



Mayor Javier Villalobos
Mayor Pro Tem/Commissioner Victor "Seby" Haddad
Commissioner Tony Aguirre, Jr.
Commissioner Joaquin Zamora

Commissioner Rolando "Rolly" Rios
Commissioner Rodolfo "Rudy" Castillo
Commissioner Pepe Cabeza de Vaca
City Manager Isaac J. Tawil

AGENDA
CITY COMMISSION JOINT MEETING WITH THE
MCALLEN PUBLIC UTILITY BOARD
MONDAY, OCTOBER 13, 2025 – 4:00 PM
MCALLEN CITY HALL
CITY COMMISSION CHAMBERS; 3RD FLOOR
1300 HOUSTON AVENUE
MCALLEN TEXAS, 78501

"At any time during the course of this meeting, the City Commission may retire to Executive Session under Texas Government Code 551.071(2) to confer with its legal counsel on any subject matter on this agenda in which the duty of the attorney to the City Commission under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Chapter 551 of the Texas Government Code. Further, at any time during the course of this meeting, the City Commission may retire to Executive Session to deliberate on any subject slated for discussion at this meeting, as may be permitted under one or more of the exceptions to the Open Meetings Act set forth in Title 5, Subtitle A, Chapter 551, Subchapter D of the Texas Government Code."

CALL TO ORDER

1 JOINT MEETING WITH THE MCALLEN PUBLIC UTILITY BOARD:

1. Award of Contract for the Investment Advisory Services.
2. Consider adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen requesting the City to approve the issuance and sale of Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (for a brackish groundwater treatment plant), such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.
3. Consider Adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen requesting the City to approve the issuance and sale of Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (for acquisition of water rights), such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.
4. Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (for a brackish groundwater treatment plant) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.

5. Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (for acquisition of water rights) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.

END OF JOINT MEETING

6. **EXECUTIVE SESSION, CHAPTER 551, TEXAS GOVERNMENT CODE, SECTION 551.071 (CONSULTATION WITH ATTORNEY), SECTION 551.072 (DELIBERATION REGARDING REAL PROPERTY), SECTION 551.074 (PERSONNEL MATTERS) AND SECTION 551.087 (ECONOMIC DEVELOPMENT)**

ADJOURNMENT

IF ANY ACCOMMODATION FOR A DISABILITY IS REQUIRED (OR INTERPRETERS FOR THE DEAF), NOTIFY THE CITY SECRETARY'S DEPARTMENT AT 681-1020 FORTY-EIGHT (48) HOURS PRIOR TO THE MEETING DATE. WITH REGARD TO ANY ITEM, THE BOARD OF COMMISSIONERS MAY TAKE VARIOUS ACTIONS INCLUDING BUT NOT LIMITED TO RESCHEDULING AN ITEM IN ITS ENTIRETY FOR A FUTURE DATE OR TIME.

C E R T I F I C A T I O N

I, the Undersigned Authority, do hereby certify that the above notice of meeting and agenda for the City of McAllen Board of Commissioners is a true and correct copy and that I posted a true and correct copy of said notice of meeting and agenda for the City of McAllen Board of Commissioners on October 7, 2025 on the bulletin board in the municipal building, a place readily accessible to the general public at all times for at least three business days before the scheduled date of the meeting, in accordance with Chapter 551 of the Texas Government Code.

/s/
Perla Lara, TRMC/CMC, CPM
City Secretary



ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM

1.1.

DATE SUBMITTED

10/02/2025

MEETING DATE

10/13/2025

1. Agenda Item: Award of Contract for the Investment Advisory Services.
2. Party Making Request: Isaac Tawil, Mark Vega, Sonia Resendez, Maria Chavero
3. Applicant:
4. Nature of Request: The Treasury Management and Finance Departments request authorization to award the above referenced Service Contract to the highest ranked respondent for a period to commence October 14, 2025, and end three (3) years thereafter. If awarded, staff is requesting authorization, with City Manager and/or General Manager approval, to exercise the option to extend the contract for two (2) additional one-year periods subject to the performance of the successful respondent being satisfactory. In addition, we respectfully request authorization to terminate such contract(s) with City Manager and/or General Manager approval, in the event that the awarded respondent fails to meet or perform under the terms and conditions of their Contract.
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____
7. Routing:

Maria Chavero	Created/Initiated - 10/02/2025
Gerardo Noriega	Approved - 10/06/2025
Mark Vega	New -
Austin Stevenson	-
8. Staff Recommendation: Audit and Investment Committee recommends approval.
9. Advisory Board:
10. City Attorney: Approve -AWS
11. Manager's Recommendation: Approve. IJT

MEMORANDUM

To: Isaac Tawil, City Manager / Investment Officer; Mark Vega, P.E., General Manager/
Investment Officer

From: Maria Chavero, Director of Finance Utilities / Investment Officer; Sonia Resendez, Finance
Director / Investment Officer

Cc: Austin Stevenson, City Attorney

SUBJECT: INVESTMENT ADVISORY SERVICES CONTRACT AWARD EVALUATION AND
RECOMMENDATION PROJECT NO: 07-25-S78-110

Date: October 1, 2025

The City of McAllen conducted a solicitation for Investment Advisory Services in July 2025. A pre-proposal conference was held on Thursday, July 10, 2025, and proposals received on July 17, 2025. The evaluation committee evaluated and tabulated the submittals based on the following criteria and related ratings points (a \$487 million portfolio balance was assumed):

1. ***Proposal responsiveness (15 pts.)*** – Respondent’s overall proposal and how effectively the services required are addressed.
2. ***Demonstrated ability in providing similar services to municipalities and/or other public entities (25 pts.)*** – Respondent’s previous experience with public entities as well as the quality of references provided.
3. ***Professional qualifications and experience (25 pts.)*** - The qualifications and experience of the personnel proposed for assignment to the City's account.
4. ***Recommended approach to management of City's portfolio (20 pts.)*** - Respondent's detailed investment approach.
5. ***Proposed fees (15 pts.)*** - The City will evaluate price as an important, but not overriding factor, considering the cost of base services and the optional services offered and the best value for the City's needs.

The following four firms submitted proposals and are ranked accordingly:

1. Valley View Consulting, LLC, Huddleston VA / Austin TX
2. Wertz York Capital Management Group, LLC dba Deep Blue Investment Advisors, Tampa, FL
3. Hilltop Securities Southwest Asset Management, LLC, Austin TX
4. HUB Investment Partners, LLC dba Trusted Capital Group, Austin TX

The results of the solicitation were presented to the Audit and Investment Committee for review and recommended approval on September 25, 2025. The Audit and Investment Committee recommends approval of the award of a three-year contract for investment advisory services to Valley View Consulting, LLC, commencing October 14, 2025, and providing for two additional one-year extension renewals upon agreement of both parties, to the City Commission and McAllen Public Utility Board. The annual fees will be calculated using a 0.02% fee (2 basis points) on the average quarterly book value of the portfolio, with a fiscal year maximum of \$75,000.

Please do not hesitate to contact Maria Chavero should you have any questions or wish to discuss further.



ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM

1.2.

DATE SUBMITTED

10/03/2025

MEETING DATE

10/13/2025

1. Agenda Item: Consider adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen requesting the City to approve the issuance and sale of Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (for a brackish groundwater treatment plant), such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.
2. Party Making Request: J.J. Rodriguez
3. Applicant:
4. Nature of Request: Consider adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen.
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____
7. Routing:

J.J. Rodriguez	Created/Initiated - 10/03/2025
Austin Stevenson	Final Approval - 10/06/2025
8. Staff Recommendation: Staff recommends favorable action.
9. Advisory Board:
10. City Attorney: Approve -AWS
11. Manager's Recommendation: Approve. IJT



Memo

To: Marco A. Vega, P.E., General Manager

From: Juan J. Rodriguez, Assistant General Manager

A handwritten signature in blue ink, appearing to be "J. Rodriguez", written over the name in the "From:" line.

Date: October 3, 2025

Subject: Resolution of the Public Utility Board of Trustees of the City of Mcallen requesting the City to approve the issuance and sale of Waterworks And Sewer System Revenue Bonds, Series 2025a, in the principal amount of \$30,000,000, such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.

On July 24, 2025, the Texas Water Development Board ("TWDB") approved a resolution making a multi-year commitment to the City of McAllen for financial assistance in the total cumulative amount of \$195,235,000 from the State Water Implementation Revenue Fund for Texas ("SWIRFT") to fund costs related to the planning, design, and construction of a Brackish Groundwater Treatment Plant (the "Series 2025A Commitment"). On August 25, 2025, and August 26, 2025, the City and Public Utility Board (PUB) each approved respective resolutions approving the execution and delivery of a financing agreement with the TWDB in an amount not to exceed \$30,000,000, being the initial tranche utilized from the Series 2025A Commitment (the "Series 2025A Financing Agreement"). On September 5, 2025, the City executed the Series 2025A Financing Agreement and committed to borrow an amount not to exceed \$30,000,000 from the SWIRFT to be evidenced by the issuance and delivery of bonds to be issued by the City (the "Series 2025A Bonds").

The actions currently before the PUB and City Commission would approve the issuance, sale, and delivery of the City's 2025A Bonds, in the principal amount of \$30,000,000 to the TWDB, and authorize all other documents and actions required to close the transaction with TWDB.

Please let me know if you have any questions or need additional information.

RESOLUTION NO. 2025-__

RESOLUTION OF THE PUBLIC UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN REQUESTING THE CITY TO APPROVE THE ISSUANCE AND SALE OF WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025A, IN THE PRINCIPAL AMOUNT OF \$30,000,000, SUCH SERIES OF BONDS TO BE SOLD TO THE TEXAS WATER DEVELOPMENT BOARD, AND APPROVING OTHER MATTERS RELATED THERETO

THE STATE OF TEXAS

COUNTY OF HIDALGO

UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN

WHEREAS, the Utility Board of Trustees (the "Board") of the City of McAllen, Texas (the "City") has determined that it is advisable to issue the City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (the "Bonds"), for the purpose of improving and extending the City's Waterworks and Sewer System, to wit: acquiring, planning, designing, constructing, improving, and equipping a brackish groundwater treatment plant, and that such Bonds be sold to the Texas Water Development Board; and

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

BE IT RESOLVED BY THE UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN, TEXAS:

1. The matter set out in the preamble of this Resolution are hereby found and declared to be true and correct.
2. The Board hereby requests the submission of the ordinance authorizing the Bonds (the "Ordinance") to the City Commission of the City to approve the issuance and sale of the Bonds in accordance with the proposed Ordinance attached hereto as Exhibit A.
3. The Board hereby authorizes the Chairman to certify this Resolution and the Board Secretary to attest hereto and impress the seal hereupon, and each to take or cause such other action as may be required to file this Resolution with the Elective Commission of the City.
4. This Resolution shall take effect and be in full force and effect upon and after its passage.

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PASSED AND APPROVED this 13th day of October, 2025.

UTILITY BOARD OF TRUSTEES
OF THE CITY OF McALLEN, TEXAS

Albert Cardenas, Chairman

ATTEST:

Cynthia Salinas, Board Secretary

Exhibit A

ORDINANCE

**The Ordinance has been omitted at this point as it appears
in executed form elsewhere in the Transcript.**



ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM

1.3.

DATE SUBMITTED

10/03/2025

MEETING DATE

10/13/2025

1. Agenda Item: Consider Adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen requesting the City to approve the issuance and sale of Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (for acquisition of water rights), such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.
2. Party Making Request: J.J. Rodriguez
3. Applicant: J.J. Rodriguez
4. Nature of Request: Consider Adopting a Resolution of the Public Utility Board of Trustees of the City of McAllen.
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____
7. Routing:

J.J. Rodriguez	Created/Initiated - 10/03/2025
Austin Stevenson	Final Approval - 10/06/2025
8. Staff Recommendation: Staff recommends favorable action.
9. Advisory Board:
10. City Attorney: Approve -AWS
11. Manager's Recommendation: Approve. IJT



Memo

To: Marco A. Vega, P.E., General Manager

From: Juan J. Rodriguez, Assistant General Manager

A handwritten signature in blue ink, appearing to be "JJR", is placed to the right of the "From:" line.

Date: October 3, 2025

Subject: Resolution of the Public Utility Board of Trustees of the City of Mcallen requesting the City to approve the issuance and sale of Waterworks and Sewer System Revenue Bonds, Series 2025b, in the principal amount of \$3,215,000, such series of bonds to be sold to the Texas Water Development Board, and approving other matters related thereto.

On July 24, 2025, the Texas Water Development Board ("TWDB") approved a resolution making a commitment to the City of McAllen for financial assistance in the total amount of \$3,215,000 from the State Water Implementation Revenue Fund for Texas ("SWIRFT") to fund costs related to the acquisition of water rights (the "Series 2025B Commitment"). On August 25, 2025, and August 26, 2025, the City and Public Utility Board (PUB) each approved respective resolutions approving the execution and delivery of a financing agreement with the TWDB in an amount not to exceed \$3,215,000 (the "Series 2025B Financing Agreement"). On September 5, 2025, the City executed the Series 2025B Financing Agreement and committed to borrow an amount not to exceed \$3,215,000 from the SWIRFT to be evidenced by the issuance and delivery of bonds to be issued by the City (the "Series 2025B Bonds").

The actions currently before the PUB and City Commission would approve the issuance, sale, and delivery of the City's 2025B Bonds, in the principal amount of \$3,215,000 to the TWDB, and authorize all other documents and actions required to close the transaction with TWDB.

Please let me know if you have any questions or need additional information.

RESOLUTION NO. 2025-__

RESOLUTION OF THE PUBLIC UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN REQUESTING THE CITY TO APPROVE THE ISSUANCE AND SALE OF WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2025B, IN THE PRINCIPAL AMOUNT OF \$3,215,000, SUCH SERIES OF BONDS TO BE SOLD TO THE TEXAS WATER DEVELOPMENT BOARD, AND APPROVING OTHER MATTERS RELATED THERETO

THE STATE OF TEXAS

COUNTY OF HIDALGO

UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN

WHEREAS, the Utility Board of Trustees (the "Board") of the City of McAllen, Texas (the "City") has determined that it is advisable to issue the City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (the "Bonds"), for the purpose of improving and extending the City's Waterworks and Sewer System, to wit: acquiring water rights, and that such Bonds be sold to the Texas Water Development Board; and

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

BE IT RESOLVED BY THE UTILITY BOARD OF TRUSTEES OF THE CITY OF McALLEN, TEXAS:

1. The matter set out in the preamble of this Resolution are hereby found and declared to be true and correct.
2. The Board hereby requests the submission of the ordinance authorizing the Bonds (the "Ordinance") to the City Commission of the City to approve the issuance and sale of the Bonds in accordance with the proposed Ordinance attached hereto as Exhibit A.
3. The Board hereby authorizes the Chairman to certify this Resolution and the Board Secretary to attest hereto and impress the seal hereupon, and each to take or cause such other action as may be required to file this Resolution with the Elective Commission of the City.
4. This Resolution shall take effect and be in full force and effect upon and after its passage.

[The remainder of this page intentionally left blank.]

PASSED AND APPROVED this 13th day of October, 2025.

UTILITY BOARD OF TRUSTEES
OF THE CITY OF McALLEN, TEXAS

Albert Cardenas, Chairman

ATTEST:

Cynthia Salinas, Board Secretary

Exhibit A

ORDINANCE

**The Ordinance has been omitted at this point as it appears
in executed form elsewhere in the Transcript.**



ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM

1.4.

DATE SUBMITTED

10/03/2025

MEETING DATE

10/13/2025

1. Agenda Item: Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (for a brackish groundwater treatment plant) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.
2. Party Making Request: J.J. Rodriguez
3. Applicant: J.J. Rodriguez
4. Nature of Request: Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A, in the principal amount of \$30,000,000 (for a brackish groundwater treatment plant) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____
7. Routing:

J.J. Rodriguez	Created/Initiated - 10/03/2025
Austin Stevenson	Final Approval - 10/06/2025
8. Staff Recommendation: Staff recommends favorable action.
9. Advisory Board:
10. City Attorney: Approve -AWS
11. Manager's Recommendation: Approve. IJT



Memo

To: Isaac J. Tawil, City Manager

From: Marco A. Vega, P.E., General Manager 

Date: October 3, 2025

Subject: Ordinance Authorizing the Issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025a, in the principal amount of \$30,000,000 to be sold to the Texas Water Development Board and ordaining other matters related thereto.

On July 24, 2025, the Texas Water Development Board ("TWDB") approved a resolution making a multi-year commitment to the City of McAllen for financial assistance in the total cumulative amount of \$195,235,000 from the State Water Implementation Revenue Fund for Texas ("SWIRFT") to fund costs related to the planning, design, and construction of a Brackish Groundwater Treatment Plant (the "Series 2025A Commitment"). On August 25, 2025, and August 26, 2025, the City and Public Utility Board (PUB) each approved respective resolutions approving the execution and delivery of a financing agreement with the TWDB in an amount not to exceed \$30,000,000, being the initial tranche utilized from the Series 2025A Commitment (the "Series 2025A Financing Agreement"). On September 5, 2025, the City executed the Series 2025A Financing Agreement and committed to borrow an amount not to exceed \$30,000,000 from the SWIRFT to be evidenced by the issuance and delivery of bonds to be issued by the City (the "Series 2025A Bonds").

The actions currently before the PUB and City Commission would approve the issuance, sale, and delivery of the City's 2025A Bonds, in the principal amount of \$30,000,000 to the TWDB, and authorize all other documents and actions required to close the transaction with TWDB.

Please let me know if you have any questions or need additional information.

ORDINANCE NO. 2025-_____

**ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF McALLEN,
TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2025A, IN THE PRINCIPAL AMOUNT OF \$30,000,000 TO BE
SOLD TO THE TEXAS WATER DEVELOPMENT BOARD AND
ORDAINING OTHER MATTERS RELATED THERETO**

**THE STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN**

**§
§
§**

WHEREAS, the outstanding bonds of the City of McAllen (the “Issuer” or “City”), which are secured by the Net Revenues of the Issuer’s Waterworks and Sewer System are as follows:

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2009, dated December 1, 2009, now outstanding in the principal amount of \$20,290,000 (the “Series 2009 Bonds”)

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2013, dated August 15, 2013, now outstanding in the principal amount of \$4,390,000 (the “Series 2013 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2015, dated January 15, 2015, now outstanding in the principal amount of \$2,060,000 (the “Series 2015 Refunding Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2015, dated April 1, 2015, now outstanding in the principal amount of \$29,615,000 (the “Series 2015 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2016, dated June 15, 2016, now outstanding in the principal amount of \$10,665,000 (the “Series 2016 Refunding Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2016, dated December 1, 2016, now outstanding in the principal amount of \$6,085,000 (the “Series 2016 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-A, dated October 15, 2018, now outstanding in the principal amount of \$6,765,000 (the “Series 2018-A Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-B, dated October 15, 2018, now outstanding in the principal amount of \$11,765,000 (the “Series 2018-B Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-C, dated October 15, 2018, now outstanding in the principal amount of \$6,070,000 (the “Series 2018-C Bonds”); and

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2021, dated November 1, 2021, now outstanding in the principal amount of \$15,495,000 (the “Series 2021 Bonds”).

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B, dated October 15, 2025, now outstanding in the principal amount of \$3,215,000 (the “Series 2025B Bonds”).

WHEREAS, the bonds hereinafter authorized (the “Bonds”) are to be issued and delivered pursuant to Chapter 1502, Government Code and are being sold to the Texas Water Development Board; and

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

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF McALLEN, TEXAS, THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the City of McAllen (the “Issuer” or “City”) are hereby authorized to be issued and delivered in the aggregate principal amount of \$30,000,000 for the purpose of improving and extending the Issuer’s Waterworks and Sewer System, to-wit: acquiring, planning, designing, constructing, improving, and equipping a brackish groundwater treatment plant.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Ordinance shall be designated: “CITY OF McALLEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025A”, and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in annual installments of principal (the “Initial Bond”), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial and annual maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term “Bonds” as used in this Ordinance shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND. (a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated October 15, 2025, in the denomination and aggregate principal amount of \$30,000,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: TEXAS WATER DEVELOPMENT BOARD, or to the registered assignee or assignees of said Bond or any portion or portions thereof

(in each case, the “registered owner”), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL BOND set forth in this Ordinance.

(b) The Initial Bond (i) may be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof (only with written approval of the Executive Administrator), (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Ordinance.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of delivery of the Initial Bond and will be calculated on the basis of a 360-day year of twelve 30-day months to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Ordinance.

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

[The remainder of this page intentionally left blank.]

FORM OF INITIAL BOND

NO. R-1

\$30,000,000

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025A**

The CITY OF McALLEN, in HIDALGO COUNTY, Texas (the “Issuer”), being a political subdivision of the State of Texas, hereby promises to pay to

TEXAS WATER DEVELOPMENT BOARD

or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the “registered owner”) the aggregate principal amount of

THIRTY MILLION DOLLARS

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

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
2027		2042	
2028		2043	
2029		2044	
2030		2045	
2031		2046	
2032		2047	
2033		2048	
2034		2049	
2035		2050	
2036		2051	
2037		2052	
2038		2053	
2039		2054	
2040		2055	
2041		***	***

and to pay interest, from the date of delivery of this Initial Bond (November 5, 2025), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the following rates per annum:

<u>YEARS</u>	<u>INTEREST RATES</u>	<u>YEARS</u>	<u>INTEREST RATES</u>
2027		2042	
2028		2043	
2029		2044	
2030		2045	
2031		2046	
2032		2047	
2033		2048	
2034		2049	
2035		2050	
2036		2051	
2037		2052	
2038		2053	
2039		2054	
2040		2055	
2041		***	

Said interest being payable on February 1, 2026 and semiannually on each February 1 and August 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of **BOKF, NA, Dallas, Texas**, the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this 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 principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th 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, interest may be paid by electronic or wire transfer, or by such other method acceptable to Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner, however, if the Bond is owned by the Texas Water Development Board, payment of principal and interest on the Bond shall be made by federal fund wire transfer, at no cost to the Texas Water Development Board. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or 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 this 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

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

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$30,000,000 for the purpose of improving and extending the City's Waterworks and Sewer System, to-wit: acquiring, planning, designing, constructing, improving, and equipping a brackish groundwater treatment plant.

ON FEBRUARY 15, 2035, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select, in inverse order of maturity and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

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

THIS BOND, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Ordinance. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond

or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

IN THE EVENT any Paying Agent/Registrar for this 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 promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

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

Bond have been performed, existed, and been done in accordance with law, that this Bond is a special obligation; and that the interest on and principal of this Bond, together with other outstanding revenue bonds, if any, are payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues, as defined by the Bond Ordinance and which revenues include the Net Revenues of said Issuer's Waterworks and Sewer System.

THE ISSUER has reserved the right, subject to the restrictions stated and adopted by reference in the Ordinance authorizing this Series of Bonds, to issue additional parity revenue bonds which also may be made payable from and secured by a lien on and pledge of the aforesaid Net Revenues.

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

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 the 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 and countersigned with the manual or facsimile signature of the City Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated October 15, 2025.

Attest:

City of McAllen

Perla Lara, TRMC|CMC, CPM
City Secretary

Javier Villalobos, Mayor

(CITY SEAL)

**FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this

Acting Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. ADDITIONAL CHARACTERISTICS OF THE BONDS. (a) Registration and Transfer. The Issuer shall keep or cause to be kept at the principal corporate trust office of ***BOKF, NA, Dallas, Texas***, (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each 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. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred,

and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) 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, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

(c) Payment of Bonds 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, and to act as its agent to convert and exchange or replace 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 two 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 Bondholder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Bonds for all purposes of this Ordinance, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND

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 or replacement of any Bond or Bonds issued under this Ordinance there shall be printed a certificate, in the form substantially as follows:

“PAYING AGENT/REGISTRAR’S AUTHENTICATION CERTIFICATE

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

BOKF, NA
Dallas, Texas
Paying Agent/Registrar

Dated _____ By _____
Authorized Representative”

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

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (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 redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Ordinance.

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

(g) Substitute 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. 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. However, the Issuer must obtain approval of the Texas Water Development Board to such change if the Texas Water Development Board owns any of the bonds. 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. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds.

Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on, as the case may be, the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, as the case may be, with respect to such Bond, for the purpose of giving notices of redemption and other matters 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, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on, or as the case may be, the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, as the case may be, pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(i) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance. In addition, notice of such discharge by DTC shall be given to the Texas Water Development Board and consent obtained, if the Texas Water Development Board owns any of the Bonds.

(j) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on, or as the case may be, such

Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Issuer to DTC.

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

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FORM OF SUBSTITUTE BOND

NO. _____

PRINCIPAL AMOUNT

\$

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025A**

<u>Interest Rate</u>	<u>Date of Original Delivery</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Cusip No.</u>
	November 5, 2025		October 15, 2025	

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

CEDE & CO.,

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

and to pay interest thereon from the date of original delivery (which date appears above) to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on February 1, 2026 and semiannually thereafter on each February 1 and August 1, except that if the date of authentication of this Bond is later than _____, 20____, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

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 principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of BOKF, NA, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on the interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the Ordinance authorizing the issuance of the Bonds (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 the address of the registered

owner, as it appeared on the 15th day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar as hereinafter described. In addition, interest may be paid by electronic or wire transfer, or by such other method acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner, however, if the Bond is owned by the Texas Water Development Board, there will be no charge, and payment of principal shall be made by federal funds wire transfer. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and 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, interest payment date, and accrued 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 Bonds, 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 Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated October 15, 2025, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$30,000,000 for the purpose of improving and extending the Issuer's Waterworks and Sewer System, to-wit: acquiring, planning, designing, constructing, improving, and equipping a brackish groundwater treatment plant.

ON FEBRUARY 15, 2035, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select, in inverse order of maturity and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or

redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) 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, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds 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 promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law, that this Bond is a special obligation; and that the interest on and principal of this Bond, together with other outstanding revenue bonds, if any, are payable from and secured by a first lien on and pledge of the Pledged Revenues, as defined by the Bond Ordinance and which revenues include the Net Revenues of said Issuer's Waterworks and Sewer System.

THE ISSUER has reserved the right, subject to the restrictions stated and adopted by reference in the Ordinance authorizing this Series of Bonds, to issue additional parity revenue bonds which also may be made payable from, and secured by a lien on and pledge of the aforesaid Net Revenues.

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

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.

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

Attest:

City of McAllen

Perla Lara, TRMC|CMC, CPM
City Secretary

Javier Villalobos, Mayor

(CITY SEAL)

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 which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

BOKF, NA
Dallas, Texas

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

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

and hereby irrevocably constitutes and appoints _____
attorney, to transfer the registration of this Bond on the Paying Agent/Registrar's Registration
Books with full power of substitution in the premises.

Dated _____

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

NOTICE: This signature must correspond with the
name of the Registered Owner appearing on the
face of this Bond in every particular without
alteration or enlargement or any change
whatsoever.

Section 8. DEFINITIONS. For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, terms have the meanings assigned to them in this section.

"Additional Bonds" has the meaning assigned thereto in Section 26 of this Ordinance.

"Authorized Representative" means any of the following: the Mayor, the City Secretary, the City Manager, the Director of Finance, and any other officer or employee of the City appointed to serve as an "Authorized Representative" hereunder.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on the obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand, to the extent permitted by law, conditioned upon default by the City during such fiscal year for which the annual debt service is being calculated, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year. "Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then

remaining before Stated Maturity of such obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

“Bond” or “Bonds” means any or all of the City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A.

“Bonds Similarly Secured” means the Previously Issued Bonds, the Bonds, and any Additional Bonds which are secured on equal dignity by a first lien on and pledge of the Net Revenues.

“City” and “Issuer” mean the City of McAllen, Texas, and where appropriate, the City Commission.

“Debt” and “Debt of the City payable from Pledged Revenues” means:

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

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

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

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

“Designated Financial Officer” means the chief financial officer of the City, or such other financial or accounting official of the City so designated by the City Commission.

“Executive Administrator” means the Executive Administrator of the Texas Water Development Board.

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

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

“Government Obligations” shall mean (i) direct non-callable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

“Hold” or “Holders” means the registered owner, whose name appears in the Security Register, for any Bonds Similarly Secured.

“Independent Engineer” means an individual, firm or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to water, wastewater, reuse water and/or storm water drainage systems similar to the System.

“Interest and Sinking Fund” means the special Fund created, established and maintained by the City and continued under the provisions of Sections 10 and 11 of this Ordinance.

“MSRB” means the Municipal Securities Rulemaking Board.

“Maintenance and Operating Expenses” means the reasonable and necessary expenses of operation and maintenance of the System as required by Section 1502.056, Texas Government Code, as amended, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Bonds Similarly Secured), and all payments under

contracts now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

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

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

“Net Revenues” and “Net Revenues of the City’s Waterworks and Sewer System” mean all Gross Revenues after deducting therefrom an amount equal to the current expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City Commission, reasonably and fairly exercised by the adoption of appropriate resolutions, are necessary to keep the System in operation and render adequate service to said Issuer and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Previously Issued Bonds, the Bonds, or Additional Bonds, shall be deducted in determining “Net Revenues”. Payments required to be made by the Issuer for water supply or water facilities, sewer services or sewer facilities, fuel supply, which payments under law constitute and be regarded as expenses of operation and maintenance of the System under this Ordinance. Depreciation and amortization shall not constitute or be regarded as expenses of operation and maintenance of the System.

“Ordinance” means this ordinance.

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

- (1) Bonds Similarly Secured theretofore cancelled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;
- (2) Bonds Similarly Secured deemed paid pursuant to the provisions of Section 33 of this Ordinance or any comparable section of any ordinance authorizing Additional Bonds;
- (3) Bonds Similarly Secured upon transfer of or in exchange for and in lieu of which other Bonds Similarly Secured have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Additional Bonds; and

“Paying Agent/Registrar” shall have the meaning set forth in Section 6(a) hereof.

“Permitted Investments” means, qualified investments as long as permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

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

“Previously Issued Bonds” means the outstanding and unpaid obligations of the Issuer that are payable, in whole or in part, from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System and designated as follows:

Waterworks and Sewer System Revenue Bonds, Series 2009
Waterworks and Sewer System Revenue Bonds, Series 2013
Waterworks and Sewer System Revenue Refunding Bonds, Series 2015
Waterworks and Sewer System Revenue Bonds, Series 2015
Waterworks and Sewer System Revenue Refunding Bonds, Series 2016
Waterworks and Sewer System Revenue Bonds, Series 2016
Waterworks and Sewer System Revenue Bonds, Series 2018-A
Waterworks and Sewer System Revenue Bonds, Series 2018-B
Waterworks and Sewer System Revenue Bonds, Series 2018-C
Waterworks and Sewer System Revenue Bonds, Series 2021

“Project” means the improving and extending the Issuer’s Waterworks and Sewer System, to-wit: acquiring, planning, designing, constructing, improving, and equipping a brackish groundwater treatment plant.

“Prudent Utility Practice” means any of the practices, methods and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or previously approved by a significant portion of the public utility industry, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In the case of any facility included in the System which is operated in common with one or more other entities, the term Prudent Utility Practice, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

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

“Record Date” as used in connection with any bond or obligation, shall mean the close of business on the last or 15th business day of the month next preceding each Interest Payment Date.

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

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

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

“Special Record Date” shall be fifteen days prior to the scheduled payment date of past due interest.

“Special Project” means, to the extent permitted by law, any waterworks, sanitary sewer, wastewater reuse or municipal drainage system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net 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.

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

“State” means the State of Texas.

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

“Surety Bond” shall mean a reserve fund surety bond issued by a bond insurer guaranteeing certain payments into the Reserve Fund as provided in Section 14 hereof and subject to the provisions and limitations set forth in the surety bond.

“Surety Policy” shall mean a surety bond, insurance policy, letter of credit, or other agreement or instrument whereby the issuer is obligated to provide funds up to and including the maximum amount of debt service on the Bonds and under the conditions specified in such agreement or instrument.

“System” shall mean (1) the Issuer’s entire existing waterworks and sewer system, together with all future extensions, improvements enlargements, and additions thereto, and all replacements thereof, and (2) any other related facilities, all or any part of the revenues or income from which, in the future, at the option of the Issuer, and in accordance with law, become “Gross Revenues” as heretofore defined; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean any water, sewer, or other facilities of any kind which are declared not to be a part of the System, and which are acquired or constructed by the Issuer with the proceeds from the issuance of “Special Facilities Bonds”, which are hereby

defined as being special revenue obligations of the Issuer which are not payable from or secured by any Gross Revenues, but which are secured by and payable from liens on and pledges of any other revenues, sources, or payments, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities; and such revenues, sources, 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 Facilities Bonds".

Section 9. PLEDGE OF PLEDGED REVENUES. The City hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment of principal and interest and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Pledged Revenues for the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, and the amounts payable from such funds shall be superior to the lien on and pledge of the Net Revenues securing payment of any Subordinate Lien Obligations hereafter issued by the City.

Section 10. SPECIAL FUNDS. The below listed special Funds have been created and established and shall be maintained on the books of the City, so long as any of the Bonds Similarly Secured are outstanding and unpaid:

(a) City of McAllen, Texas Waterworks and Sewer System Fund, hereinafter called the "System Fund";

(b) City of McAllen, Texas Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund";

(c) City of McAllen, Texas Waterworks and Sewer System Reserve Fund, hereinafter called the "Reserve Fund".

If such funds shall be sub-accounts of the City's General Fund held by the City's depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the City shall keep full and complete records indicating the monies and investments credited to each of such funds.

Section 11. SYSTEM FUND; INTEREST AND SINKING FUND; RESERVE FUND; DEPOSIT OF NET REVENUES. There has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund to be entitled the City of McAllen Waterworks and Sewer System Fund" (the "System Fund"). All Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received, unless otherwise provided for in this Ordinance. Current expenses of the maintenance and operation of the System shall be paid from such Gross Revenues credited to the System Fund as a first charge against same. Before making any deposits hereinafter required to be made from the System Fund, the Issuer shall retain in the System Fund at all times

an amount equal at least to one-sixth of the amount budgeted for the then current fiscal year for the current operation and maintenance expenses of the System.

For the purpose of paying the principal and interest on all Bond Similarly Secured, there has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund entitled the "City of McAllen, Texas Waterworks and Sewer System Interest and Sinking Fund (the "Interest and Sinking Fund").

For the purpose of paying the principal of and interest on all Bonds Similarly Secured, when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose, there has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund to be entitled "City of McAllen Waterworks and Sewer System Reserve Fund" (the "Reserve Fund"). Net Revenues shall be credited to or deposited in the Interest and Sinking Fund, the Reserve Fund and other funds when and as required by the ordinances authorizing the issuance of Bonds Similarly Secured.

Section 12. FLOW OF FUNDS. All Gross Revenues deposited and credited to the System Fund shall be pledged and appropriated subject to Section 9, to the extent required, for the following uses and in the order of priority shown:

FIRST: 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 Bonds Similarly Secured, the Bonds, and any Additional Bonds issued by the City as the same become due and payable, and other Bonds Similarly Secured-related payments, including bank liquidity fees and remarketing fees, if any;

SECOND: pro rata to the payment of the amounts required to be deposited and credited (i) to the Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of this Ordinance, including amounts owed with respect to any Surety Bond, if any, to restore the Required Reserve Amount 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 Bonds Similarly Secured and Additional Bonds hereafter issued by the City; and

THIRD: for all payments made with respect to any Subordinate Lien Obligations, which the Issuer has specifically reserved the right to issue under Section 28 of this Ordinance, and then for any other lawful purpose.

Section 13. INTEREST AND SINKING FUND REQUIREMENTS. On or before December 31, 2025, and on or before the 30th day of each and every month thereafter, the Issuer shall cause to be deposited to the credit of the Interest and Sinking Fund, in approximately equal monthly payments, amounts sufficient, together with any other funds on hand therein, to pay all of the interest or principal and interest coming due on the Bonds Similarly Secured on the next succeeding interest payment date.

The required monthly 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 is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal, premium, if any, and interest) or (ii) the Bonds Similarly Secured are no longer outstanding. Amounts on deposit in and credited to the Reserve Fund and each reserve fund established for any series of Bonds Similarly Secured shall, for purposes of this test, be deemed to be on deposit in and credited to the Interest and Sinking Fund for the sole benefit of the Bonds or the specific series of Bonds Similarly Secured for which such reserve fund was created, as the case may be. Amounts credited to the Reserve Fund and to each Reserve Fund established for any particular series of Bonds Similarly Secured by virtue of a Surety Bond, with respect to the Bonds, or any instrument comparable to a Surety Bond held in such Reserve Fund shall not be deemed to be on deposit in and credited to the Interest and Sinking fund for the purpose specified in (ii) above.

Accrued interest and capitalized interest, if any, received from the purchaser of any Bonds Similarly Secured shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 14. RESERVE FUND; RESERVE FUND SURETY INSURER; MUNICIPAL BOND INSURANCE. Upon the issuance of the Bonds, the Bonds shall be jointly secured by the reserve fund securing the Series 2009 Bonds, , the Series 2013 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2018-A Bonds, the Series 2018-B Bonds, the Series 2018-C Bonds, and the Series 2021 Bonds, the average annual principal and interest requirements for the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2018-A Bonds, the Series 2018-B Bonds, Series 2018-C Bonds, and the Series 2021 Bonds and the Bonds authorized by this Ordinance will be equal to \$ _____ (the "Required Reserve Amount"), and the amount that will be on deposit in the Reserve Fund on the date of issuance of the Bonds will be not less than \$ _____. Accordingly, the aggregate amount required to be deposited into the Reserve Fund following the issuance of the Bonds in order to fully fund the Reserve Fund to the Required Reserve Amount within five years from the date of issuance of the Bonds is \$ _____. In order to accumulate this required amount of cash and investments in the Reserve Fund within 60 months after the issuance of the Bonds, the Issuer shall begin making monthly cash deposits in the amount not less than \$ _____ on or before the 30th day of each month, commencing in _____ of _____, until the amount on deposit in the Reserve Fund is equal to not less than the Required Reserve Amount.

After the delivery of any Additional Bonds, the Issuer shall cause the Reserve Fund to be increased, if and to the extent necessary, so that such fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Net Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery by deposits of Net Revenues in approximately equal monthly installments on or before the 30th day of each month. Principal amounts of the Previously Issued Bonds, the Bonds and any Additional Bonds which must be redeemed pursuant to any applicable mandatory redemption provisions shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such Bonds. When and so long as the amount in the Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve Amount, then the Issuer shall transfer from Net Revenues in the System Fund, and deposit

to the credit of the Reserve Fund, monthly, on or before the 30th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Reserve Fund is restored to the Required Reserve Amount. The Issuer shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the credit of the Interest and Sinking Fund.

(b) The Issuer, at its option and consistent with the provisions of this Section, may fund the Required Reserve Amount by purchasing a Surety Policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Reserve Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. If such Surety Policy constitutes a "Credit Agreement" pursuant to Chapter 1371 of the Government Code, the City shall submit, pursuant to and for so long as required by Section 1371.057 of the Government Code or other applicable State of Texas law provision, such Credit Agreement for review and approval by the Texas Attorney General. All ordinances adopted after the date hereof authorizing the issuance of Additional Bonds shall contain a provision to this effect. Section 14 (c) and (d) of this Ordinance contains certain provisions relating to the Surety Bond. The Issuer reserves the right to use Gross Revenues of the System to fund the payment of (1) periodic premiums on the Surety Policy as a part of the payment of Maintenance and Operating Expenses, and (2) any repayment obligation incurred by the Issuer (including interest) to the issuer of the Surety Policy, the repayment of which will result in the reinstatement of such Surety Policy, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve Amount for the Bonds Similarly Secured.

(c) In the event an insurance policy issued to satisfy all or part of the Issuer's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the Issuer may transfer such excess amount to any fund or account established for the payment of or security for Bonds (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code), or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Interest and Sinking Fund.

(d) As long as the Bonds, or any of them, are owned by the Texas Water Development Board, the Issuer may obtain a future Surety Policy, pursuant to Section 14 (b), only if (i) the financial guarantor meets the Texas Water Development Board's adopted standards and rating criteria, (ii) the Executive Administrator of the Texas Water Development Board is notified in advance of the Issuer's intent to obtain a Surety Policy, (iii) a copy of the proposed Surety Policy is forwarded to Texas Water Development Board staff for review, and (iv) the Executive Administrator of the Texas Water Development Board provides written approval of such Surety Policy.

Section 15. INVESTMENTS; FUNDS SECURED. (a) Money in any Fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Additional Bonds, may, at the option of the Issuer, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in Government Obligations (as defined in Section 1 hereof) or obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in obligations of instrumentalities of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed

by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner as will, in the opinion of the Issuer, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. Such investments (except United States Treasury Obligations-State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value as of the last day of each fiscal year. Unless otherwise set forth herein, all interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Previously Issued Bonds, the Bonds, or Additional Bonds consistent with the ordinances, respectively, authorizing their issuance.

(b) That money in all Funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law.

Section 16. EXCESS BOND PROCEEDS. Any proceeds of Bonds Similarly Secured not required to effectuate the purposes for which such Bonds Similarly Secured were issued, as provided in the respective ordinances authorizing the issuance of such Bonds Similarly Secured, or for the payment of the costs of issuance of such Bonds Similarly Secured shall be deposited and credited to the Interest and Sinking Fund and shall be taken into consideration and shall reduce the amount of deposits and credits to the Interest and Sinking Fund from the Pledged Revenues or used to redeem or purchase Bonds Similarly Secured.

Section 17. DEFICIENCIES - EXCESS PLEDGED OR NET REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits and credits to the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

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

(c) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Interest and Sinking Fund does not contain the Required Reserve Amount) shall be credited to the System Fund semi-annually.

Section 18. PAYMENT OF BONDS AND ADDITIONAL BONDS. While any of the Bonds Similarly Secured are outstanding, the City shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, funds on deposit in the Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Bonds Similarly Secured as shall become

due on each interest or principal payment date, or date of redemption of the Bonds Similarly Secured; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Bonds Similarly Secured not later than the business day next preceding the date such payment is due on the Bonds Similarly Secured; provided that funds withdrawn from a reserve fund established for a particular issue or series of Bonds Similarly Secured shall only be used to pay the principal of and interest on such Bonds Similarly Secured. The Paying Agent/Registrar shall destroy all paid Bonds Similarly Secured and furnish the City with an appropriate certificate of cancellation or destruction.

Section 19. RATES AND CHARGES. (a) The City and the Utility will at all times fix, maintain charge, and collect for services rendered by the System, rates and charges which will produce Gross Revenues at least sufficient to pay all expenses of operation and maintenance of the System and to provide an additional amount of Net Revenues to pay promptly all of the principal of and interest on the Bonds Similarly Secured, which amount shall be at least equal to 1.25 times the annual principal and interest requirements for the Bonds Similarly Secured, and to make all deposits now or hereafter required to be made into the Funds established by this Ordinance in connection with the Bonds Similarly Secured.

(b) If the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 20. GENERAL COVENANTS. The City and the Utility Board further covenant and agree 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 Bonds Similarly Secured; that it will promptly pay or cause to be paid the principal of and interest on every outstanding Bond Similarly Secured, on the dates and in the places and manner prescribed in such ordinances authorizing the Bonds Similarly Secured; 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 Reserve Fund; and any holder of the Bonds Similarly Secured may require the Issuer, its officials, and employees, to carry out, respect, or enforce the covenants and obligations of the ordinances authorizing the issuance of Bonds Similarly Secured, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its officials, and employees.

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

(c) Title. The City 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 Bonds Similarly Secured, against the claims and demands of all persons whomsoever, that it

is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds Similarly Secured in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) Operation of System: No Free Service. The City will, while the Bonds Similarly Secured are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 10.

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

(g) Sale or Disposal of Property. While the Bonds Similarly Secured are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefore, unless it is determined that no such replacement or substitute is necessary.

(h) Insurance. (1) It shall cause to be insured such parts of the System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible, therefore, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives

at all reasonable times. Upon the occurrence of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property are hereby pledged as security for the Bonds Similarly Secured and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

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

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

(4) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

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

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

Section 21. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The City covenants and agrees that so long as any of the Bonds Similarly Secured remain Outstanding, the City will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and by Chapter 1502, Texas Government Code, as amended, or other applicable law. The Holders of the Bonds Similarly Secured or any

duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, the City will cause an audit report of such records and accounts to be made by an Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the City's principal office and the City Secretary's office and may be furnished to, upon written request, any Holder upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

Section 22. COVENANTS REGARDING TAX EXEMPTION. (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Bonds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 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" which 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 which 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 which 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 which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

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

(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);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) 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.

(10) to establish reasonable expectations to prevent using the proceeds of the Bonds in contravention of the requirements of section 149(g) of the Code (relating to hedge bonds); and

(11) not to acquire any of the Texas Water Development Board's source series bonds in an amount related to the amount of Certificates of Obligation acquired by the Texas Water Development Board.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (9), a "Rebate Fund" is hereby established by the City 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) Proceeds. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103

of the Code. In furtherance of such intention, the City hereby authorizes and directs the Finance Director to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City 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 City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit A as the City's written procedures.

Section 23. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Bonds, or (ii) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be

obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest

Section 24. DISPOSITION OF PROJECT. The City covenants that the Project (or any portions thereof) will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City 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 City 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.

Section 25. COMPLIANCE WITH RULE 15c2-12.

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

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

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

(c) Event Notices.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any

other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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

(d) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 33 of this Ordinance that causes Bonds no longer to be outstanding.

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

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

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

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

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

Section 26. ISSUANCE OF ADDITIONAL BONDS. (a) The City shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Bonds"), in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Bonds Similarly Secured, Subordinate Lien Obligations or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with all other Bonds Similarly Secured, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund established by this Ordinance shall secure and be used to pay all Bonds Similarly Secured. However, each ordinance under which Additional Bonds 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 Bonds to be deposited to the credit of the Interest and Sinking Fund, the City shall deposit to the credit of the Interest and Sinking Fund monthly, on or before the 30th day of each month in approximately equal monthly payments such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due.

(c) The City may create and establish a reserve fund pursuant to the provisions of any ordinance authorizing the issuance of Additional Bonds for the purpose of securing that particular issue or series of Additional Bonds or any specific group of issues or series of Additional Bonds

and the amounts once deposited or credited to said reserve funds shall no longer constitute Net Revenues and shall be held solely for the benefit of the Holders of the particular Additional Bonds for which such reserve fund was established. Each such reserve fund shall be designated in such manner as is necessary to identify the Additional Bonds it secures and to distinguish such reserve fund from the Reserve Fund and the reserve funds created for the benefit of other Additional Bonds.

Section 27. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds 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 Bonds shall be issued or delivered unless:

(a) The Mayor of the Issuer and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds Similarly Secured, and the ordinances authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) the Finance Director of the City signs a written certificate to the effect that, in his or her opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the ordinance authorizing such issuance of the then proposed Additional Bonds is passed, the Net Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements and 1.10 times the maximum annual principal and interest requirements of all Bonds Similarly Secured which are outstanding after the delivery of the proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Net Revenues for the purposes of this subsection (b) if there has been any increase in the rates or charges for any services of the System which is then in effect, but which is then in effect during all or any part of the entire period for which the Net Revenues are being calculated (hereinafter referred to as the "entire period") then an independent certified public accountant, or in lieu of the certified accountant a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

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

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

Section 28. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The City 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 Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

Section 29. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 30. LIMITED OBLIGATIONS OF THE CITY. The Bonds Similarly Secured are limited, special obligations of the City payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the City.

Section 31. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 32. REMEDIES IN EVENT OF DEFAULT; SECURITY INTEREST. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or Reserve Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the following remedies shall be available:

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

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive. Any provision of the Bonds or this Ordinance that restricts or limits the Texas Water Development Board's full exercise of its remedies shall be of no force and effect.

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

Section 33. DEFEASANCE OF BONDS. (a) Defeased Bonds. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond"), 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 (or another entity permitted by Section 1207.061, Texas Government Code, as amended, or other applicable law, which entity, together with the Paying Agent/Registrar, are referred to collectively in this Section as the "Defeasance Agent"), in accordance with the requirements of Chapter 1207, Texas Government Code, as amended, or other applicable law (which may include the use of an escrow agreement or other similar instrument - the "Future Escrow Agreement"): (1) lawful money of the United States of America sufficient to make such payment or (2) "Defeasance Securities" (as defined below) 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 Defeasance Agent 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 lien on and pledge of Net Revenues 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: (i) 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) Defeasance Securities. The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county,

municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(c) Investment in Defeasance Securities. Any moneys so deposited with the Defeasance Agent 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 Defeasance Agent 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 account or 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 subsections (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Defeasance Agent 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.

(d) Paying Agent/Registrar Services. 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) Selection of Bonds for Defeasance. 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 34. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new bond of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

(c) No Default Occurred Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in

the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuance of Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(a) of this Ordinance for Bonds issued in exchange for other Bonds.

Section 35. AMENDMENT OF ORDINANCE. (a) The holders of the Bonds Similarly Secured aggregating a majority in principal amount of the aggregate principal amount of then outstanding Bonds Similarly Secured shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the holders of all of the affected Bonds Similarly Secured 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 Bonds Similarly Secured so as to:

- (1) Make any change in the maturity of the outstanding Bonds Similarly Secured;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds Similarly Secured;
- (3) Reduce the amount of the principal payable on the outstanding Bonds Similarly Secured;
- (4) Modify the terms of payment of principal of or interest on the outstanding Bonds Similarly Secured or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Bonds Similarly Secured then outstanding;
- (6) Change the minimum percentage of the principal amount of Bonds Similarly Secured necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or in the State of Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file for inspection

by all registered owners of Bonds Similarly Secured at the designated trust office of the registrar for the Bonds Similarly Secured. Such publication is not required, however, if notice in writing is given to each registered owner of the Bonds Similarly Secured.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all Bonds Similarly Secured 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 Commission may pass the amendatory ordinance in substantially the same form.

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

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

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

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

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

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to

clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Bonds Similarly Secured;

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

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

(5) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds Similarly Secured 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 Bonds Similarly Secured issued after the date of the adoption of such modification.

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

Section 36. CUSTODY, APPROVAL AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. (a) Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to the initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City) and the assigned CUSIP numbers may, at the option of the City, be printed on or attached to the Bonds issued and delivered under this Ordinance, but such additions or attachments shall not have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 37. UNAVAILABILITY OF AUTHORIZED PUBLICATION. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 38. UTILITY BOARD. (a) Pursuant to the authority contained in Chapter 1502, as amended, Texas Government code, except as otherwise specifically provided in this Ordinance, the complete management and control of the System, during such time as the Bonds Similarly Secured outstanding and unpaid, shall be vested in a Board consisting of five citizens of the United States of America, constituted as provided in this Section, to be known as the Utilities Board of McAllen. Said Board is referred to in this Ordinance as the Board or Board of Trustees. The Mayor of the Issuer or, as permitted by law, his designee shall, ex-officio, be one of the full voting members of the Board, and the remaining members of the Board shall consist of the following and serve terms as follows:

Charles Amos, Chairman	Place A	Term expires 2029
Ernest R. Williams, Vice Chairman	Place D	Term expires 2029
Ricardo R. Godinez, Trustee	Place B	Term expires 2027
Albert Cardenas, Trustee	Place C	Term expires 2027

Javier Villalobos, Ex-Officio Member

The term of office of each member elected to the Board, after the initial terms of the members as provided above, shall be four years, except as otherwise may be provided by law. At the regular Issuer election held in May of odd numbered years, there shall be elected by the qualified electors of the Issuer successors for the members of the Board whose terms expires in such year. If for any reason one or more vacancies in memberships of the Board shall occur other than by expiration of term of office, a successor for the member whose membership so becomes vacant shall be selected by vote of the majority of the remaining members of the Board, and the successor so appointed shall hold office until the next May election of the odd-numbered years after his appointment.

If at any time in the future the Legislature shall adopt a law authorizing an increase in the number of members of the Board operating municipally-owned utilities, the City Commission of the Issuer may in its discretion provide for increasing the membership of the Board in such manner as it may provide.

(c) Removal of residence from the Issuer by any appointed member of the Board shall vacate his office as a member of the Board, and any member of the Board, other than one ex-officio member, who shall be continuously absent from all meetings held by the Board for a period of four consecutive months shall, unless he shall have been granted leave of absence by the majority vote of the remaining members of the Board, constitute an automatic resignation as a member of the Board. If any member shall announce their candidacy, or shall in fact become a candidate for an election of any office of profit or trust other than such Board member's office when the unexpired term of such office then held shall exceed one-year, such announcement or such candidacy shall constitute an automatic resignation as member of the Board. Any members of the Board other than the ex-officio member may, by majority vote of the remaining members of the City Commission of the Issuer, be removed from office after public hearing, if requested, but only for adequate cause.

(d) Except as otherwise specifically provided in this Ordinance, the Board shall have absolute and complete authority and power with reference to the control, management and

operation of the System and the expenditure and application of the revenues of the System subject to the provisions contained in this Ordinance, all of which shall be binding upon and shall govern the Board. In connection with the management and operation of the System and the expenditure and application of the revenues therefrom, the Board shall be vested with all of the powers of the Issuer with respect thereto, including all powers necessary or appropriate for the performance of all the covenants, undertakings and agreements of the Issuer contained in this Ordinance, and with the exception of fixing rates and charges for service rendered by the System (which powers are reserved by the City Commission of the Issuer) shall have full power and authority to make rules and regulations governing the furnishing of service to patrons of the System and for the payment of the same, and for the refusal of such services upon failure to pay therefor to the extent authorized by law and by this Ordinance.

(e) The Board shall enforce the rates, fees and charges for services rendered and to be rendered by the System as previously fixed by the City Commission of the Issuer, with due consideration being accorded to the terms, covenants and conditions contained in this Ordinance, and in the event operating experience indicates a necessity for the adjustment, either by an increase or a reduction of such rates, fees and charges, then the Board shall submit to the City Commission of the Issuer a full report of the basis upon which such proposed adjustment is predicated, accompanied by a formal request by the Board for approval and adoption of the rates, fees and charges recommended by the Board. If the City Commission of the Issuer approves the adjustment thus recommended by the Board it shall pass an appropriate ordinance placing such adjusted rates, fees and charges in effect, provided however that the rates, fees and charges for services rendered by the System shall never be reduced in such amounts as will impair the obligation of any of the covenants contained in this Ordinance.

(f) The Board annually shall elect one of its members as Chairman and one as Vice Chairman, and shall appoint a Secretary and Treasurer, or a Secretary-Treasurer, who may, but need not be, a member of members of the Board. If a member of the Board is not appointed as Secretary or Treasurer, or Secretary-Treasurer, then an employee or employees of the Board of Trustees may be appointed as Secretary or Treasurer or Secretary-Treasurer. The Board may follow and adopt such rules for the orderly handling of its affairs as it may see fit and may manage and conduct the affairs of the System with the same freedom and in the same manner ordinarily employed by the board of directors of private corporations operating properties of a similar nature, provided that said Board shall have at least one meeting monthly. Final action on matters coming before the Board shall be taken only in meetings open to the public.

(g) The Board shall appoint and employ all officers and employees which it may deem desirable, including a general manager of the System and an attorney or attorneys, provided the City Attorney of the Issuer shall be the chief legal advisor of the Board. To the extent practicable, the Board shall utilize the personnel and facilities of the Issuer, to reduce the expenses of maintaining and operating the System. All such services shall be rendered by the Issuer on an actual cost basis.

(h) The Board shall obtain and keep continually in force an employees fidelity and indemnity bond of so-called "blanket" type written by a solvent and recognized indemnity company and offering losses to the amount of not less than \$25,000.

(i) The members of the Board, including the ex-officio member shall receive annual compensation in the amount of \$600.

Section 39. NO RECOURSE AGAINST CITY OFFICIALS. No recourse shall be had for the payment of principal of or interest on any Bonds Similarly Secured or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bonds Similarly Secured.

Section 40. FURTHER ACTIONS. The Authorized Representatives of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the initial sale and delivery of the Bonds and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Authorized Representatives and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance or obtain the approval of the Bonds by the Texas Attorney General's office.

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

Section 41. INTERPRETATIONS. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Bonds.

Section 42. INCONSISTENT PROVISIONS. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 43. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Bond Issuer and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City

shall be for the sole and exclusive benefit of the City, the Bond Insurer and the registered owners of the Bonds.

Section 44. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

Section 45. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 46. SALE OF BONDS. The Bonds are hereby sold and shall be delivered to the TEXAS WATER DEVELOPMENT BOARD at a price equal to the par amount thereof.

Section 47. APPROVAL OF BONDS. The Bonds have been purchased by the Texas Water Development Board pursuant to its Resolution No. 25-__ adopted on ____, 2025, which provides that the Bonds are being purchased from the STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS and that in accordance thereto the Executive Administrator of the Board will purchase the Bonds at the price set forth in Section 46, with all of the proceeds to be deposited in the Escrow Fund created in the Escrow Agreement herein below approved for future distribution into the Construction Fund as set forth therein.

Section 48. APPROVAL OF ESCROW AGREEMENT. The Mayor of the Issuer is hereby authorized and directed to execute and deliver and the City Secretary of the Issuer is hereby authorized and directed to attest an Escrow Agreement in substantially the form attached hereto as Exhibit C. The moneys in the Escrow Fund upon authorization from the Development Fund Manager of the Texas Water Development Board shall be deposited into the Construction Fund as established herein.

Section 49. CONSTRUCTION FUND. There shall be established a Construction Fund (which shall be separate from all other accounts and funds of the Issuer) with the Issuer's depository bank and upon release of funds from the Escrow Fund such funds shall be deposited into this Construction Fund. The cost of issuance of the Bonds, being legal, fiscal and engineering fees, may be paid from this Fund. The cost of the construction of the Waterworks System improvements will be paid from this Construction Fund upon direction of the Issuer. All interest and profits from investments made with moneys in the Construction Fund shall remain on deposit in the Construction Fund as a part thereof. After completion of the payment of all costs of the Waterworks and Sewer System improvements, any residue remaining in the Construction Fund shall be applied in accordance with Section 53 hereof.

Section 50. FINAL ACCOUNTING. The Issuer shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the Issuer for Water System improvements together with a copy of "as built" plans of the project upon completion.

Section 51. UNAUTHORIZED EXPENDITURES. If the Executive Administrator of the Texas Water Development Board disapproves construction of any portion of the project as not being in accordance with the plans and specifications, the Issuer shall, immediately after filing the final accounting, return to the Texas Water Development Board the amount of such cost as determined by the Executive Administrator relating to the parts of the project not constructed in accordance with the plans and specifications, to the nearest multiple of the denomination of the Bonds, whereupon the Texas Water Development Board shall cancel and return to the Issuer a like amount of said Bonds held by the Texas Water Development Board. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of any such excess, in an amount not to exceed \$5,000, shall be deposited to the Bonds Fund.

Section 52. INVESTMENTS AND SECURITY. That money in any Fund established pursuant to this Ordinance may, at the option of the Issuer, be invested in eligible investments described in the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, consistent with the investment policy approved by the City Commission. All investments shall be made in such manner as will, in the opinion of the Issuer, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. All funds mentioned in this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, including the Public Funds Collateral Act (Chapter 2257, Government Code), and such funds shall be used only for the purposes and in the manner permitted or required by this Ordinance.

Section 53. SURPLUS PROCEEDS. That the Issuer shall use any surplus proceeds from the Bonds remaining after completion of Project and completion of a final accounting in a manner approved by the Executive Administrator.

Section 54. COMPLIANCE WITH THE TEXAS WATER DEVELOPMENT BOARD'S RULES AND REGULATIONS. That the Issuer covenants to comply with the rules and regulations of the Texas Water Development Board, as long as the Bonds, or any of them, are owned by the Texas Water Development Board:

(a) Covenant to Abide with Rules and Regulations. The Issuer will abide with all applicable federal laws, rules and regulations, laws of the State of Texas and rules and regulations of the Texas Water Development Board relating to the loan of funds evidenced by the Bonds and the project for which the Bonds are issued, sold and delivered.

(c) Final Accounting. Upon completion of the project to be financed with the proceeds of the Bonds, the Issuer shall render a final accounting of the cost of such project to the Texas Water Development Board, together with a copy of "as built" plans of such improvements and extensions upon completion. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, any surplus proceeds from the Bonds remaining after completion of the project shall be used for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Bonds owned by the Texas Water Development Board; or (2) eligible project costs as authorized by the Executive Administrator.

(d) Defeasance. Should the Issuer exercise its right hereunder to effect the defeasance of the Bonds, the Issuer agrees that it will provide the Texas Water Development Board with written notice of any such defeasance.

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

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

(g) Environmental Determination. The Issuer agrees and covenants that it will comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

(h) Insurance. The Issuer agrees to maintain casualty and other insurance on the Issuer's water system of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties and in an amount sufficient to protect the interests of the Texas Water Development Board in the Project.

(i) Water Conservation Program. The Issuer has adopted and implemented or will adopt and implement an approved water conservation program in accordance with Texas Water Code 16.4021 and 31 TAC 363.1309(b)(1).

(j) No Purchase of Texas Water Development Board Bonds. The Issuer agrees that it, nor any related party to the Issuer, will not purchase, as an investment or otherwise, bonds issued by the Texas Water Development Board including, without limitation, bonds issued by the Texas Water Development Board, the proceeds of which were used by the Texas Water Development Board to purchase the Bonds.

(k) Compliance with Federal Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(l) Compliance with State Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses, and will report to TWDB the amount of Project Funds, if any, used to compensate historically underutilized businesses, in accordance with 31 TAC Sec. 363.1312.

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

(n) American Iron and Steel. The Issuer shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.

(o) Proceeds of Bonds to be Held at a Designated State Depository. Notwithstanding anything to the contrary set forth in this Resolution, the proceeds of the Bonds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(p) Firearms, Firearm Accessories, and Firearm Ammunition. The Issuer shall immediately notify the Texas Water Development Board, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code Section 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

(q) Ratings. So long as the Bonds are outstanding and unpaid, and held by the Texas Water Development Board, the City, or any other obligated person, will not discontinue any existing rating issued by a nationally-recognized statistical rating agency on the Issuer's outstanding parity debt.

Section 55. RESERVED.

Section 56. PUBLIC NOTICE. It is hereby officially found and determined that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, and that no petition was received from the qualified electors of the Issuer protesting the issuance of the Bonds.

Section 57. ADOPTION OF ORDINANCE. This Ordinance was adopted on one reading to become effective immediately in accordance with Section 1201.028, Texas Government Code.

Section 58. EFFECTIVE DATE. This Ordinance shall become effective after passage by the City Commission.

EXHIBIT A

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds, the City's Director of Finance (the "Responsible Person") will:

(i) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;

(ii) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Bonds will be entered into within 6 months of the date of delivery of the Bonds ("Issue Date");

(iii) monitor that at least 85% of the proceeds of the Bonds to be used for the construction, renovation or acquisition of any facilities are expended within [3/5] years of the Issue Date;

(iv) restrict the yield of the investments to the yield on the Bonds after [3/5] years of the Issue Date;

(v) monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Sinking Fund, to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;

(vi) assure that the maximum amount of any reserve fund for the Bonds invested at a yield higher than the yield on the Bonds will not exceed the lesser of (1) 10% of the principal amount of the Bonds, (2) 125% of the average annual debt service on the Bonds measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Bonds as of the Issue Date;

(vii) ensure that no more than 50% of the proceeds of the Bonds are invested in an investment with a guaranteed yield for 4 years or more;

(viii) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Bonds any amount expended prior to the Issue Date for the acquisition, renovation or construction of any Bond financed facilities;

(ix) monitor the actions of any escrow agent (to the extent an escrow is funded with proceeds) to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

(x) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and

(xi) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS, and at least within 30 days after (A) every 5 years after the Issue Date, and (B) the date the Bonds are retired.

B. **Private Business Use.** With respect to the use of the facilities financed or refinanced with the proceeds of the Bonds the Responsible Person will:

(i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;

(ii) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;

(iii) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);

(iv) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;

(v) determine whether, at any time the Bonds are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;

(vi) determine whether, at any time the Bonds are outstanding, the facilities are sold or otherwise disposed of; and

(vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. **Record Retention.** The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Bonds and the use of the facilities financed or refinanced thereby for a period ending six (6) years after the complete extinguishment of the Bonds. If any portion of the Bonds is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the six (6) years

after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Bonds. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions. If an error is discovered, the Responsible Person will promptly correct any such error within a reasonable amount of time of such discovery and take, or cause to be taken, such appropriate actions, including payment to the United States, if applicable, that is required to maintain the tax-exempt status of the Bonds.

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 25 of this Ordinance.

I. Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section includes the quantitative financial and operating data of the type included in Tables numbered 1 through 13 and in Appendix C in the Official Statements for each series of the Previously Issued Bonds.

Accounting Principles

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

EXHIBIT C

ESCROW AGREEMENT

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



ITEM SUMMARY

BOARD: City Commission

AGENDA ITEM	1.5.
DATE SUBMITTED	10/03/2025
MEETING DATE	10/13/2025

1. Agenda Item: Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (for acquisition of water rights) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.
2. Party Making Request: J.J. Rodriguez
3. Applicant: J.J. Rodriguez
4. Nature of Request: Consider Adopting an Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B, in the principal amount of \$3,215,000 (for acquisition of water rights) to be sold to the Texas Water Development Board and Ordaining other matters related thereto.
5. Fiscal Impact Summary:
6. Budgeted:

Bid Amount:	_____	Budgeted Amount:	_____
Under Budget:	_____	Over Budget:	_____
		Amount Remaining:	_____
7. Routing:

J.J. Rodriguez	Created/Initiated - 10/03/2025
Austin Stevenson	Final Approval - 10/06/2025
8. Staff Recommendation: Staff recommends favorable action.
9. Advisory Board:
10. City Attorney: Approve -AWS
11. Manager's Recommendation: Approve. IJT



Memo

To: Isaac J. Tawil, City Manager

From: Marco A. Vega, P.E., General Manager

A handwritten signature in blue ink, appearing to read "MAV", is written over the "From:" line.

Date: October 3, 2025

Subject: Ordinance authorizing the issuance of City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025b, in the principal amount of \$3,215,000 to be sold to the Texas Water Development Board and ordaining other matters related thereto.

On July 24, 2025, the Texas Water Development Board ("TWDB") approved a resolution making a commitment to the City of McAllen for financial assistance in the total amount of \$3,215,000 from the State Water Implementation Revenue Fund for Texas ("SWIRFT") to fund costs related to the acquisition of water rights (the "Series 2025B Commitment"). On August 25, 2025, and August 26, 2025, the City and Public Utility Board (PUB) each approved respective resolutions approving the execution and delivery of a financing agreement with the TWDB in an amount not to exceed \$3,215,000 (the "Series 2025B Financing Agreement"). On September 5, 2025, the City executed the Series 2025B Financing Agreement and committed to borrow an amount not to exceed \$3,215,000 from the SWIRFT to be evidenced by the issuance and delivery of bonds to be issued by the City (the "Series 2025B Bonds").

The actions currently before the PUB and City Commission would approve the issuance, sale, and delivery of the City's 2025B Bonds, in the principal amount of \$3,215,000 to the TWDB, and authorize all other documents and actions required to close the transaction with TWDB.

Please let me know if you have any questions or need additional information.

ORDINANCE NO. 2025-_____

**ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF McALLEN,
TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS,
SERIES 2025B, IN THE PRINCIPAL AMOUNT OF \$3,215,000 TO BE
SOLD TO THE TEXAS WATER DEVELOPMENT BOARD AND
ORDAINING OTHER MATTERS RELATED THERETO**

**THE STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN**

§
§
§

WHEREAS, the outstanding bonds of the City of McAllen (the “Issuer” or “City”), which are secured by the Net Revenues of the Issuer’s Waterworks and Sewer System are as follows:

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2009, dated December 1, 2009, now outstanding in the principal amount of \$20,290,000 (the “Series 2009 Bonds”)

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2013, dated August 15, 2013, now outstanding in the principal amount of \$4,390,000 (the “Series 2013 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2015, dated January 15, 2015, now outstanding in the principal amount of \$2,060,000 (the “Series 2015 Refunding Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2015, dated April 1, 2015, now outstanding in the principal amount of \$29,615,000 (the “Series 2015 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Refunding Bonds, Series 2016, dated June 15, 2016, now outstanding in the principal amount of \$10,665,000 (the “Series 2016 Refunding Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2016, dated December 1, 2016, now outstanding in the principal amount of \$6,085,000 (the “Series 2016 Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-A, dated October 15, 2018, now outstanding in the principal amount of \$6,765,000 (the “Series 2018-A Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-B, dated October 15, 2018, now outstanding in the principal amount of \$11,765,000 (the “Series 2018-B Bonds”);

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2018-C, dated October 15, 2018, now outstanding in the principal amount of \$6,070,000 (the "Series 2018-C Bonds"); and

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2021, dated November 1, 2021, now outstanding in the principal amount of \$15,495,000 (the "Series 2021 Bonds").

City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025A, dated October 15, 2025, now outstanding in the principal amount of \$30,000,000 (the "Series 2025A Bonds").

WHEREAS, the bonds hereinafter authorized (the "Bonds") are to be issued and delivered pursuant to Chapter 1502, Government Code and are being sold to the Texas Water Development Board; and

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

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF McALLEN, TEXAS, THAT:

Section 1. AMOUNT AND PURPOSE OF THE BONDS. The bond or bonds of the City of McAllen (the "Issuer" or "City") are hereby authorized to be issued and delivered in the aggregate principal amount of \$3,215,000 for the purpose of improving and extending the Issuer's Waterworks and Sewer System, to-wit: acquiring water rights.

Section 2. DESIGNATION OF THE BONDS. Each bond issued pursuant to this Ordinance shall be designated: "CITY OF McALLEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025B", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in annual installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial and annual maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided. The term "Bonds" as used in this Ordinance shall mean and include collectively the Initial Bond and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

Section 3. INITIAL DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF THE INITIAL BOND. (a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated October 15, 2025, in the denomination and aggregate principal amount of \$3,215,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit: TEXAS WATER DEVELOPMENT BOARD, or to the registered assignee or assignees of said Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond

to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL BOND set forth in this Ordinance.

(b) The Initial Bond (i) may be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof (only with written approval of the Executive Administrator), (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Ordinance.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of delivery of the Initial Bond and will be calculated on the basis of a 360-day year of twelve 30-day months to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Ordinance.

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

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FORM OF INITIAL BOND

NO. R-1

\$3,215,000

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025B**

The CITY OF McALLEN, in HIDALGO COUNTY, Texas (the “Issuer”), being a political subdivision of the State of Texas, hereby promises to pay to

TEXAS WATER DEVELOPMENT BOARD

or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the “registered owner”) the aggregate principal amount of

THREE MILLION TWO HUNDRED FIFTEEN THOUSAND DOLLARS

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

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
2027	\$70,000	2042	\$105,000
2028	70,000	2043	110,000
2029	70,000	2044	115,000
2030	70,000	2045	120,000
2031	75,000	2046	125,000
2032	75,000	2047	130,000
2033	80,000	2048	135,000
2034	80,000	2049	140,000
2035	80,000	2050	150,000
2036	85,000	2051	155,000
2037	90,000	2052	165,000
2038	90,000	2053	170,000
2039	95,000	2054	180,000
2040	100,000	2055	185,000
2041	100,000	***	***

and to pay interest, from the date of delivery of this Initial Bond (November 5, 2025), on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the following rates per annum:

<u>YEARS</u>	<u>INTEREST RATES</u>	<u>YEARS</u>	<u>INTEREST RATES</u>
2027	1.940%	2042	3.750%
2028	1.940	2043	3.850
2029	1.980	2044	3.870
2030	2.080	2045	3.890
2031	2.210	2046	4.060
2032	2.360	2047	4.080
2033	2.460	2048	4.090
2034	2.570	2049	4.100
2035	2.680	2050	4.110
2036	2.940	2051	4.120
2037	3.140	2052	4.120
2038	3.300	2053	4.120
2039	3.440	2054	4.120
2040	3.540	2055	4.120
2041	3.660	***	

Said interest being payable on February 1, 2026 and semiannually on each February 1 and August 1 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of **BOKF, NA, Dallas, Texas**, the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check or draft, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this 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 principal and/or interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th 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, interest may be paid by electronic or wire transfer, or by such other method acceptable to Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner, however, if the Bond is owned by the Texas Water Development Board, payment of principal and interest on the Bond shall be made by federal fund wire transfer, at no cost to the Texas Water Development Board. The Issuer covenants with the registered owner of this Bond that on or before each principal and/or 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 this 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 Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND has been authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$3,215,000 for the purpose of improving and extending the City’s Waterworks and Sewer System, to-wit: acquiring water rights.

ON FEBRUARY 15, 2035, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select, in inverse order of maturity and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

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

THIS BOND, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Ordinance. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and

registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner hereof. A new bond or bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds) or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

IN THE EVENT any Paying Agent/Registrar for this 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 therefore, and promptly will cause written notice thereof to be mailed to the registered owner of this Bond.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law, that this Bond is a special obligation; and that the interest on and principal of this Bond, together with other outstanding revenue bonds, if any, are payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues, as defined by the Bond Ordinance and which revenues include the Net Revenues of said Issuer's Waterworks and Sewer System.

THE ISSUER has reserved the right, subject to the restrictions stated and adopted by reference in the Ordinance authorizing this Series of Bonds, to issue additional parity revenue bonds which also may be made payable from, and secured by a lien on and pledge of the aforesaid Net Revenues.

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

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 the 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 and countersigned with the manual or facsimile signature of the City Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated October 15, 2025.

Attest:

City of McAllen

Perla Lara, TRMC|CMC, CPM
City Secretary

Javier Villalobos, Mayor

(CITY SEAL)

**FORM OF REGISTRATION CERTIFICATE OF THE
COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this

Acting Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. **ADDITIONAL CHARACTERISTICS OF THE BONDS.** (a) Registration and Transfer. The Issuer shall keep or cause to be kept at the principal corporate trust office of ***BOKF, NA, Dallas, Texas***, (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each 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. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, (i) evidencing the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefore in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, and shall have the characteristics, and may be assigned, transferred,

and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 6(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) 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, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

(c) Payment of Bonds 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, and to act as its agent to convert and exchange or replace 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 two 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 Bondholder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal balance or principal amount thereof, may, upon surrender of such Bond at the principal corporate trust office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF SUBSTITUTE BOND set forth in this Ordinance, in the denomination of \$5,000, or any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate applicable to and borne by such installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Bonds for all purposes of this Ordinance, and may again be converted and exchanged or replaced. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. THE INITIAL BOND

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 or replacement of any Bond or Bonds issued under this Ordinance there shall be printed a certificate, in the form substantially as follows:

[The remainder of this page intentionally left blank.]

“PAYING AGENT/REGISTRAR’S AUTHENTICATION CERTIFICATE

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

BOKF, NA
Dallas, Texas
Paying Agent/Registrar

Dated _____ By _____
Authorized Representative”

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

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (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 redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as

provided, and in the manner required or indicated, in the FORM OF SUBSTITUTE BOND set forth in this Ordinance.

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

(g) Substitute 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. 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. However, the Issuer must obtain approval of the Texas Water Development Board to such change if the Texas Water Development Board owns any of the bonds. 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. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Issuer and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown

in the Registration Books of any amount with respect to principal of, premium, if any, or interest on, as the case may be, the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, as the case may be, with respect to such Bond, for the purpose of giving notices of redemption and other matters 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, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of, premium, if any, and interest on, or as the case may be, the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Issuer to make payments of principal, premium, if any, and interest, as the case may be, pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(i) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Issuer or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance. In addition, notice of such discharge by DTC shall be given to the Texas Water Development Board and consent obtained, if the Texas Water Development Board owns any of the Bonds.

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

Section 7. FORM OF SUBSTITUTE BONDS. The form of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows,

with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

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FORM OF SUBSTITUTE BOND

NO. _____

PRINCIPAL AMOUNT

\$

**UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF HIDALGO
CITY OF McALLEN, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2025B**

<u>Interest Rate</u>	<u>Date of Original Delivery</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>Cusip No.</u>
	November 5, 2025		October 15 2025	

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

CEDE & CO.,

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

and to pay interest thereon from the date of original delivery (which date appears above) to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on February 15, 2026 and semiannually thereafter on each February 1 and August 1, except that if the date of authentication of this Bond is later than _____, 20__, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

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 principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of BOKF, NA, Dallas, Texas, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on the interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the Ordinance authorizing the issuance of the Bonds (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 the address of the registered owner, as it appeared on the 15th day of the month next preceding such date (the "Record Date")

on the Registration Books kept by the Paying Agent/Registrar as hereinafter described. In addition, interest may be paid by electronic or wire transfer, or by such other method acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner, however, if the Bond is owned by the Texas Water Development Board, there will be no charge, and payment of principal shall be made by federal funds wire transfer. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and 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, interest payment date, and accrued 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 Bonds, 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 Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds initially dated October 15, 2025, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$3,215,000 for the purpose of improving and extending the Issuer's Waterworks and Sewer System, to-wit: acquiring water rights.

ON FEBRUARY 15, 2035, or any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the Issuer shall select, in inverse order of maturity and designate the maturity, or maturities, and the amount that is to be redeemed, and if less than a whole maturity is to be called, the Issuer shall direct the Paying Agent/Registrar to call by lot (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at the redemption price of the principal amount, plus accrued interest to the date fixed for prepayment or redemption.

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

Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any integral multiple of \$5,000 to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) 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, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

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

Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

IN THE EVENT any Paying Agent/Registrar for the Bonds 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 therefore, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law, that this Bond is a special obligation; and that the interest on and principal of this Bond, together with other outstanding revenue bonds, if any, are payable from and secured by a first lien on and pledge of the Pledged Revenues, as defined by the Bond Ordinance and which revenues include the Net Revenues of said Issuer's Waterworks and Sewer System.

THE ISSUER has reserved the right, subject to the restrictions stated and adopted by reference in the Ordinance authorizing this Series of Bonds, to issue additional parity revenue bonds which also may be made payable from, and secured by a lien on and pledge of the aforesaid Net Revenues.

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

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.

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

Attest:

City of McAllen

Perla Lara, TRMC|CMC, CPM
City Secretary

Javier Villalobos, Mayor

(CITY SEAL)

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 which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated

BOKF, NA
Dallas, Texas

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

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

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

and hereby irrevocably constitutes and appoints _____
attorney, to transfer the registration of this Bond on the Paying Agent/Registrar's Registration
Books with full power of substitution in the premises.

Dated _____

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

NOTICE: This signature must correspond with the
name of the Registered Owner appearing on the
face of this Bond in every particular without
alteration or enlargement or any change
whatsoever.

Section 8. DEFINITIONS. For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires, terms have the meanings assigned to them in this section.

"Additional Bonds" has the meaning assigned thereto in Section 26 of this Ordinance.

"Authorized Representative" means any of the following: the Mayor, the City Secretary, the City Manager, the Director of Finance, and any other officer or employee of the City appointed to serve as an "Authorized Representative" hereunder.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on the obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand, to the extent permitted by law, conditioned upon default by the City during such fiscal year for which the annual debt service is being calculated, or be payable in respect of any required purchase of such Debt by the City) in such Fiscal Year. "Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such obligations. For the purposes of this definition, a

fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

“Bond” or “Bonds” means any or all of the City of McAllen, Texas Waterworks and Sewer System Revenue Bonds, Series 2025B.

“Bonds Similarly Secured” means the Previously Issued Bonds, the Bonds, and any Additional Bonds which are secured on equal dignity by a first lien on and pledge of the Net Revenues.

“City” and “Issuer” mean the City of McAllen, Texas, and where appropriate, the City Commission.

“Debt” and “Debt of the City payable from Pledged Revenues” means:

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

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

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

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

“Designated Financial Officer” means the chief financial officer of the City, or such other financial or accounting official of the City so designated by the City Commission.

“Executive Administrator” means the Executive Administrator of the Texas Water Development Board.

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

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

“Government Obligations” shall mean (i) direct non-callable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

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

“Hold” or “Holders” means the registered owner, whose name appears in the Security Register, for any Bonds Similarly Secured.

“Independent Engineer” means an individual, firm or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to water, wastewater, reuse water and/or storm water drainage systems similar to the System.

“Interest and Sinking Fund” means the special Fund created, established and maintained by the City and continued under the provisions of Sections 10 and 11 of this Ordinance.

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

“Net Revenues” and “Net Revenues of the City’s Waterworks and Sewer System” mean all Gross Revenues after deducting therefrom an amount equal to the current expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City Commission, reasonably and fairly exercised by the adoption of appropriate resolutions, are necessary to keep the System in operation and render adequate service to said Issuer and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Previously Issued Bonds, the Bonds, or Additional Bonds, shall be deducted in determining “Net Revenues”. Payments required to be made by the Issuer for water supply or water facilities, sewer services or sewer facilities, fuel supply, which payments under law constitute and be regarded as expenses of operation and maintenance of the System under this Ordinance. Depreciation and amortization shall not constitute or be regarded as expenses of operation and maintenance of the System.

“Ordinance” means this ordinance.

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

- (1) Bonds Similarly Secured theretofore cancelled and delivered to the City or delivered to the Paying Agent/Registrar for cancellation;
- (2) Bonds Similarly Secured deemed paid pursuant to the provisions of Section 33 of this Ordinance or any comparable section of any ordinance authorizing Additional Bonds;
- (3) Bonds Similarly Secured upon transfer of or in exchange for and in lieu of which other Bonds Similarly Secured have been authenticated and delivered pursuant to this Ordinance and any ordinance authorizing Additional Bonds; and

“Paying Agent/Registrar” shall have the meaning set forth in Section 6(a) hereof.

“Permitted Investments” means, qualified investments as long as permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended.

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

“Previously Issued Bonds” means the outstanding and unpaid obligations of the Issuer that are payable, in whole or in part, from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System and designated as follows:

- Waterworks and Sewer System Revenue Bonds, Series 2009
- Waterworks and Sewer System Revenue Bonds, Series 2013
- Waterworks and Sewer System Revenue Refunding Bonds, Series 2015
- Waterworks and Sewer System Revenue Bonds, Series 2015
- Waterworks and Sewer System Revenue Refunding Bonds, Series 2016
- Waterworks and Sewer System Revenue Bonds, Series 2016
- Waterworks and Sewer System Revenue Bonds, Series 2018-A
- Waterworks and Sewer System Revenue Bonds, Series 2018-B
- Waterworks and Sewer System Revenue Bonds, Series 2018-C
- Waterworks and Sewer System Revenue Bonds, Series 2021

“Project” means the improving and extending the Issuer’s Waterworks and Sewer System, to-wit: acquiring water rights.

“Prudent Utility Practice” means any of the practices, methods and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or previously approved by a significant portion of the public utility industry, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In the case of any facility included in the System which is operated in common with one or more other entities, the term Prudent Utility Practice, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

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

“Record Date” as used in connection with any bond or obligation, shall mean the close of business on the last or 15th business day of the month next preceding each Interest Payment Date.

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

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

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

“Special Record Date” shall be fifteen days prior to the scheduled payment date of past due interest.

“Special Project” means, to the extent permitted by law, any waterworks, sanitary sewer, wastewater reuse or municipal drainage system property, improvement or facility declared by the City not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net 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.

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

“State” means the State of Texas.

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

“Surety Bond” shall mean a reserve fund surety bond issued by a bond insurer guaranteeing certain payments into the Reserve Fund as provided in Section 14 hereof and subject to the provisions and limitations set forth in the surety bond.

“Surety Policy” shall mean a surety bond, insurance policy, letter of credit, or other agreement or instrument whereby the issuer is obligated to provide funds up to and including the maximum amount of debt service on the Bonds and under the conditions specified in such agreement or instrument.

“System” shall mean (1) the Issuer’s entire existing waterworks and sewer system, together with all future extensions, improvements enlargements, and additions thereto, and all replacements thereof, and (2) any other related facilities, all or any part of the revenues or income from which, in the future, at the option of the Issuer, and in accordance with law, become “Gross Revenues” as heretofore defined; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean any water, sewer, or other facilities of any kind which are declared not to be a part of the System, and which are acquired or constructed by the Issuer with the proceeds from the issuance of “Special Facilities Bonds”, which are hereby defined as being special revenue obligations of the Issuer which are not payable from or secured by any Gross Revenues, but which are secured by and payable from liens on and pledges of any

other revenues, sources, or payments, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities; and such revenues, sources, 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 Facilities Bonds".

Section 9. PLEDGE OF PLEDGED REVENUES. The City hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment of principal and interest and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Pledged Revenues for the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, and the amounts payable from such funds shall be superior to the lien on and pledge of the Net Revenues securing payment of any Subordinate Lien Obligations hereafter issued by the City.

Section 10. SPECIAL FUNDS. The below listed special Funds have been created and established and shall be maintained on the books of the City, so long as any of the Bonds Similarly Secured are outstanding and unpaid:

(a) City of McAllen, Texas Waterworks and Sewer System Fund, hereinafter called the "System Fund";

(b) City of McAllen, Texas Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund";

(c) City of McAllen, Texas Waterworks and Sewer System Reserve Fund, hereinafter called the "Reserve Fund".

If such funds shall be sub-accounts of the City's General Fund held by the City's depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the City shall keep full and complete records indicating the monies and investments credited to each of such funds.

Section 11. SYSTEM FUND; INTEREST AND SINKING FUND; RESERVE FUND; DEPOSIT OF NET REVENUES. There has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund to be entitled the City of McAllen Waterworks and Sewer System Fund" (the "System Fund"). All Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received, unless otherwise provided for in this Ordinance. Current expenses of the maintenance and operation of the System shall be paid from such Gross Revenues credited to the System Fund as a first charge against same. Before making any deposits hereinafter required to be made from the System Fund, the Issuer shall retain in the System Fund at all times an amount equal at least to one-sixth of the amount budgeted for the then current fiscal year for the current operation and maintenance expenses of the System.

For the purpose of paying the principal and interest on all Bond Similarly Secured, there has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund entitled the "City of McAllen, Texas Waterworks and Sewer System Interest and Sinking Fund (the "Interest and Sinking Fund").

For the purpose of paying the principal of and interest on all Bonds Similarly Secured, when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose, there has been created and there shall be established and maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a separate fund to be entitled "City of McAllen Waterworks and Sewer System Reserve Fund" (the "Reserve Fund"). Net Revenues shall be credited to or deposited in the Interest and Sinking Fund, the Reserve Fund and other funds when and as required by the ordinances authorizing the issuance of Bonds Similarly Secured.

Section 12. FLOW OF FUNDS. All Gross Revenues deposited and credited to the System Fund shall be pledged and appropriated subject to Section 9, to the extent required, for the following uses and in the order of priority shown:

FIRST: 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 Bonds Similarly Secured, the Bonds, and any Additional Bonds issued by the City as the same become due and payable, and other Bonds Similarly Secured-related payments, including bank liquidity fees and remarketing fees, if any;

SECOND: pro rata to the payment of the amounts required to be deposited and credited (i) to the Reserve Fund created and established to maintain the Required Reserve Amount in accordance with the provisions of this Ordinance, including amounts owed with respect to any Surety Bond, if any, to restore the Required Reserve Amount 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 Bonds Similarly Secured and Additional Bonds hereafter issued by the City; and

THIRD: for all payments made with respect to any Subordinate Lien Obligations, which the Issuer has specifically reserved the right to issue under Section 28 of this Ordinance, and then for any other lawful purpose.

Section 13. INTEREST AND SINKING FUND REQUIREMENTS. On or before December 31, 2025, and on or before the 30th day of each and every month thereafter, the Issuer shall cause to be deposited to the credit of the Interest and Sinking Fund, in approximately equal monthly payments, amounts sufficient, together with any other funds on hand therein, to pay all of the interest or principal and interest coming due on the Bonds Similarly Secured on the next succeeding interest payment date.

The required monthly 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 is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal, premium, if any, and interest) or (ii) the Bonds Similarly Secured are no longer outstanding. Amounts on deposit in and credited to the Reserve

Fund and each reserve fund established for any series of Bonds Similarly Secured shall, for purposes of this test, be deemed to be on deposit in and credited to the Interest and Sinking Fund for the sole benefit of the Bonds or the specific series of Bonds Similarly Secured for which such reserve fund was created, as the case may be. Amounts credited to the Reserve Fund and to each Reserve Fund established for any particular series of Bonds Similarly Secured by virtue of a Surety Bond, with respect to the Bonds, or any instrument comparable to a Surety Bond held in such Reserve Fund shall not be deemed to be on deposit in and credited to the Interest and Sinking fund for the purpose specified in (ii) above.

Accrued interest and capitalized interest, if any, received from the purchaser of any Bonds Similarly Secured shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 14. RESERVE FUND; RESERVE FUND SURETY INSURER; MUNICIPAL BOND INSURANCE. Upon the issuance of the Bonds, the Bonds shall be jointly secured by the reserve fund securing the Series 2009 Bonds, , the Series 2013 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2018-A Bonds, the Series 2018-B Bonds, the Series 2018-C Bonds, and the Series 2021 Bonds, the average annual principal and interest requirements for the Series 2009 Bonds, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2016 Bonds, the Series 2018-A Bonds, the Series 2018-B Bonds, Series 2018-C Bonds, and the Series 2021 Bonds and the Bonds authorized by this Ordinance will be equal to \$_____ (the "Required Reserve Amount"), and the amount that will be on deposit in the Reserve Fund on the date of issuance of the Bonds will be not less than \$_____. Accordingly, the aggregate amount required to be deposited into the Reserve Fund following the issuance of the Bonds in order to fully fund the Reserve Fund to the Required Reserve Amount within five years from the date of issuance of the Bonds is \$_____. In order to accumulate this required amount of cash and investments in the Reserve Fund within 60 months after the issuance of the Bonds, the Issuer shall begin making monthly cash deposits in the amount not less than \$_____ on or before the 30th day of each month, commencing in _____ of _____, until the amount on deposit in the Reserve Fund is equal to not less than the Required Reserve Amount.

After the delivery of any Additional Bonds, the Issuer shall cause the Reserve Fund to be increased, if and to the extent necessary, so that such fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Net Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery by deposits of Net Revenues in approximately equal monthly installments on or before the 30th day of each month. Principal amounts of the Previously Issued Bonds, the Bonds and any Additional Bonds which must be redeemed pursuant to any applicable mandatory redemption provisions shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such Bonds. When and so long as the amount in the Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve Amount, then the Issuer shall transfer from Net Revenues in the System Fund, and deposit to the credit of the Reserve Fund, monthly, on or before the 30th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Reserve Fund is restored to the Required

Reserve Amount. The Issuer shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the credit of the Interest and Sinking Fund.

(b) The Issuer, at its option and consistent with the provisions of this Section, may fund the Required Reserve Amount by purchasing a Surety Policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Reserve Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. If such Surety Policy constitutes a "Credit Agreement" pursuant to Chapter 1371 of the Government Code, the City shall submit, pursuant to and for so long as required by Section 1371.057 of the Government Code or other applicable State of Texas law provision, such Credit Agreement for review and approval by the Texas Attorney General. All ordinances adopted after the date hereof authorizing the issuance of Additional Bonds shall contain a provision to this effect. Section 14 (c) and (d) of this Ordinance contains certain provisions relating to the Surety Bond. The Issuer reserves the right to use Gross Revenues of the System to fund the payment of (1) periodic premiums on the Surety Policy as a part of the payment of Maintenance and Operating Expenses, and (2) any repayment obligation incurred by the Issuer (including interest) to the issuer of the Surety Policy, the repayment of which will result in the reinstatement of such Surety Policy, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve Amount for the Bonds Similarly Secured.

(c) In the event an insurance policy issued to satisfy all or part of the Issuer's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the Issuer may transfer such excess amount to any fund or account established for the payment of or security for Bonds (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code), or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Interest and Sinking Fund.

(d) As long as the Bonds, or any of them, are owned by the Texas Water Development Board, the Issuer may obtain a future Surety Policy, pursuant to Section 14 (b), only if (i) the financial guarantor meets the Texas Water Development Board's adopted standards and rating criteria, (ii) the Executive Administrator of the Texas Water Development Board is notified in advance of the Issuer's intent to obtain a Surety Policy, (iii) a copy of the proposed Surety Policy is forwarded to Texas Water Development Board staff for review, and (iv) the Executive Administrator of the Texas Water Development Board provides written approval of such Surety Policy.

Section 15. INVESTMENTS; FUNDS SECURED. (a) Money in any Fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Additional Bonds, may, at the option of the Issuer, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in Government Obligations (as defined in Section 1 hereof) or obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in obligations of instrumentalities of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association,

United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner as will, in the opinion of the Issuer, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. Such investments (except United States Treasury Obligations-State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value as of the last day of each fiscal year. Unless otherwise set forth herein, all interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Previously Issued Bonds, the Bonds, or Additional Bonds consistent with the ordinances, respectively, authorizing their issuance.

(b) That money in all Funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law.

Section 16. EXCESS BOND PROCEEDS. Any proceeds of Bonds Similarly Secured not required to effectuate the purposes for which such Bonds Similarly Secured were issued, as provided in the respective ordinances authorizing the issuance of such Bonds Similarly Secured, or for the payment of the costs of issuance of such Bonds Similarly Secured shall be deposited and credited to the Interest and Sinking Fund and shall be taken into consideration and shall reduce the amount of deposits and credits to the Interest and Sinking Fund from the Pledged Revenues or used to redeem or purchase Bonds Similarly Secured.

Section 17. DEFICIENCIES - EXCESS PLEDGED OR NET REVENUES. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits and credits to the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these Funds.

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

(c) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Interest and Sinking Fund does not contain the Required Reserve Amount) shall be credited to the System Fund semi-annually.

Section 18. PAYMENT OF BONDS AND ADDITIONAL BONDS. While any of the Bonds Similarly Secured are outstanding, the City shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, funds on deposit in the Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Bonds Similarly Secured as shall become due on each interest or principal payment date, or date of redemption of the Bonds Similarly Secured; such transfer of funds must be made in such manner as will cause immediately available

funds to be deposited with each respective paying agent/registrar for the Bonds Similarly Secured not later than the business day next preceding the date such payment is due on the Bonds Similarly Secured; provided that funds withdrawn from a reserve fund established for a particular issue or series of Bonds Similarly Secured shall only be used to pay the principal of and interest on such Bonds Similarly Secured. The Paying Agent/Registrar shall destroy all paid Bonds Similarly Secured and furnish the City with an appropriate certificate of cancellation or destruction.

Section 19. RATES AND CHARGES. (a) The City and the Utility will at all times fix, maintain charge, and collect for services rendered by the System, rates and charges which will produce Gross Revenues at least sufficient to pay all expenses of operation and maintenance of the System and to provide an additional amount of Net Revenues to pay promptly all of the principal of and interest on the Bonds Similarly Secured, which amount shall be at least equal to 1.25 times the annual principal and interest requirements for the Bonds Similarly Secured, and to make all deposits now or hereafter required to be made into the Funds established by this Ordinance in connection with the Bonds Similarly Secured.

(b) If the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 20. GENERAL COVENANTS. The City and the Utility Board further covenant and agree 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 Bonds Similarly Secured; that it will promptly pay or cause to be paid the principal of and interest on every outstanding Bond Similarly Secured, on the dates and in the places and manner prescribed in such ordinances authorizing the Bonds Similarly Secured; 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 Reserve Fund; and any holder of the Bonds Similarly Secured may require the Issuer, its officials, and employees, to carry out, respect, or enforce the covenants and obligations of the ordinances authorizing the issuance of Bonds Similarly Secured, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Issuer, its officials, and employees.

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

(c) Title. The City 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 Bonds Similarly Secured, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds Similarly Secured in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) Operation of System: No Free Service. The City will, while the Bonds Similarly Secured are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the City out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 10.

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

(g) Sale or Disposal of Property. While the Bonds Similarly Secured are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefore, unless it is determined that no such replacement or substitute is necessary.

(h) Insurance. (1) It shall cause to be insured such parts of the System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Holders and their representatives at all reasonable times. Upon the occurrence of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The

proceeds of insurance covering such property are hereby pledged as security for the Bonds Similarly Secured and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

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

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

(4) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

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

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

Section 21. RECORDS AND ACCOUNTS - ANNUAL AUDIT. The City covenants and agrees that so long as any of the Bonds Similarly Secured remain Outstanding, the City will keep and maintain a separate and complete system of records and accounts pertaining to the operations of the System in which full, complete, true, proper, and correct entries shall be made of all dealings, transactions, business and affairs relating thereto, or which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof, as provided by generally accepted accounting principles, consistently applied, and by Chapter 1502, Texas Government Code, as amended, or other applicable law. The Holders of the Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that, following the close of each Fiscal Year, the City will cause an audit report of such records and accounts to be made by an Accountant.

Copies of each annual audit shall be made available for public inspection during normal business hours at the City's principal office and the City Secretary's office and may be furnished to, upon written request, any Holder upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

Section 22. COVENANTS REGARDING TAX EXEMPTION. (a) Covenants. The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Bonds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 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" which 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 which 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 which 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 which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with –

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

(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);

(8) to refrain from using the proceeds of the Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Bonds in contravention of the requirements of section 149(d) of the Code (relating to advance refundings); and

(9) 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.

(10) to establish reasonable expectations to prevent using the proceeds of the Bonds in contravention of the requirements of section 149(g) of the Code (relating to hedge bonds); and

(11) not to acquire any of the Texas Water Development Board's source series bonds in an amount related to the amount of Certificates of Obligation acquired by the Texas Water Development Board.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (9), a "Rebate Fund" is hereby established by the City 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) Proceeds. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Finance Director to execute any documents, certificates or reports required by the Code and to make such

elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City 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 City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the City Council hereby adopts and establishes the instructions attached hereto as Exhibit A as the City's written procedures.

Section 23. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the Project on its books and records in accordance with the requirements of the Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (i) the expenditure is made, or (ii) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (i) the fifth anniversary of the delivery of the Bonds, or (ii) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest

Section 24. DISPOSITION OF PROJECT. The City covenants that the Project (or any portions thereof) will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City 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 City 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.

Section 25. COMPLIANCE WITH RULE 15c2-12.

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

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

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

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

(c) Event Notices.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any

other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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

(d) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 33 of this Ordinance that causes Bonds no longer to be outstanding.

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

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

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

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

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

Section 26. ISSUANCE OF ADDITIONAL BONDS. (a) The City shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Bonds"), in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Bonds Similarly Secured, Subordinate Lien Obligations or other obligations of the City incurred in connection with the ownership or operation of the System. Such Additional Bonds, if and when authorized, issued and delivered in accordance with this Ordinance, shall be secured by and made payable equally and ratably on a parity with all other Bonds Similarly Secured, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund established by this Ordinance shall secure and be used to pay all Bonds Similarly Secured. However, each ordinance under which Additional Bonds 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 Bonds to be deposited to the credit of the Interest and Sinking Fund, the City shall deposit to the credit of the Interest and Sinking Fund monthly, on or before the 30th day of each month in approximately equal monthly payments such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due.

(c) The City may create and establish a reserve fund pursuant to the provisions of any ordinance authorizing the issuance of Additional Bonds for the purpose of securing that particular issue or series of Additional Bonds or any specific group of issues or series of Additional Bonds

and the amounts once deposited or credited to said reserve funds shall no longer constitute Net Revenues and shall be held solely for the benefit of the Holders of the particular Additional Bonds for which such reserve fund was established. Each such reserve fund shall be designated in such manner as is necessary to identify the Additional Bonds it secures and to distinguish such reserve fund from the Reserve Fund and the reserve funds created for the benefit of other Additional Bonds.

Section 27. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds 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 Bonds shall be issued or delivered unless:

(a) The Mayor of the Issuer and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition or obligation in connection with all outstanding Bonds Similarly Secured, and the ordinances authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) the Finance Director of the City signs a written certificate to the effect that, in his or her opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the ordinance authorizing such issuance of the then proposed Additional Bonds is passed, the Net Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements and 1.10 times the maximum annual principal and interest requirements of all Bonds Similarly Secured which are outstanding after the delivery of the proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Net Revenues for the purposes of this subsection (b) if there has been any increase in the rates or charges for any services of the System which is then in effect, but which is then in effect during all or any part of the entire period for which the Net Revenues are being calculated (hereinafter referred to as the "entire period") then an independent certified public accountant, or in lieu of the certified accountant a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

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

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

Section 28. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The City 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 Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

Section 29. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 30. LIMITED OBLIGATIONS OF THE CITY. The Bonds Similarly Secured are limited, special obligations of the City payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the City.

Section 31. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Ordinance.

Section 32. REMEDIES IN EVENT OF DEFAULT; SECURITY INTEREST. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or Reserve Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the following remedies shall be available:

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

(b) no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies, and the specification of such remedy shall not be deemed to be exclusive. Any provision of the Bonds or this Ordinance that restricts or limits the Texas Water Development Board's full exercise of its remedies shall be of no force and effect.

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

Section 33. DEFEASANCE OF BONDS. (a) Defeased Bonds. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond"), 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 (or another entity permitted by Section 1207.061, Texas Government Code, as amended, or other applicable law, which entity, together with the Paying Agent/Registrar, are referred to collectively in this Section as the "Defeasance Agent"), in accordance with the requirements of Chapter 1207, Texas Government Code, as amended, or other applicable law (which may include the use of an escrow agreement or other similar instrument - the "Future Escrow Agreement"): (1) lawful money of the United States of America sufficient to make such payment or (2) "Defeasance Securities" (as defined below) 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 Defeasance Agent 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 lien on and pledge of Net Revenues 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: (i) 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) Defeasance Securities. The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county,

municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

(c) Investment in Defeasance Securities. Any moneys so deposited with the Defeasance Agent 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 Defeasance Agent 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 account or 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 subsections (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Defeasance Agent 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.

(d) Paying Agent/Registrar Services. 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) Selection of Bonds for Defeasance. 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 34. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the Paying Agent/Registrar shall cause to be printed, executed and delivered, a new bond of the same principal amount, maturity and interest rate, as the damaged, mutilated, lost, stolen or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

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

(c) No Default Occurred Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in

the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

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

(e) Authority for Issuance of Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 6(a) of this Ordinance for Bonds issued in exchange for other Bonds.

Section 35. AMENDMENT OF ORDINANCE. (a) The holders of the Bonds Similarly Secured aggregating a majority in principal amount of the aggregate principal amount of then outstanding Bonds Similarly Secured shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the holders of all of the affected Bonds Similarly Secured 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 Bonds Similarly Secured so as to:

- (1) Make any change in the maturity of the outstanding Bonds Similarly Secured;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds Similarly Secured;
- (3) Reduce the amount of the principal payable on the outstanding Bonds Similarly Secured;
- (4) Modify the terms of payment of principal of or interest on the outstanding Bonds Similarly Secured or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the Bonds Similarly Secured then outstanding;
- (6) Change the minimum percentage of the principal amount of Bonds Similarly Secured necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York or in the State of Texas, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file for inspection by all registered owners of Bonds Similarly Secured at the designated trust office of the registrar

for the Bonds Similarly Secured. Such publication is not required, however, if notice in writing is given to each registered owner of the Bonds Similarly Secured.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all Bonds Similarly Secured 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 Commission may pass the amendatory ordinance in substantially the same form.

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

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

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

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

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

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, as are necessary or desirable and not

contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the Bonds Similarly Secured;

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

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

(5) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds Similarly Secured 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 Bonds Similarly Secured issued after the date of the adoption of such modification.

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

Section 36. CUSTODY, APPROVAL AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. (a) Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to the initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary of the City) and the assigned CUSIP numbers may, at the option of the City, be printed on or attached to the Bonds issued and delivered under this Ordinance, but such additions or attachments shall not have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds.

Section 37. UNAVAILABILITY OF AUTHORIZED PUBLICATION. If, because of the temporary or permanent suspension of any newspaper, journal or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

Section 38. UTILITY BOARD. (a) Pursuant to the authority contained in Chapter 1502, as amended, Texas Government code, except as otherwise specifically provided in this Ordinance,

the complete management and control of the System, during such time as the Bonds Similarly Secured outstanding and unpaid, shall be vested in a Board consisting of five citizens of the United States of America, constituted as provided in this Section, to be known as the Utilities Board of McAllen. Said Board is referred to in this Ordinance as the Board or Board of Trustees. The Mayor of the Issuer or, as permitted by law, his designee shall, ex-officio, be one of the full voting members of the Board, and the remaining members of the Board shall consist of the following and serve terms as follows:

Charles Amos, Chairman	Place A	Term expires 2029
Ernest R. Williams, Vice Chairman	Place D	Term expires 2029
Ricardo R. Godinez, Trustee	Place B	Term expires 2027
Albert Cardenas, Trustee	Place C	Term expires 2027

Javier Villalobos, Ex-Officio Member

The term of office of each member elected to the Board, after the initial terms of the members as provided above, shall be four years, except as otherwise may be provided by law. At the regular Issuer election held in May of odd numbered years, there shall be elected by the qualified electors of the Issuer successors for the members of the Board whose terms expires in such year. If for any reason one or more vacancies in memberships of the Board shall occur other than by expiration of term of office, a successor for the member whose membership so becomes vacant shall be selected by vote of the majority of the remaining members of the Board, and the successor so appointed shall hold office until the next May election of the odd-numbered years after his appointment.

If at any time in the future the Legislature shall adopt a law authorizing an increase in the number of members of the Board operating municipally-owned utilities, the City Commission of the Issuer may in its discretion provide for increasing the membership of the Board in such manner as it may provide.

(c) Removal of residence from the Issuer by any appointed member of the Board shall vacate his office as a member of the Board, and any member of the Board, other than one ex-officio member, who shall be continuously absent from all meetings held by the Board for a period of four consecutive months shall, unless he shall have been granted leave of absence by the majority vote of the remaining members of the Board, constitute an automatic resignation as a member of the Board. If any member shall announce their candidacy, or shall in fact become a candidate for an election of any office of profit or trust other than such Board member's office when the unexpired term of such office then held shall exceed one-year, such announcement or such candidacy shall constitute an automatic resignation as member of the Board. Any members of the Board other than the ex-officio member may, by majority vote of the remaining members of the City Commission of the Issuer, be removed from office after public hearing, if requested, but only for adequate cause.

(d) Except as otherwise specifically provided in this Ordinance, the Board shall have absolute and complete authority and power with reference to the control, management and operation of the System and the expenditure and application of the revenues of the System subject to the provisions contained in this Ordinance, all of which shall be binding upon and shall govern

the Board. In connection with the management and operation of the System and the expenditure and application of the revenues therefrom, the Board shall be vested with all of the powers of the Issuer with respect thereto, including all powers necessary or appropriate for the performance of all the covenants, undertakings and agreements of the Issuer contained in this Ordinance, and with the exception of fixing rates and charges for service rendered by the System (which powers are reserved by the City Commission of the Issuer) shall have full power and authority to make rules and regulations governing the furnishing of service to patrons of the System and for the payment of the same, and for the refusal of such services upon failure to pay therefor to the extent authorized by law and by this Ordinance.

(e) The Board shall enforce the rates, fees and charges for services rendered and to be rendered by the System as previously fixed by the City Commission of the Issuer, with due consideration being accorded to the terms, covenants and conditions contained in this Ordinance, and in the event operating experience indicates a necessity for the adjustment, either by an increase or a reduction of such rates, fees and charges, then the Board shall submit to the City Commission of the Issuer a full report of the basis upon which such proposed adjustment is predicated, accompanied by a formal request by the Board for approval and adoption of the rates, fees and charges recommended by the Board. If the City Commission of the Issuer approves the adjustment thus recommended by the Board it shall pass an appropriate ordinance placing such adjusted rates, fees and charges in effect, provided however that the rates, fees and charges for services rendered by the System shall never be reduced in such amounts as will impair the obligation of any of the covenants contained in this Ordinance.

(f) The Board annually shall elect one of its members as Chairman and one as Vice Chairman, and shall appoint a Secretary and Treasurer, or a Secretary-Treasurer, who may, but need not be, a member of members of the Board. If a member of the Board is not appointed as Secretary or Treasurer, or Secretary-Treasurer, then an employee or employees of the Board of Trustees may be appointed as Secretary or Treasurer or Secretary-Treasurer. The Board may follow and adopt such rules for the orderly handling of its affairs as it may see fit and may manage and conduct the affairs of the System with the same freedom and in the same manner ordinarily employed by the board of directors of private corporations operating properties of a similar nature, provided that said Board shall have at least one meeting monthly. Final action on matters coming before the Board shall be taken only in meetings open to the public.

(g) The Board shall appoint and employ all officers and employees which it may deem desirable, including a general manager of the System and an attorney or attorneys, provided the City Attorney of the Issuer shall be the chief legal advisor of the Board. To the extent practicable, the Board shall utilize the personnel and facilities of the Issuer, to reduce the expenses of maintaining and operating the System. All such services shall be rendered by the Issuer on an actual cost basis.

(h) The Board shall obtain and keep continually in force an employees fidelity and indemnity bond of so-called "blanket" type written by a solvent and recognized indemnity company and offering losses to the amount of not less than \$25,000.

(i) The members of the Board, including the ex-officio member shall receive annual compensation in the amount of \$600.

Section 39. NO RECOURSE AGAINST CITY OFFICIALS. No recourse shall be had for the payment of principal of or interest on any Bonds Similarly Secured or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bonds Similarly Secured.

Section 40. FURTHER ACTIONS. The Authorized Representatives of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the initial sale and delivery of the Bonds and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Authorized Representatives and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance or obtain the approval of the Bonds by the Texas Attorney General's office.

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

Section 41. INTERPRETATIONS. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the Pledged Revenues to secure the payment of the Bonds.

Section 42. INCONSISTENT PROVISIONS. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 43. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Bond Issuer and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Bond Insurer and the registered owners of the Bonds.

Section 44. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

Section 45. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

Section 46. SALE OF BONDS. The Bonds are hereby sold and shall be delivered to the TEXAS WATER DEVELOPMENT BOARD at a price equal to the par amount thereof.

Section 47. APPROVAL OF BONDS. The Bonds have been purchased by the Texas Water Development Board pursuant to its Resolution No. 25-__ adopted on ____, 2025, which provides that the Bonds are being purchased from the STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS and that in accordance thereto the Executive Administrator of the Board will purchase the Bonds at the price set forth in Section 46, with all of the proceeds to be deposited in the Escrow Fund created in the Escrow Agreement herein below approved for future distribution into the Construction Fund as set forth therein.

Section 48. APPROVAL OF ESCROW AGREEMENT. The Mayor of the Issuer is hereby authorized and directed to execute and deliver and the City Secretary of the Issuer is hereby authorized and directed to attest an Escrow Agreement in substantially the form attached hereto as Exhibit C. The moneys in the Escrow Fund upon authorization from the Development Fund Manager of the Texas Water Development Board shall be deposited into the Construction Fund as established herein.

Section 49. CONSTRUCTION FUND. There shall be established a Construction Fund (which shall be separate from all other accounts and funds of the Issuer) with the Issuer's depository bank and upon release of funds from the Escrow Fund such funds shall be deposited into this Construction Fund. The cost of issuance of the Bonds, being legal, fiscal and engineering fees, may be paid from this Fund. The cost of the construction of the Waterworks System improvements will be paid from this Construction Fund upon direction of the Issuer. All interest and profits from investments made with moneys in the Construction Fund shall remain on deposit in the Construction Fund as a part thereof. After completion of the payment of all costs of the Waterworks and Sewer System improvements, any residue remaining in the Construction Fund shall be applied in accordance with Section 53 hereof.

Section 50. FINAL ACCOUNTING. The Issuer shall render a final accounting to the Texas Water Development Board in reference to the total cost incurred by the Issuer for Water System improvements together with a copy of "as built" plans of the project upon completion.

Section 51. UNAUTHORIZED EXPENDITURES. If the Executive Administrator of the Texas Water Development Board disapproves construction of any portion of the project as not

being in accordance with the plans and specifications, the Issuer shall, immediately after filing the final accounting, return to the Texas Water Development Board the amount of such cost as determined by the Executive Administrator relating to the parts of the project not constructed in accordance with the plans and specifications, to the nearest multiple of the denomination of the Bonds, whereupon the Texas Water Development Board shall cancel and return to the Issuer a like amount of said Bonds held by the Texas Water Development Board. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of any such excess, in an amount not to exceed \$5,000, shall be deposited to the Bonds Fund.

Section 52. INVESTMENTS AND SECURITY. That money in any Fund established pursuant to this Ordinance may, at the option of the Issuer, be invested in eligible investments described in the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, consistent with the investment policy approved by the City Commission. All investments shall be made in such manner as will, in the opinion of the Issuer, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. All funds mentioned in this Ordinance shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds, including the Public Funds Collateral Act (Chapter 2257, Government Code), and such funds shall be used only for the purposes and in the manner permitted or required by this Ordinance.

Section 53. SURPLUS PROCEEDS. That the Issuer shall use any surplus proceeds from the Bonds remaining after completion of Project and completion of a final accounting in a manner approved by the Executive Administrator.

Section 54. COMPLIANCE WITH THE TEXAS WATER DEVELOPMENT BOARD'S RULES AND REGULATIONS. That the Issuer covenants to comply with the rules and regulations of the Texas Water Development Board, as long as the Bonds, or any of them, are owned by the Texas Water Development Board:

(a) Covenant to Abide with Rules and Regulations. The Issuer will abide with all applicable federal laws, rules and regulations, laws of the State of Texas and rules and regulations of the Texas Water Development Board relating to the loan of funds evidenced by the Bonds and the project for which the Bonds are issued, sold and delivered.

(c) Final Accounting. Upon completion of the project to be financed with the proceeds of the Bonds, the Issuer shall render a final accounting of the cost of such project to the Texas Water Development Board, together with a copy of "as built" plans of such improvements and extensions upon completion. If the total cost of such project, as finally completed, is less than originally estimated, so that the proper share of the participation by the Texas Water Development Board in such project is reduced, any surplus proceeds from the Bonds remaining after completion of the project shall be used for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Bonds owned by the Texas Water Development Board; or (2) eligible project costs as authorized by the Executive Administrator.

(d) Defeasance. Should the Issuer exercise its right hereunder to effect the defeasance

of the Bonds, the Issuer agrees that it will provide the Texas Water Development Board with written notice of any such defeasance.

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

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

(g) Environmental Determination. The Issuer agrees and covenants that it will comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

(h) Insurance. The Issuer agrees to maintain casualty and other insurance on the Issuer's water system of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties and in an amount sufficient to protect the interests of the Texas Water Development Board in the Project.

(i) Water Conservation Program. The Issuer has adopted and implemented or will adopt and implement an approved water conservation program in accordance with Texas Water Code 16.4021 and 31 TAC 363.1309(b)(1).

(j) No Purchase of Texas Water Development Board Bonds. The Issuer agrees that it, nor any related party to the Issuer, will not purchase, as an investment or otherwise, bonds issued by the Texas Water Development Board including, without limitation, bonds issued by the Texas Water Development Board, the proceeds of which were used by the Texas Water Development Board to purchase the Bonds.

(k) Compliance with Federal Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises.

(l) Compliance with State Contracting Law. The Issuer acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses, and will report to TWDB the amount of Project Funds, if any, used to compensate historically underutilized businesses, in accordance with 31 TAC Sec. 363.1312.

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

(n) American Iron and Steel. The Issuer shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.

(o) Proceeds of Bonds to be Held at a Designated State Depository. Notwithstanding anything to the contrary set forth in this Resolution, the proceeds of the Bonds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

(p) Firearms, Firearm Accessories, and Firearm Ammunition. The Issuer shall immediately notify the Texas Water Development Board, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code Section 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

(q) Ratings. So long as the Bonds are outstanding and unpaid, and held by the Texas Water Development Board, the City, or any other obligated person, will not discontinue any existing rating issued by a nationally-recognized statistical rating agency on the Issuer's outstanding parity debt.

Section 55. RESERVED.

Section 56. PUBLIC NOTICE. It is hereby officially found and determined that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code, and that no petition was received from the qualified electors of the Issuer protesting the issuance of the Bonds.

Section 57. ADOPTION OF ORDINANCE. This Ordinance was adopted on one reading to become effective immediately in accordance with Section 1201.028, Texas Government Code.

Section 58. EFFECTIVE DATE. This Ordinance shall become effective after passage by the City Commission.

EXHIBIT A

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

A. Arbitrage. With respect to the investment and expenditure of the proceeds of the Bonds, the City's Director of Finance (the "Responsible Person") will:

(i) monitor all amounts deposited into a sinking fund or funds (e.g., the Interest and Sinking Fund), to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12-month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;

(ii) instruct the appropriate person or persons that the construction, renovation or acquisition of the facilities must proceed with due diligence and that binding contracts for the expenditure of at least 5% of the proceeds of the Bonds will be entered into within 6 months of the date of delivery of the Bonds ("Issue Date");

(iii) monitor that at least 85% of the proceeds of the Bonds to be used for the construction, renovation or acquisition of any facilities are expended within [3/5] years of the Issue Date;

(iv) restrict the yield of the investments to the yield on the Bonds after [3/5] years of the Issue Date;

(v) monitor all amounts deposited into a sinking fund or funds, e.g., the Interest and Sinking Fund, to assure that the maximum amount invested at a yield higher than the yield on the Bonds does not exceed an amount equal to the debt service on the Bonds in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Bonds for the immediately preceding 12-month period;

(vi) assure that the maximum amount of any reserve fund for the Bonds invested at a yield higher than the yield on the Bonds will not exceed the lesser of (1) 10% of the principal amount of the Bonds, (2) 125% of the average annual debt service on the Bonds measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Bonds as of the Issue Date;

(vii) ensure that no more than 50% of the proceeds of the Bonds are invested in an investment with a guaranteed yield for 4 years or more;

(viii) maintain any official action of the City (such as a reimbursement resolution) stating its intent to reimburse with the proceeds of the Bonds any amount expended prior to the Issue Date for the acquisition, renovation or construction of any Bond financed facilities;

(ix) monitor the actions of any escrow agent (to the extent an escrow is funded with proceeds) to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;

(x) ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and

(xi) assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS, and at least within 30 days after (A) every 5 years after the Issue Date, and (B) the date the Bonds are retired.

B. Private Business Use. With respect to the use of the facilities financed or refinanced with the proceeds of the Bonds the Responsible Person will:

(i) monitor the date on which the facilities are substantially complete and available to be used for the purpose intended;

(ii) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;

(iii) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);

(iv) monitor whether, at any time the Bonds are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;

(v) determine whether, at any time the Bonds are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;

(vi) determine whether, at any time the Bonds are outstanding, the facilities are sold or otherwise disposed of; and

(vii) take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the facilities.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Bonds and the use of the facilities financed or refinanced thereby for a period ending six (6) years after the complete extinguishment of the Bonds. If any portion of the Bonds is refunded with the proceeds of another series of tax-exempt obligations, such records shall be maintained until the six (6) years

after the refunding obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Person. The Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the facilities financed or refinanced with the proceeds of the Bonds. The foregoing notwithstanding, the Responsible Person is authorized and instructed to retain such experienced advisors and agents as may be necessary to carry out the purposes of these instructions. If an error is discovered, the Responsible Person will promptly correct any such error within a reasonable amount of time of such discovery and take, or cause to be taken, such appropriate actions, including payment to the United States, if applicable, that is required to maintain the tax-exempt status of the Bonds.

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 25 of this Ordinance.

I. Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Issuer to be provided annually in accordance with such Section includes the quantitative financial and operating data of the type included in Tables numbered 1 through 13 and in Appendix C in the Official Statements for each series of the Previously Issued Bonds.

Accounting Principles

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

EXHIBIT C

ESCROW AGREEMENT

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