

ORDINANCE NO. 24-028

ORDINANCE AUTHORIZING THE ISSUANCE OF THE CITY OF BEAUMONT, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024 IN ONE OR MORE SERIES OR SUBSERIES AS MAY BE FURTHER DESIGNATED; AUTHORIZING EACH OF THE MAYOR, THE CITY MANAGER AND THE CHIEF FINANCIAL OFFICER TO APPROVE THE AMOUNTS, INTEREST RATES, PRICES, AND TERMS THEREOF AND CERTAIN OTHER MATTERS RELATING THERETO; PROVIDING FOR THE PAYMENT THEREOF; MAKING OTHER PROVISIONS REGARDING SUCH BONDS INCLUDING AUTHORIZING THE PREPARATION AND DISTRIBUTION OF ONE OR MORE PRELIMINARY OFFICIAL STATEMENTS AND AUTHORIZING THE PREPARATION AND DISTRIBUTION OF ONE OR MORE OFFICIAL STATEMENTS AND MATTERS INCIDENT THERETO; AWARDING THE SALE OF THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE BOND PURCHASE AGREEMENTS; AUTHORIZING BOND INSURANCE; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT AND OTHER RELATED DOCUMENTS; AND MAKING OTHER PROVISIONS REGARDING SUCH BONDS.

THE STATE OF TEXAS §
COUNTY OF JEFFERSON §
THE CITY OF BEAUMONT §

WHEREAS, The City of Beaumont, Texas (the “City”) is authorized, pursuant to Chapters 1371 and 1502, Texas Government Code, as amended, to issue bonds, without election, payable from the net revenues of its waterworks and sewer system to provide money for acquisitions, purchases, expansions, extensions, construction, reconstruction, renovation, equipping, and improvement of such system; and,

WHEREAS, the City now desires to issue bonds in order to provide funds to finance the expansion, repair, renovation and related improvements to the City’s waterworks and sewer system; and,

WHEREAS, by this Ordinance the City Council of the City (the “City Council”) is authorizing the issuance of its bonds in the principal amount not exceed \$60,000,000.00; and,

WHEREAS, the City shall by this Ordinance, in accordance with the provisions of Chapter 1371 and 1502, Texas Government Code, as amended, delegate to a Pricing Officer (hereinafter designated) the authority to determine the principal amount of Bonds to be issued and negotiate the terms of sale thereof; and,

WHEREAS, the City Council hereby finds and determines that it is a public purpose and in the best interests of the City to issue the Bonds with such terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the Pricing Officer, all in accordance with the provisions of Chapters 1371 and 1502, Texas Government Code, as amended; and,

WHEREAS, the City Council hereby finds that it may purchase a credit agreement in the form of a municipal bond insurance policy or policies with respect to the Bonds if it deems such purchase is cost effective; and,

WHEREAS, the bonds to be issued pursuant to the terms and provisions of this Ordinance will be secured by a pledge of and lien on the Net Revenues (as hereinafter defined); and,

WHEREAS, the City is a home-rule municipality that: (i) adopted its charter under Section 5, Article XI, Texas Constitution; (ii) has a population of more than 50,000 and (iii) has outstanding long-term indebtedness that is rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for a long-term obligation.

NOW, THEREFORE, BE IT ORDAINED

BY THE CITY OF BEAUMONT, TEXAS:

1. Findings and Determinations. It is hereby found and determined that the matters and facts contained in the preamble to this Ordinance are hereby found to be true and correct.

2. Definitions. Throughout this ordinance the following terms and expressions as used herein shall have the meanings set forth below:

The term “Additional Parity Bonds” shall mean any credit agreement created pursuant to Section 27 herein or additional bonds issued with the same priority lien as the Bonds.

The term “Average Annual Debt Service Requirements” shall mean the average annual debt service for the Parity Bonds.

The term “Blanket Issuer Letter of Representations” means the Blanket Issuer Letter of Representations between the City and Depository Trust Company, of New York, New York, or any successor securities depository.

The term “Bond Insurer” shall mean any third-party financial institution that provides a credit agreement in the form of a municipal bond insurance policy as provided herein.

The term “Bond Register” shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

The terms “Bonds” shall mean the City of Beaumont, Texas Waterworks and Sewer System Revenue Bonds, Series 2024.

The term "Business Day" shall mean any day which is not a Saturday, Sunday, a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar or Bond Insurer, if any, is located, are authorized or required by law or executive order to close, or a legal holiday.

The term "City" shall mean The City of Beaumont, Texas.

The term "Closing Date" means the date of the initial delivery of and payment for the Bonds.

The term "Code" means the Internal Revenue Code of 1986, as heretofore and hereafter amended and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code, and (d) the Regulations promulgated under the provisions described in (b) and (c).

The term "Comptroller" means the Comptroller of Public Accounts of the State of Texas.

The term "DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

The term "DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term "Gross Revenues" shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System (but excluding any utility deposits) and the interest income from the investment or deposit of money in the Revenue Fund, and the Interest and Sinking Fund.

The term "Insurance Policy" shall have the meaning assigned to that term in Section 27 of this Ordinance.

The term "Insured Bonds" shall mean the Bonds during the time period in which the payment of principal and interest in connection with such bonds is guaranteed by the Bond Insurer.

The term "Interest Payment Date", when used in connection with any Bond, shall mean March 1 and September 1 of each year, beginning March 1, 2025, and continuing thereafter until maturity or earlier redemption of such Bond.

The term "Issuer" shall mean the City.

The term "Maintenance and Operation Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, and all payments under contracts, now or hereafter defined as operating expenses by the Legislature of the State of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

The term "MSRB" shall mean the Municipal Securities Rulemaking Board.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

The term "Ordinance" as used herein and in the Bonds shall mean this ordinance authorizing the Bonds and all amendments and supplements hereto.

The term "Outstanding" shall mean, in connection with the Bonds, any Bonds that remain outstanding until maturity, refunding or defeasance.

The term "Owner" shall mean any person who shall be the registered owner of any Bonds.

The term "Parity Bonds" shall mean the Bonds, the City's outstanding Waterworks and Sewer System Revenue Bonds, Series 2014A and 2014B, the City's Waterworks and Sewer System Revenue Refunding Bonds, Series 2015A, the City's Waterworks and Sewer System Revenue Bonds, Series 2017, the City's Waterworks and Sewer System Revenue and Refunding Bonds, Series 2020A, the City's Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2020B, the City's Waterworks and Sewer System Revenue Refunding Bonds, Taxable Series 2022, the City's Waterworks and Sewer System Revenue Bonds, Series 2023 and any Additional Parity Bonds.

The term "Paying Agent" for the Bonds shall mean the Registrar.

The term "Pricing Certificate" shall mean a certificate or certificates to be signed by the Mayor, the City Manager or the Chief Financial Officer of the City pursuant to Section 5 hereof and delivered to the City Clerk, in substantially the form attached hereto as Exhibit A.

The term "Pricing Officer" shall mean the Mayor, City Manager, or Chief Financial Officer of the City.

The term "Record Date" shall mean, for any Interest Payment Date, the fifteenth (15th) calendar day of the month next preceding each Interest Payment Date.

The term "Registrar" shall mean UMB Bank, N.A., Houston, Texas, and its successors in that capacity.

The term "Regulations" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

The term "Reserve Fund Requirement" shall mean an amount equal to the average annual principal and interest requirement on the Parity Bonds, which may be determined and redetermined each year by the City but in no event less frequently than upon the issuance of each series of Parity Bonds.

The term "Rule" shall mean SEC Rule 15c-12, as amended from time to time.

The term "SEC" shall mean the United States Securities and Exchange Commission.

The term "Special Project" shall mean, to the extent permitted by law, any property, improvement or facility declared by the City not to be part of the System and substantially all of the costs of the acquisition, construction and installation of which is paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or Net

Revenues of the System, and for which all maintenance and operation expenses are payable from sources other than revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

The term "System" shall mean all properties, facilities, improvements, equipment, interests and rights constituting the waterworks and sewer system of the City, including all future extensions, replacements, betterments, additions, improvements, enlargements, acquisitions, purchases and repairs to the System, but excluding all Special Projects.

The term "Underwriter" shall mean the underwriting syndicate identified in the Pricing Certificate.

3. Authorization. The Bonds shall be issued in fully registered form in the total authorized aggregate principal amount not to exceed SIXTY MILLION AND NO/100 DOLLARS (\$60,000,000.00) for the purpose of providing funds to (i) finance capital expenditures acquisition, purchase, construction, reconstruction, improvement, renovation, expansion, or equipping of property, buildings, structures, facilities, or related infrastructure for the City's waterworks and sewer system (the "Project"), and (ii) pay costs of issuance of the Bonds.

4. Designation, Date, and Interest Payment Dates. The Bonds shall be designated as "THE CITY OF BEAUMONT, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024." The Bonds shall be dated,

mature, bear interest from the dates and at the rates per annum, and be payable on the dates and in the principal amounts as set forth in the Pricing Certificate.

5. Sale of Bonds. As authorized by Chapters 1371 and 1502, Texas Government Code, as amended, the Pricing Officers are hereby authorized to act on behalf of the City in selling and delivering the Bonds and carrying out the other procedures specified in this Ordinance, including any additional designation or title by which the Bonds shall be known, the number of subseries of Bonds to be issued and the principal amount of each subseries, the price at which each series of the Bonds will be sold, the manner in which the Bonds should be delivered, the date or dates (which may be different dates for each series of the Bonds) on which the Bonds shall be sold, the form in which the Bonds shall be issued whether as current interest bonds, as compound interest bonds, or as a combination of current interest bonds and compound interest bonds, any additional designation or title by which the Bonds shall be known, the year or years in which each series of the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of each series of the Bonds, the rate of interest to be borne by each such maturity, the first interest payment date or compounding date, as the case may be, the dates, prices, and terms, if any, upon and at which each series of the Bonds shall be subject to redemption prior to maturity at the option of the City, as well as any mandatory sinking fund redemption provisions, or make-whole provisions, and such officers are also hereby authorized to act on behalf of the City in approving all other matters relating to the issuance, sale and delivery of the Bonds and the purchase of a bond

insurance policy or policies for all or any portion of the Bonds, all in accordance with the terms below:

(a) the price to be paid for each series of the Bonds shall not be less than 90% of the aggregate original principal amount of the current interest bonds plus accrued interest, if any, thereon from their date to their delivery;

(b) none of the Bonds shall bear interest at a rate greater than 6% per annum or in excess of the maximum rate allowed by Chapter 1204, Texas Government Code;

(c) each series of the Bonds to be issued, prior to delivery, must have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations;

(d) to the extent the City shall purchase any Insurance Policy (one or more) issued by one or more Bond Insurers such policy or policies shall be determined to be most cost effective to the City for the Bonds and shall result in a net interest rate savings to the City which is greater than the costs of the premium of such policy or policies, for a term not to exceed thirty (30) years, payable from and secured by Net Revenues, with an authorization period of ninety (90) days, as may be certified in the Pricing Certificate; and

Any finding by the Mayor, City Manager or the Chief Financial Officer relating to the sale and delivery of the Bonds and the purchase of bond insurance shall have the same force and effect as a finding or determination made by the City Council.

6. Bond Numbers and Denominations. Each series of Bonds shall be numbered from R-1 and upward (except the Initial Bond, which shall each be numbered

I-1), and may be transferred and exchanged as set out in this Ordinance. Such Bonds shall mature on September 1 in each of the years and in the amounts set forth in the Initial Bond. The Bonds delivered in transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000.00 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bonds or Bonds in lieu of which they are delivered.

7. Execution of Bonds; Seal. The Bonds shall be signed by the Mayor or Mayor Pro Tem and countersigned by the City Clerk or Deputy City Clerk, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

8. Approval by Attorney General; Registration by Comptroller. The Bonds to be initially issued shall be delivered to the Attorney General of Texas for approval and shall be registered by the Comptroller of Public Accounts of the State of Texas. The manually executed registration Bond of the Comptroller of Public Accounts

substantially in the form provided in the Pricing Certificate shall be attached or affixed to the Bonds to be initially issued.

9. Authentication. Except for the Bonds to be initially issued, which need not be authenticated by the Registrar, only such Bonds which bear thereon a certificate of authentication, substantially in the form provided in Section 19 of this Ordinance, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bonds so authenticated were delivered by the Registrar hereunder.

10. Payment of Principal and Interest. The Registrar is hereby appointed as the paying agent for the Bonds. The principal of and premium, if any, on the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Registrar. The interest on each Bond shall be payable by check on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Bond Register. Any accrued interest payable at maturity on a Bond shall be paid upon presentation and surrender of such Bond at the principal corporate trust office of the Registrar.

If the date for payment of the principal of or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

11. Successor Registrars. The City covenants that at all times while any Bonds are outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Registrar for the Bonds. The City reserves the right to change the Registrar for the Bonds on not less than sixty (60) days written notice to the Registrar, so long as any such notice is effective not less than sixty (60) days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Bond Register or copies thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

12. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days

prior to the Special Record Date, to each affected Owner of record as of the close of business on the day prior to the mailing of such notice.

13. Ownership; Unclaimed Principal and Interest. The City, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal of and premium, if any, or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with this Section 13 shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three (3) years from the date such amounts have become due and payable shall be reported and disposed of by the Registrar in accordance with the applicable provisions of Texas law, including Title 6 of the Texas Property Code, as amended.

14. Registration, Transfer, and Exchange. So long as any Bonds remain outstanding, the Registrar shall keep the Bond Register at its principal corporate trust office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance. If the Registrar does not maintain its principal offices in the State of Texas, the City agrees to keep a Bond Register at its offices which is identical to

the Bond Register maintained by the Registrar and the Registrar will notify the City as to any changes in the Bond Register within 1 business day.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar shall authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same type, maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal corporate trust office of the Registrar for a Bond or Bonds of the same type, maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 14. Each Bond delivered in accordance with this Section 14 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Registrar may require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Registrar for such transfer or exchange shall be paid by the City.

Neither the City nor the Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the Owner of the unredeemed balance of a Bond called for redemption in part.

15. Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange there for a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

The City or the Registrar may require the Owner of a mutilated Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar. The City or the Registrar may require the Owner of a lost, apparently destroyed or wrongfully taken Bond, before any replacement Bond is issued, to:

- (1) furnish to the City and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (2) furnish such security or indemnity as may be required by the Registrar and the City to save them harmless;

(3) pay all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and

(4) meet any other reasonable requirements of the City and the Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section 14 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

16. Cancellation of Bonds. All Bonds paid in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment. The Registrar shall furnish the City with appropriate Bonds of destruction of such Bonds.

17. Book-Entry System. (a) Notwithstanding any other provision hereof, upon initial issuance of the Bonds but at the sole election of the Underwriter, the ownership of the Bonds shall be registered in the name of Cede & Co., as nominee of DTC, and except as otherwise provided in this Section, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. The definitive Bonds shall be initially issued in the form of a single separate Bond for each of the maturities thereof. If the Underwriter shall elect to invoke the provisions of this Section, then the following provisions shall take effect with respect to the Bonds.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the 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 in the Bonds. Without limiting the immediately preceding sentence, the City and the 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 an Owner of a Bond, as shown on the Register, 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 an Owner of a Bond, as shown in the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of all matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other

purposes whatsoever. The 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 Register 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 City's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner as shown in the Register, shall receive a Bond evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(c) In the event that the City in its sole discretion determines that the beneficial owners of the Bonds be able to obtain Bonds, or in the event DTC discontinues the services described herein, the City 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, and notify DTC and DTC Participants, as identified by DTC, 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, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC , as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register 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 Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

(d) The execution and delivery of the Blanket Letter of Representations is hereby ratified and approved and the Mayor is hereby authorized and directed to execute a new Blanket Letter of Representations, if required, with such changes as may be approved by the Mayor or City Manager of the City.

(e) Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Blanket Letter of Representations.

18. Redemption and Defeasance.

(a) Optional Redemption. The Bonds shall be subject to redemption prior to the stated maturity, at the option of the City at such times, in such amounts, in such manner and at such redemption prices as may be designated and provided for in the Pricing Certificate.

(b) Partial Redemption. If less than all of the Bonds are to be redeemed pursuant to this Section, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption at the close of business on the Business Day next preceding the date of mailing such notice.

(c) Notice of Redemption. Notice of any redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond, or portion thereof to

be redeemed, at its address as it appeared on the Register on the close of business on the business day next preceding the date of mailing such notice; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption, due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of 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 redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/ Registrar shall record in the Register all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000.00, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

Bonds may be redeemed only in integral multiples of \$5,000.00. If a Bond subject to redemption is in a denomination larger than \$5,000.00, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000.00. Upon surrender of any Bond for redemption in part,

the Registrar, in accordance with Section 14 hereof, shall authenticate and deliver in exchange there for a Bond(s) of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond(s) so surrendered.

The City, at least forty-five (45) days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

(d) Conditional Redemption. The City reserves the right in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a

certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

(e) Defeasance. The City may defease the provisions of this Ordinance or any ordinance applicable to any Parity Bonds being defeased and discharge its obligation to the Owners of any or all of the Bonds, or any or all Parity Bonds to pay principal, interest and redemption premium, if any, thereon in any manner permitted by law, including by depositing with the Paying Agent/Registrar, or if authorized by Texas law, with any national or state bank having trust powers and having combined capital and surplus of at least \$50 million, or with the State Treasurer of the State of Texas either: (a) cash in an amount equal to the principal amount and redemption premium, if any, of such bonds being defeased plus interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or direct bonds of, or bonds the principal of and interest on which are guaranteed by or secured by the pledge of direct bonds of the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such bonds being defeased plus interest thereon to the date of maturity or redemption; provided, however, that if any of such bonds being defeased are to be redeemed prior to their respective dates

of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance or ordinance applicable to the Parity Bonds being defeased. Upon such deposit, such bonds being defeased shall no longer be regarded to be outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City.

19. Form. The Form of Bond as set forth in the Pricing Certificate is hereby approved. The form of the Bonds, including the form of the Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Bond of the Comptroller of Public Accounts of the State of Texas which shall be attached or affixed to the Bonds initially issued shall be, respectively, substantially as set forth in the Pricing Certificate, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Ordinance.

20. Legal Opinion; CUSIP Numbers. The approving opinion of Holland & Knight LLP, Houston, Texas, Bond Counsel, and CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

21. (a) Pledge and Source of Payment. The City hereby covenants and agrees that all Gross Revenues of the System shall, as collected and received by the City, be deposited and paid into the special funds established in this Ordinance, and shall be applied in the manner hereinafter set forth, in order to provide for (i) the payment of all Maintenance and Operation Expenses and (ii) the payment of principal, interest and any redemption premiums on the Bonds, and all expenses of paying, securing and insuring the same.

The Bonds are special obligations of the City payable solely from and secured by a lien on and pledge of the Net Revenues of the System, which Net Revenues shall, in the manner hereafter provided, be set aside for and are hereby pledged by the City to the payment of the Bonds and any Parity Bonds. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the System, except with respect to the Net Revenues. **THE HOLDER OF THIS OBLIGATION IS NOT ENTITLED TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY MONEY RAISED BY TAXATION.**

IT IS ORDERED AND DIRECTED that this Ordinance pledging Net Revenues for the payment of the Bonds to the extent provided herein be filed and recorded in the records of the City as necessary to cause the pledge to be valid under Section 1201.44 of the Government Code of Texas. At any time while any of the Bonds are outstanding, if it is determined by the City or demanded by the holder of any Bonds that further action by the City is required to make the pledge valid or maintain the validity of the pledge, the City covenants and hereby directs the officers of the City to make such filings, including but not limited to appropriate filings under Chapter 9 of the Business and Commerce Code of Texas as are necessary to make the pledge valid or continue its validity.

(b) Rates and Charges. So long as any Parity Bonds remain outstanding, there shall be fixed, charged and collected rates and charges for the use and services of the System, which may be fully sufficient at all times:

- (i) to pay all Maintenance and Operation Expenses; and
- (ii) to produce Net Revenues in each fiscal year at least equal to 110% of the principal and interest requirements scheduled to occur in such fiscal year on all Parity

Bonds then outstanding, but in no event less than the amount required to establish and maintain the Interest and Sinking Fund, and, to the extent that funds for such purpose are not otherwise available, to pay all other outstanding obligations payable from the Net Revenues of the System as and when the same become due.

The City covenants that it will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

(d) Special Funds. The following special funds shall be maintained and accounted for as hereinafter provided so long as any of the Parity Bonds remain outstanding:

- (i) Waterworks and Sewer System Revenue Fund (the "Revenue Fund");
- (ii) Waterworks and Sewer System Revenue Bond Interest and Sinking Fund (the "Interest and Sinking Fund"); and
- (iii) Waterworks and Sewer System Bond Reserve Fund (the "Reserve Fund").

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

(e) Flow of Funds. All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Moneys from time to time on deposit to the credit of the Revenue Fund shall be applied as follows in the following order of priority:

(i) First, to pay Maintenance and Operation Expenses and to provide by encumbrance for the payment of all obligations incurred by the City for Maintenance and Operation Expenses which may include an operating reserve equal to one month's estimated Maintenance and Operation Expenses.

(ii) Second, to make all deposits into the Interest and Sinking Fund required by this Ordinance and any ordinance authorizing the issuance of any outstanding Additional Parity Bonds.

(iii) Third, to make all deposits into the Reserve Fund required by this Ordinance and any ordinance authorizing the issuance of Additional Parity Bonds.

(iv) Forth, to pay any amounts due to any bond insurer of Parity Bonds not paid pursuant to subsections (ii) or (iii) above.

(v) Fifth, for any lawful purpose, including transfers to the General Fund as permitted by law. Such permitted transfers to the General Fund are hereby expressly authorized by this Ordinance and the purposes for which such surplus revenues may be used shall include, but not be limited to, payment of any other debt, expense, or obligation of the City.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all

outstanding Parity Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund, and the Reserve Fund.

(f) Interest and Sinking Fund. On or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Interest and Sinking Fund from the Revenue Fund the following amounts:

(i) Such amounts, in approximately equal monthly installments, as will be sufficient to pay the interest scheduled to become due on the Parity Bonds on the next interest payment date; and

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

Moneys deposited to the credit of the Interest and Sinking Fund (except for interest income, which shall be transferred to the Revenue Fund) shall be used solely for the purpose of paying principal (either at maturity or prior redemption or to purchase Parity Bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on the Parity Bonds, plus all bank charges and other costs and expenses relating to such payment, on a pro rata basis among all series of Parity Bonds. On or before each principal and/or interest payment date for the Parity Bonds, the City shall transfer from the Interest and Sinking Fund to the paying agents for the Parity Bonds an amount equal to the principal, interest

and redemption premiums payable on the Parity Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment. The paying agents for the Parity Bonds shall totally destroy all paid Parity Bonds and coupons (if any) and shall provide the City with an appropriate Bond of destruction.

(g) Reserve Fund. Unless the Reserve Fund is fully funded, on or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, and after making the transfers into the Interest and Sinking Fund required in the preceding Section, there shall be transferred into the Reserve Fund from the Revenue Fund an amount at least equal to one-sixtieth ($1/60^{\text{th}}$) of the average annual principal and interest requirements on the Parity Bonds, so that the Reserve Fund shall contain, in no more than sixty (60) months after the issuance of each such issue of Parity Bonds, money and investments in an aggregate amount at least equal to the average annual principal and interest requirements on all Parity Bonds then outstanding. After such amount has accumulated in the Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the Reserve Fund, and any excess amounts may be transferred to the Revenue Fund. But if and whenever the balance in the Reserve Fund is reduced below such amount, monthly deposits into such fund shall be resumed and continued in amounts at least equal to one-sixtieth ($1/60^{\text{th}}$) of the average annual principal and interest requirements on the Parity Bonds until the Reserve Fund has been restored to such amount; provided however, if a Reserve Fund Policy has been obtained by the City pursuant to the next paragraph below, then the provisions of such next paragraph shall govern and control with respect to replenishment of amounts drawn under the Reserve Fund Surety Policy. The Reserve Fund shall be used to pay the principal of and interest on the Parity

Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Parity Bonds to mature or be redeemed.

To the extent permitted by law, the City expressly reserves the right at any time to satisfy all or any part of the amounts required to be on deposit in the Reserve Fund (the "Reserve Fund Requirement") by obtaining for the benefit of the Reserve Fund one or more Reserve Fund Surety Policies (a "Reserve Fund Surety Policy"). The purchase of such Reserve Fund Surety Policy is approved, and the Mayor, Mayor Pro-Tem, City Manager, Chief Financial Officer, City Clerk, Deputy City Clerk, and all other appropriate officers and agents of the City are each authorized to execute such documents, including but not limited to a reimbursement agreement, to grant a subordinated pledge and lien on the Net Revenues as security for the payment of amounts due under the reimbursement agreement (which grant if made is hereby approved), and to do any and all things necessary or desirable to obtain such a Policy if in the discretion of the acting official deems its acquisition in the best interests of the City. In the event the City elects to substitute at any time a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any purposes for which the bonds were issued, and if all such purposes have been satisfied, to the payment of debt service on such bonds, and it may apply any other funds thereby released to any of the purposes for which such funds may lawfully be applied including the payment of debt service on the Parity Bonds. A Reserve Fund Surety Policy shall be an insurance policy or other similar guarantee in a principal amount equal to the portion of the Reserve Fund Requirement to be satisfied which is issued by a financial institution or insurance company with a rating for its long-term unsecured debt or claims paying ability of at least an investment grade category by

two major municipal securities evaluation sources. The premium for any such policy shall be paid from bond proceeds or other funds of the City lawfully available for such purpose. The City reserves the right to fund any increase in the Reserve Fund Requirement caused by the issuance of Additional Parity Bonds by the purchase of a Reserve Fund Surety Policy in the amount of such increase or by making transfers from the Revenue Fund to the Reserve Fund, in approximately equal monthly installments, in amounts sufficient to accumulate the increase in the Reserve Fund Requirement within sixty (60) months of the issuance of such Additional Parity Bonds. If the Reserve Fund contains only cash and the balance in the Reserve Fund is reduced below the Reserve Fund Requirement at any time, the City shall make monthly transfers from the Revenue Fund to the Reserve Fund, in approximately equal monthly installments, in amounts sufficient to restore the balance in the Reserve Fund to the Reserve Fund Requirement within twelve (12) months of the date on which the balance in the Reserve Fund was so reduced. If the Reserve Fund contains a Reserve Fund Surety Policy (and no cash) and a draw is made against such policy, the City shall make monthly transfers from the Revenue Fund, in approximately equal monthly installments, in amounts sufficient to reimburse the amount drawn under such policy within twelve (12) months. If the Reserve Fund contains a combination of cash and a Reserve Fund Surety Policy, and the balance in the Reserve Fund is reduced below the Reserve Fund Requirement by a combination of cash withdrawals and draws against the Reserve Fund Surety Policy, the City shall make monthly transfers from the Revenue Fund, in approximately equal monthly installments, in amounts sufficient to restore the cash balance in the Reserve Fund and reimburse the amount drawn under such policy within twelve (12) months, with reimbursement to be made for all amounts drawn under such policy before any cash deposits are made into the Reserve Fund. Any reimbursement of amounts drawn against a

Reserve Fund Surety Policy shall be limited to the amounts actually paid under such policy, and the City shall have no obligation to make any reimbursement payment with respect to any such policy except as provided herein.

Notwithstanding anything to the contrary contained herein, the requirement set forth above in this subsection to maintain the Reserve Fund Requirement in the Reserve Fund shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.30 times the Average Annual Debt Service Requirements. In the event that the Net Revenues for any Fiscal Year are less than 1.30 times the Average Annual Debt Service Requirements, the City will be required to commence making Required Reserve Fund Deposits, as provided above, and to continue such Required Reserve Fund Deposits until the earlier of (i) such time as the Reserve Fund contains the Reserve Fund Requirement or (ii) the Net Revenues in each of two consecutive years have been equal to not less than 1.30 times the Average Annual Debt Service Requirements.

During such time as the Reserve Fund contains the Reserve Fund Requirement or the obligation to maintain the Reserve Fund Requirement has been suspended pursuant to the paragraph above, the City may, at its option, withdraw all surplus funds in the Reserve Fund and deposit such surplus in the Interest and Sinking Fund or otherwise use such amount in any manner permitted by law.

(h) Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Section 21 the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated money in the Revenue Fund, and such payment shall be in addition to the amounts

otherwise required to be paid into such Funds during the succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

(i) Investment of Funds; Transfer of Investment Income. Money in each Fund maintained pursuant to this Section of this Ordinance may, at the option of the City, be invested as permitted by law, provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Any obligation in which money is so invested shall be kept and held in the Fund from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Bonds. All interest and income derived from such deposits and investments shall be transferred or credited as received to the Revenue Fund, and shall constitute Gross Revenues of the System; provided, however, to the extent such interest and income is derived from bond proceeds, such interest and income shall not constitute Gross Revenues of the System and shall only be used for the purposes for which the bond proceeds may be used.

22. Additional Bonds.

(a) Additional Parity Bonds. In addition to the right to issue bonds of inferior lien as authorized by law, the City reserves the right to issue, for any lawful purpose, including the refunding of any previously issued, Parity Bonds or any other bonds or obligations of the City issued in connection with the System, one or more series of Additional Parity Bonds payable from, and secured by a lien on and pledge of, the Net Revenues of the System, on a parity with

the Bonds and any other Additional Parity Bonds then outstanding; provided, however, that no Additional Parity Bonds may be issued unless:

(i) The City shall not hereafter issue any additional obligations possessing a lien on the Net Revenues of the System superior to that to be possessed by the Parity Bonds;

(ii) The Additional Parity Bonds mature on September 1, and interest is payable on March 1 and September 1;

(iii) The Interest and Sinking Fund and the Reserve Fund contain the amount of money then required to be on deposit therein;

(iv) For either the preceding Fiscal Year or any consecutive 12-month calendar period ending no more than ninety (90) days prior to adoption of the ordinance authorizing such Additional Parity Bonds, Net Revenues were equal to at least 125% of the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of the series of Additional Parity Bonds then proposed to be issued, as certified by the City's Finance Officer or by an independent certified public accountant or firm of independent certified public accountants; or

(v) If the City cannot meet the test described in (iv) above, but a change in the rates and charges applicable to the System becomes effective at least sixty (60) days prior to the adoption of the ordinance authorizing Additional Parity Bonds and the City's Finance Officer certifies that, had such change in rates and charges been effective for the preceding fiscal year or 12 consecutive calendar month period ending no more than

ninety (90) days prior to adoption of said ordinance, the Net Revenues for such period would have met the test described in (iv) above.

(b) Subordinate Lien Obligations. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations (including but not limited to reimbursement agreements undertaken to obtain reserve fund security policies) secured in whole or in part by liens on and pledges of the Net Revenues that are junior and subordinate to the lien on and pledge of Net Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

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

23. Covenants and Provisions Relating to all Parity Bonds.

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

(b) Maintenance of System. So long as any Parity Bonds remain outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and

in accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or order of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

(c) Sale or Encumbrance of System. So long as any Parity Bond remains outstanding, the City will not sell, dispose of or, except as permitted in this Ordinance, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

(d) Insurance. The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent insurance is customarily carried by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. The cost of all such insurance, together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed, or to make other capital improvements to the System, or to redeem Parity Bonds.

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

(f) Competition. To the extent it legally may, the City will not grant any franchise or allow for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

(g) Pledge and Encumbrance of Net Revenues. The City covenants and represents that it has the lawful power to pledge the Net Revenues to the payment of the Parity Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the Parity Bonds, the Net Revenues are not and will not be pledged to the payment of any debt or obligation of the City, or in any other manner encumbered unless such pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

(h) Remedies. This Ordinance shall constitute a contract between the City and the holders of the Parity Bonds from time to time outstanding, and shall remain in effect until the Parity Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal or interest on any of the Parity Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the holder or holders of any of the Parity Bonds, as appropriate, may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any holder of any of the Parity Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues thereof into the special funds as herein provided, and the application of such Gross Revenues and Net Revenues in the manner required in this Ordinance. Acceleration of payment of principal or interest on the Parity Bonds shall not be a remedy of default.

(i) Legal Holidays. In any case where the date fixed for payment of interest on or principal of the Parity Bonds or the date fixed for redemption of any Parity Bonds shall be a legal holiday or a day on which a paying agent for the Parity Bonds is authorized by law to close, then payment of interest or principal by such paying agent need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date fixed for such payment and no interest shall accrue for the period from such date to the date of actual payment.

(j) 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.

24. Further Proceedings. After the Bonds to be initially issued shall have been executed, it shall be the duty of the Mayor and other appropriate officials and agents of the City to deliver the Bonds to be initially issued and all pertinent records and proceedings to the Attorney General of the State of Texas, for examination and approval. After the Bonds to be initially issued shall have been approved by the Attorney General, they shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Bonds to be initially issued, the Comptroller of Public Accounts (or the Comptroller's bond clerk or an assistant bond clerk lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein and the seal of said Comptroller shall be impressed or placed in facsimile, thereon.

25. Engagement of Professionals. The City Council hereby (i) confirms the engagement of RBC Capital Markets, LLC, as Municipal Advisor, to the City, (ii) confirms the engagement of Holland & Knight LLP, as bond counsel to the City, and (iii) approves the underwriting syndicate as identified in the Pricing Certificate.

26. Proceeds of Sale. Proceeds from the sale of the Bonds, together with other funds of the City, if any, shall, promptly upon receipt by the City, be applied as set forth in the Pricing Certificate. Any proceeds remaining after the accomplishment of such purposes, including interest earnings on the investment of such proceeds, shall be deposited to the Interest and Sinking Fund.

27. Bond Insurance. (a) In order to obtain the lowest attainable interest rates on the Bonds, the Pricing Officers are authorized to enter into a credit agreement with one or more Bond Insurers to obtain one or more bond insurance policies with respect to all or a portion of the Bonds as set forth in the Pricing Certificate. The Pricing Officers are authorized to execute and the City Clerk is authorized to attest and affix the City's seal to any documents required in connection with the purchase of any such policy or policies. The City hereby agrees to provisions set forth in the Pricing Certificate. Any reimbursement of amounts drawn against such insurance policy shall be limited to the amounts actually paid under such policy, and the City shall have no obligation to make any reimbursement payment with respect to any such policy except as provided therein. Such amounts shall be limited to the extent permitted by law and subject to annual appropriation by the City.

28. Paying Agent/Registrar Agreement. The paying agent/registrar agreement (the "Paying Agent Agreement") by and between the City and the Paying Agent, a form of which is attached to the Pricing Certificate, is hereby approved, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, and is hereby authorized to be executed by the Mayor or Mayor Pro Tem and City Clerk for and on behalf of the City.

29. Official Statement. The Preliminary Official Statement and the Official Statement prepared in the initial offering and sale of the Bonds have been and are hereby authorized, approved and ratified as to form and content. The use of the Preliminary Official Statement and the Official Statement in the reoffering of the Bonds by the Underwriter is hereby approved, authorized and ratified. The proper officials of the City are hereby authorized to execute and deliver a Bond pertaining to the Preliminary Official Statement and the Official Statement as prescribed therein, dated as of the date set forth herein.

30. No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

31. Continuing Disclosure Undertaking. (a) Annual Reports. The City undertakes and agrees for the benefit of the Bond holders to provide annually to the MSRB, within six months after the end of each fiscal year, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized in this Ordinance (i) under the headings "CITY WATERWORKS AND SEWER SYSTEM REVENUE DEBT," "ADMINISTRATION OF THE CITY," "THE SYSTEM-WATER AND SEWER RATES" and in APPENDIX B. The information to be provided shall include the financial statements of the City prepared in accordance with the accounting principles the City may be required to employ from time to time pursuant to State law or regulation and audited, if the audit is completed within the period during which they must be provided. If the audit of such financial statements

is not completed within such period, then the City shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six (6) month period, and audited financial statements when the audit report on such statement becomes available.

If the City changes its fiscal year, it will notify the MSRB of the change (and 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 Section.

The financial information and operating data to be provided pursuant to this Section 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 or filed with the SEC.

(a) Material Event Notices. The City shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- i. Principal and interest payment delinquencies;
- ii. Non-payment related defaults, if material;
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
- iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
- v. Substitution of credit or liquidity providers, or their failure to perform;
- vi. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS

Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

- vii. Modifications to rights of Bondholders, if material;
- viii. Bond calls, if material, and tender offers;
- ix. Defeasances;
- x. Release, substitution or sale of property securing repayment of the securities, if material;
- xi. Rating changes;

Note to paragraph (xi): For the purposes of the event identified in paragraph (k) of this section, the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

- xii. Bankruptcy, insolvency, or receivership, or similar event of the obligated person;
- xiii. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement or undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- xiv. Appointment of a successor or additional paying agent or the change of name of a paying agent, if material;
- xv. Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City any of which reflect financial difficulties.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with section (a) above. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

The City reserves the right to file all information and notices required under this Article through the facilities of DisclosureUSA or any other central post office approved by the SEC for such purpose.

(b) 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 Texas law 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, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT

SPECIFIED IN THIS SECTION OR FROM ANY STATEMENT MADE PURSUANT TO THIS SECTION. HOLDERS OR BENEFICIAL OWNERS OF BONDS MAY SEEK AS THEIR SOLE REMEDY A WRIT OF MANDAMUS TO COMPEL THE CITY TO COMPLY WITH ITS AGREEMENT.

No default by the City with respect to its continuing disclosure agreement shall constitute 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, if (i) the agreement, as amended, would have permitted the Underwriter to purchase or sell the Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of such rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to such amendment, or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the obligations and agreement in this Section if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the City may amend the agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent an underwriter from

lawfully purchasing or reselling the Bonds in the primary offering of the Bonds in compliance with the Rule. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided.

32. Repealer. All orders, resolutions, and ordinances, and parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistency.

33. Effective Date. This Ordinance shall be in force and effect from and after its final passage, and it is so ordered.

34. Amendment of Ordinance.

(a) If and to the extent permitted by this Ordinance, the owners of the Bonds aggregating in the principal amount of 51% of the aggregate principal amount of the outstanding Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City provided, however, that without the consent of the owners of all of the Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Bonds so as to:

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

(4) Modify the terms of payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment;

(5) Affect the owners of less than all of the outstanding Bonds then outstanding;

(6) Change the percentage of the principal amount of outstanding Bonds, necessary for consent to such amendment.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, 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 at the principal office of the Paying Agent for inspection by all owners of the Bonds. Such publication is not required, however, if notice in writing is given to each owner of the outstanding Bonds. Not less than thirty (30) days' notice of the proposed amendment shall also be given by the City to the Underwriter.

(c) Whenever at any time not less than thirty (30) days, and within one (1) year, from the date of the publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent, the City Council may adopt the amendatory resolution in substantially the same form.

(d) Upon adoption of any amendatory resolution pursuant to the provision of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties and Bonds under this Ordinance of the City and all the owners of then outstanding Bonds, shall thereafter be determined, exercised and enforced hereunder, subject in all respect to such amendments.

(e) Any consent given by the owner of the outstanding Bonds 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 owners of the same Bonds, 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 owner 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 owners of 51% in aggregate principal amount of the then outstanding Bonds, as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the owning of Bonds, by any owner of Bonds, and the amount and number of such Bonds, and the date of their owning same shall be determined by the Registration Books of the Paying Agent/Registrar.

(g) The foregoing provisions of this Section notwithstanding, the City by action of the City Council (or as item (2) by the City Council or by the Mayor, Mayor Pro Tem, City Manager or Chief Financial Officer as to changes prior to issuance to comply with requirements by the Attorney General of Texas or Underwriter) may amend this Ordinance for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the owners of bonds 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 clarifying matters or questions arising under this Ordinance, as are required by the Attorney General of Texas to obtain the Attorney General's approval of the issuance of the Bonds or required by the Underwriter before their issuance or for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or at any time before or after issuance as are necessary or desirable and not contrary to or inconsistent with this Ordinance, and in all events which shall not adversely affect the interests of the owners of the Bonds.

(3) 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 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 issued after the date of the adoption of such modification.

35. Related Matters. To satisfy in a timely manner all of the City's obligations under this Ordinance, the Mayor or Mayor Pro Tem, City Manager, Chief

Financial Officer, City Clerk or any Deputy City Clerk, and all other appropriate officers and agents of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance of the Bonds, including without limitation, executing and delivering on behalf of the City all Bonds, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the City's obligations under this Ordinance and to direct the application of funds of the City consistent with the provisions of this Ordinance.

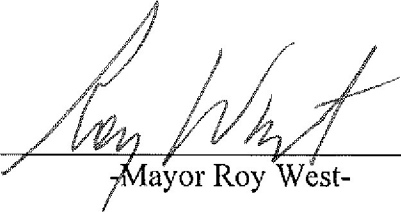
36. Open Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551 of the Texas Government Code.

37. 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 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 of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Parity Bonds and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Parity Bonds.

38. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such

section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

PASSED BY THE CITY COUNCIL of the City of Beaumont this 18th day of June, 2024.



Mayor Roy West-

ATTEST:



City Clerk, Tina Broussard

