be had for the payment of principal, premium, if any, of or interest on any Parity Bonds or for any claim based thereon or on this ordinance against any official or employee of the City or any person executing any Parity Bonds.

ARTICLE XI

PROVISIONS CONCERNING SALE AND DISPOSITION OF PROCEEDS OF SERIES 1981 BONDS

Section 11.1: Sale of Series 1981 bonds. Sale of the Series 1981 Bonds is hereby awarded to the Texas Water Development Board for the principal amount of the Series 1981 Bonds plus accrued on the interest on the Series 1981 Bonds to net effective interest rate on the Series 1981 Bonds to 5.558560/o subject to the unqualified approving opinion as to the legality of the Series 1981 Bonds of the Attorney General of the State of Texas and of Vinson and Elkins, bond attorneys for the City. It is hereby found and declared that the above price and terms of sale of the Series 1981 Bonds are the most advantageous reasonable obtainable by the City.

Section 11.2: Approval, Registration, and Delivery.

The Mayor is hereby authorized to have control and custody of the Series 1981 Bonds and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor and other officers and employees of the City are hereby authorized and instructed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of the Series 1981 Bonds and to assure to investigation, examination, and approval thereof by the Attorney General of the State of Texas and their registration with the State Comptrollers of Public Accounts. Upon registration of the series 1981 Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for him) shall be requested to sign manually the Comptroller's Registration Certificate prescribed herein to be printed and endorsed on each Series 1981 Bond and the seal of the Comptroller shall be impressed or printed on lithographed thereon. The Mayor shall be further authorized to make such agreements with the purchasers of the Series 1981 Bonds as may be necessary to assure that the same

will be delivered to such purchasers in accordance with the terms of sale at the earliest practicable date after the adoption of this ordinance.

Section 11.3: Application of Proceeds of Series 1981 Bonds.

Proceeds from the sale of the Series 1981 Bonds shall, promptly upon receipt by the City, be applied as follows:

- a) Accrued interest and premium, if any shall be deposited into the interest and sinking fund.
- b) The remaining proceeds from the sale of the Series 1981 Bonds shall be applied for the purposes set forth in Section 3.1 of this ordinance, including the payment of all costs of issuance of the Series 1981 Bonds.
- c) Proceeds from the sale of the Series 1981 Bonds, other than accrued interest and premium. Shall be deposited in a construction fund which shall be used, spend and administered by the City in strict compliance with Sections 17.231-236, Texas Water Code, and the other terms of purchase of the Series 1981 Bonds by the Texas Water Development Board.
- d) In compliance with the published rules and regulations of the Texas Water Development Board, the initial purchaser of the Series 1981 Bonds, the City covenants and agrees that upon completion of the project to financed with the proceeds of the Series 1981 Bonds, and if all or any portion of the Series 1981 Bonds, and if all or any portion of the Series 1981 Bonds shall be held by or on account of the Texas Water Development Board or the State of Texas, the proper officials of the city shall render due and final accounting to the Texas Water Development Board f the total cost of the project. If the total cost of the project or less than originally estimated, the City shall, with the written consent of the Development Fund Manager of the Texas Water Development Board, promptly return to the Texas Water Development Board the amount of such excess to the nearest whole multiple of \$5000.00 plus accrued interest and any unamortized or unearned premium thereon, and the Texas Water Development Board shall thereupon cancel and return, in inverse numerical order, a like amount of the Series 1981 Bonds. Any further amounts remaining in the city's Construction Fund thereafter shall be promptly deposited by the City into the Interest and Sinking Fund and applied to the payment of the principal of and interest on the Series 1981 Bonds.

Section 11.4: No Arbitrage.

The City certifies that based upon all facts and estimation know or reasonably expected to be in existence on the date the Series 1981 Bonds are delivered and paid for, the City reasonably expects that thee proceeds of the Series 1981 Bonds will not be used in a manner that would cause the Series 1981 Bonds or any portion thereof to be an "arbitrage bond" under Section 103© (2) of the Internal Revenue Code of 1954, as amended and the regulations prescribed hereunder. Furthermore, all officers, employees and agents of the City are authorized and directed to provide verifications of facts and estimates that are material to the reasonable expectations of the City as of the d ate of the Series 1981 Bonds are delivered and paid for. In particular, all or any officers of the City are authorized to certify for the City the facts and circumstances

and reasonable expectations of the City on the date the Series 1981 Bonds are delivered and paid for regarding the amount and use of the proceeds thereof. Moreover, the City covenants that it shall make such use of the proceeds of the Series 181 Bonds, regulate investments of proceeds thereof and take such other and further actions as may be required so that the Series 1981 Bonds shall not be “arbitrage bonds” under Section 103 (c) (2) of the Internal Revenue Code of 1954, as amended, and regulations prescribed from time to time hereunder.

ARTICLE XII

MISCELLANEOUS

Section 12.1: Further Procedures.

The Mayor and the City Secretary and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convent to carry out the terms and purposes of this ordinance.

Section 12.2: Severability.

If any section, paragraph, clause or provision of this ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this ordinance.

Section 12.3: Open Meeting.

It is hereby founds, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Article 6252-17, Vernon’s Texas Civil Statute as amended, and that this meeting has been open to the public as required by law at all times during which this ordinance and the subject matter thereof has been discussed, then ratifies, approves, and confirms such written notice and the contents and posting thereof.

Section 12.4: Declaration of Emergency.

It is hereby officially found that a case of emergency and urgent public necessity exists which requires the holding of the meeting at which this ordinance is passed and further requires that this ordinance be passed finally and take effect immediately on the date of its introduction, such emergency and urgent public necessity being that the proceeds from the sale of the Series 1981 Bonds are required as soon as possible and without delay for the purposes set forth herein.

Section 12.5: Repealed. All orders resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

PASSED AND APPROVED THIS THE 30TH DAY OF APRIL, 1981

STEVE BEAN
MAYOR

ATTEST:
MERTICE JACKS
CITY SECRETARY