

ORDINANCE NO. 24-\_\_\_\_\_

AN ORDINANCE CONSIDERING ALL MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE AND DELIVERY OF UP TO \$31,500,000 IN PRINCIPAL AMOUNT OF “CITY OF DENTON UTILITY SYSTEM REVENUE NOTES, SERIES 2024”; AUTHORIZING THE ISSUANCE OF THE NOTES; DELEGATING THE AUTHORITY TO CERTAIN CITY OFFICIALS TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE NOTES; APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING TO SAID NOTES; ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, defined terms used in this Ordinance shall have the meaning given said terms in Section 1 of this Ordinance, unless otherwise indicated herein; and

WHEREAS, the City of Denton, Texas (the “City” or the “Issuer”) is authorized pursuant to Chapter 1502, Texas Government Code, to own and operate the System; and

WHEREAS, Section 1502.002, Texas Government Code, authorizes the Issuer to “acquire, purchase, ...operate, or maintain any property ...with respect to: (1)(a) a utility system . . .”; and

WHEREAS, the Issuer, as part of the System, owns and operates an electric utility system that includes facilities for the generation, transmission and distribution of electric power to serve retail consumers in the Issuer and wholesale customers in other locations within the Electric Reliability Council of Texas service area; and

WHEREAS, Section 271.003(8), Local Government Code, defines “Personal Property” to include electricity, and the Issuer is authorized by the Texas Personal Property Finance Act (Chapter 271, Local Government Code) to finance Personal Property; and

WHEREAS, the Issuer's purchase and sale of electricity and the contract rights and obligations related thereto, are authorized purposes and functions of the Issuer for which the Issuer may issue public securities to finance property that constitute “public works” under Section 1371.001(8)(I), Texas Government Code (as provided below); and

WHEREAS, Section 1371.001(2), Texas Government Code, defines an “eligible project” to be the acquisition of a public works, and Section 1371.001(7), Texas Government Code, defines “project cost” as a cost or expense incurred in relation to an eligible project which would include the costs paid in connection to the Issuer's contractual obligations of buying and selling electricity; and

WHEREAS, based on the foregoing recitals, the Issuer may use the authority of Chapter 1371, Texas Government Code (“Chapter 1371”), in the issuance of revenue debt to finance payments made under a contract for the purchase of electricity as such payments constitute “project costs” under Chapter 1371 in that (i) Section 1371.001(7), Texas Government Code, defines “project cost” as a cost or expense incurred in relation to an “eligible project,” (ii) Section 1371.001(2), Texas Government Code, defines “eligible project” as the “the acquisition or construction of or an improvement, addition, or extension to a public works...”, (iii) Section 1371.001(8)(I), Texas Government Code, defines the term “public works” to mean “property . . . for the carrying out of a purpose or function for which an issuer may issue public securities”; accordingly, the purchase of electricity by the Issuer and making the payments therefore

constitutes a “public work” under Chapter 1371 and therefore a “project cost” that can be financed under the authority of Chapter 1371; and

WHEREAS, it is deemed advisable by the City Council of the Issuer to issue the Notes authorized by this Ordinance for the purpose financing the purchase of electricity; and

WHEREAS, the Issuer is an "issuer" within the meaning of Section 1371.001(4)(P) of Chapter 1371, having (i) a principal amount of at least \$100 million in outstanding long-term indebtedness, in long-term indebtedness proposed to be issued, or in a combination of outstanding or proposed long-term indebtedness and (ii) some amount of long-term indebtedness outstanding or proposed to be issued that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation; and

WHEREAS, the Notes are issued for the purpose of financing the purchase of electricity in accordance with the aforesaid provisions of Chapter 1502, Texas Government Code, the Texas Personal Property Finance Act and Chapter 1371; and

WHEREAS, the Issuer has heretofore issued its City of Denton Utility System Revenue Bonds, Series 2017 (the “*Series 2017 Bonds*”) and its City of Denton Utility System Revenue Bonds, Taxable Series 2021 (the “*Series 2021 Bonds*” and, together with the Series 2017 Bonds, the “Existing Bonds”); and

WHEREAS, in the ordinances adopted by the City Council of the City authorizing the issuance of the Existing Bonds, the City reserved the right to issue revenue bonds or notes on a parity with the Existing Bonds; and

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

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. DEFINITIONS.

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

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

“*Additional Senior Lien Obligations*” means bonds, notes, contractual obligations or other Debt which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 17 and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Notes and other Senior Lien Obligations.

“*Amortization Installment*” means, with respect to Senior Lien Obligations issued as Term Bonds, each mandatory sinking fund redemption of such Term Bonds (whether prior to maturity or at maturity),

provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

“*Annual Debt Service Requirements*” means, as of the date of calculation, the principal of and interest on all Senior Lien Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof or other demand conditioned upon default by the Issuer on such Debt, or be payable in respect of any required purchase of such Debt by the Issuer) in such Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Issuer:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt, except Term Bonds, due (or payable in respect of any required purchase of such Funded Debt by the Issuer) in any Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Year (such principal due in such Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as “*Balloon Debt*”), the amount of principal of such Balloon Debt taken into account during any Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

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

(3) Term Bonds. The principal of Term Bonds shall be considered as maturing in accordance with the Amortization Installments set forth in the ordinance authorizing same;

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

(5) Variable Rate. As to any Senior Lien Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Issuer, either (A) an interest rate equal to the average rate borne by such

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

(6) Committed Take Out. If the Issuer has entered into a Credit Agreement constituting a binding commitment within normal commercial practice to discharge any of its Funded Debt at its Maturity or Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such Debt is subject to required purchase, all under arrangements whereby the Issuer's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharging or purchase that would be due in the Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added;

(7) Credit Agreement Payments. If the Issuer has entered into a Credit Agreement in connection with an issue of Debt, payments due under the Credit Agreement (other than payments for fees and expenses), for either the Issuer or the Credit Provider, shall be included in such calculation, except to the extent that the payments are already taken into account under (1) through (6) above and any payments otherwise included above under (1) through (6) which are to be replaced by payments under a Credit Agreement, from either the Issuer or the Credit Provider, shall be excluded from such calculation; and

(8) Guarantee. In the case of any guarantee, as described in clause (2) of the definition of Debt, no obligation will be counted if the Issuer does not anticipate in its annual budget that it will make any payments on the guarantee. If, however, the Issuer is making payments on a guarantee or anticipates doing so in its annual budget, such obligation shall be treated as Senior Lien Obligations and calculations of annual debt service requirements with respect to such guarantee shall be made assuming that the Issuer will make all additional payments due under the guaranteed obligation. If the entity whose obligation is guaranteed cures all defaults and the Issuer no longer anticipates making payments under the guarantee, the guaranteed obligations shall not be included in the calculation of Annual Debt Service Requirements.

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

*“Average Annual Debt Service Requirements”* means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service

Requirements by the number of Years then remaining before Stated Maturity of such Senior Lien Obligations. For the purposes of this definition, a fractional period of a Year shall be treated as an entire Year.

“*Capital Addition*” means the construction or acquisition of improvements or rights that will increase the capacity of the System, or an interest therein, and which shall become a part of the System.

“*City Council*” means the City Council of the Issuer.

“*Chapter 1371*” means Chapter 1371, Texas Government Code, as amended.

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

“*Consulting Engineer*” means an independent engineer or firm employed by the Issuer to perform and carry out the duties imposed on such engineer or firm by this Ordinance and having a favorable reputation nationally for skill and experience in the engineering of waterworks systems, wastewater systems, electric utility systems or drainage systems of comparable size and character as those forming parts of the System.

“*Credit Agreement*” means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase Senior Lien Obligations, purchase or sale agreement, Interest Rate Management Agreement, or commitments or other contracts or agreements authorized, recognized and approved by the Issuer as a Credit Agreement in connection with the authorization, issuance, security, or payment of Senior Lien Obligations and on a parity therewith.

“*Credit Provider*” means any bank, financial institution, insurance company, surety bond provider, or other entity which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

“*Debt*” means:

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

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

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

“*Defeasance Securities*” means any securities and obligations now or hereafter authorized by the laws of the State of Texas that are eligible to refund, retire or otherwise discharge obligations such as the Notes.

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

“*Designated Financial Officer*” means the City Manager or the Chief Financial Officer (including, in each case, any person appointed to such position on an “acting” or “interim” basis and the official succeeding to such position after a title change), or such other official of the Issuer so designated by the Issuer.

“*DTC*” means The Depository Trust Company, New York, New York.

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

“*Electric System Fund*” means the special fund confirmed, established and maintained by and pursuant to the provisions of Sections 7 and 8.

“*Eligible Project*” means the acquisition or construction of improvements, additions or extensions to a Public Works, including capital assets and facilities incident and related to the operation, maintenance and administration thereof, and with respect to a property or a facility for the generation of electric power and energy, fuel acquisition or the development or transportation of power, energy, or fuel, all as provided in Chapter 1371.

“*Event of Default*” means an event as described in Section 28.

“*Funded Debt*” means all Senior Lien Obligations created or assumed by the Issuer 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 Issuer to a date, more than one year after the original creation or assumption of such Debt by the Issuer.

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

“*Initial Notes*” has the meaning assigned to such term in Section 2(c).

“*Interest and Sinking Fund*” means the special fund created, established and maintained by and pursuant to the provisions of Sections 7 and 10.

“*Interest Rate Management Agreement*” means an agreement that provides for an interest rate transaction, including a swap, basis, forward, option, cap, collar, floor, lock, or hedge transaction, a similar transaction, or any combination of those types of transactions, now or hereafter authorized by the laws of the State of Texas, including, without limitation, Chapter 1371.

“*Issuer*” means the City of Denton, Texas.

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

“*Maximum Annual Debt Service Requirements*” means the greatest amount of Annual Debt Service Requirements scheduled to occur in any future Year or in the then current Year for the particular obligations for which such calculation is made.

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

“*Note,*” “*Notes*” and “*Series 2024 Notes*” have the meaning assigned to such terms in Section 2(c).

“*Operating Expenses*” means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Issuer, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Senior Lien Obligations), and all payments under contracts for materials and services (including water supply contracts) provided to the Issuer that are required to enable the Issuer to render efficient service. The following shall never be considered as an Operating Expense: (1) depreciation, (2) franchise fees paid to the Issuer or transferred to the general fund or other fund of the Issuer, and (3) return on investment payments made to the Issuer or transferred to the general fund or other fund of the Issuer.

“*Ordinance*” means this ordinance finally adopted by the City Council on May 7, 2024.

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

(1) Senior Lien Obligations theretofore cancelled and delivered to the Issuer or delivered to the paying agent/registrar for the Senior Lien Obligation for cancellation;

(2) Senior Lien Obligations deemed paid pursuant to the provisions of Section 22 or any comparable section of any ordinance authorizing Additional Senior Lien Obligations;

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

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

“*Paying Agent/Registrar*” means the paying agent/registrar for the Notes, described in Section 4(a) and any successor thereto.

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

“*Pledged Revenues*” means

(1) the Net Revenues, plus

(2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer to the payment of the Senior Lien Obligations,

and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

“*Pricing Certificate*” means the certificate of the Pricing Officer referenced in Section 3 to be executed and delivered in connection with the initial issuance of each Series of Notes.

“*Pricing Officer*” means any one of the City Manager of the Issuer, the Chief Financial Officer of the Issuer or the Director of Finance of the Issuer (including any person appointed to such position on an “acting” or “interim” basis).

“*Project Costs*” means all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, rights-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, financing costs (including interest on obligations during the constitutionally permitted time period, and payments on credit agreements during and after construction, underwriter’s discount and/or fees for legal, financial, and other professional services). A Project Cost incurred before the issuance of the Notes issued to fund costs of an Eligible Project may be reimbursed from proceeds from the sale of the Notes, and such reimbursement shall be a “Project Cost.”

“*Public Works*” has the meaning set forth in Chapter 1371, including property or a facility for the generation, transmission, or distribution of electric power and energy and the acquisition, distribution, or storage of gas; such term includes the System.

“*Purchaser*” means the initial purchaser or purchasers of the Notes.

“*Rate Stabilization Reserve*” means a rate stabilization reserve created, established and maintained by and pursuant to the provisions of Section 12 in the Electric System Fund, the Wastewater System Fund or the Water System Fund.

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

“*Record Date*” means Record Date as defined in the FORM OF NOTE.

“*Registered Owner*” or “*Registered Owners*” means the registered owner, whose name appears in the Registration Books, for any Senior Lien Obligation.

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

“*Reserve Credit Facility*” means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, and (ii) a letter or line of credit issued by any financial institution, in each case meeting the requirements for such facility under any ordinance authorizing the issuance of Senior Lien Obligations that are to be secured by a debt service reserve fund.

“*Senior Lien Obligations*” means the Series 2017 Bonds, the Series 2021 Bonds, the Notes and any Additional Senior Lien Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the City Council in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

“*Senior Lien Obligation Reserve Requirement*” means the amount or a manner of calculating the amount established by each ordinance authorizing the issuance of Senior Lien Obligations that are to be secured by a debt service reserve fund to be held and maintained on deposit therein.

“*Series*” or “*Series of Notes*” means any designated series of Notes issued pursuant to this Ordinance.

“*Series 2017 Bond Ordinance*” means the ordinance adopted by the City Council of the City on June 21, 2016 authorizing the issuance of the Series 2017 Bonds.

“*Special Project*” means any water, wastewater, electric, drainage or other facilities of any kind or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of Special Project Bonds, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

“*Special Project Bonds*” means special revenue obligations of the Issuer which are not secured by the Pledged Revenues, but which are secured by and payable solely from liens on and pledges of any other revenues, sources, or payments, including, but not limited to, special contract revenues or payments received from the System, any other legal entity, or any combination thereof, in connection with a Special Project; and such revenues, 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 Project Bonds.

“*Special Record Date*” has the meaning assigned to such term in Section 4(d).

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

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

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

“*System Funds*” means, collectively, the Electric System Fund, the Wastewater System Fund and the Water System Fund.

“*Tax-Exempt Notes*” means any Note, the interest on which is excludable from gross income for federal income tax purposes.

“*Taxable Notes*” means any Note, the interest on which is includable in gross income for federal income tax purposes.

“*Term Bonds*” means those Senior Lien Obligations (if any) so designated pursuant to the terms of the ordinance authorizing their issuance, which shall be subject to retirement by operation of mandatory sinking fund redemptions.

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

“*Wastewater System Fund*” means the special fund confirmed, established and maintained by and pursuant to the provisions of Sections 7 and 8.

“*Water System Fund*” means the special fund confirmed, established and maintained by and pursuant to the provisions of Sections 7 and 8.

“*Year*” means the regular fiscal year used by the Issuer 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 Issuer.

## SECTION 2. RECITALS, AMOUNT, PURPOSE AND DESIGNATION OF THE NOTES.

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

(b) Amount; Purpose. The notes of the Issuer are hereby authorized to be issued and delivered in one or more Series in the maximum aggregate principal amount (determined without regard to premium or discount affecting the sale price) of \$31,500,000 for the public purpose of financing Project Costs of Eligible Projects, and to pay the costs associated with the issuance of the Notes.

(c) Designation of the Notes. Each note issued pursuant to this Ordinance shall be designated: "CITY OF DENTON UTILITY SYSTEM REVENUE NOTE, SERIES 2024" with each Series of Notes having a letter designation following the year, starting with "A", and with such changes as designated by the Pricing Officer pursuant to Section 3. Initially there shall be issued, sold, and delivered hereunder fully registered notes, without interest coupons, payable to the respective Registered Owners thereof (with the Initial Note being made payable to the Purchaser as described in Section 27 hereof). The terms "Notes" and "Series 2024 Notes" as used herein shall mean and include collectively all notes initially issued hereunder (the "Initial Notes") and all substitute notes exchanged therefor, as well as all other substitute notes and replacement notes issued pursuant hereto, and the term "Note" shall mean any of the Notes. The Notes shall be in the respective principal amounts, shall be numbered, shall mature and be payable on the date or dates in each of the years and in the principal amounts, and shall bear interest to their respective dates of maturity or redemption prior to maturity at the rates per annum, as set forth in the Pricing Certificate.

### SECTION 3. DELEGATION TO PRICING OFFICER.

(a) As authorized by Section 1371.053 of Chapter 1371, a Pricing Officer is hereby authorized to act on behalf of the Issuer in selling and delivering each Series of the Notes and carrying out the other procedures specified in this Ordinance, including, determining the date of sale of the Notes, the date of the Notes, any additional or different designation or title by which the Notes shall be known, the price at which the Notes will be sold, the years in which the Notes will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the interest payment and record dates, the use of capitalized interest, the price and terms upon and at which the Notes shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, whether any Series of Notes will be secured by a debt service reserve fund and the amount of any Senior Lien Obligation Reserve Requirement, whether a Series will be issued as Tax-Exempt Notes or Taxable Notes, the authorized denominations of and the method for the calculation of interest for any Taxable Notes and all other matters relating to the issuance, sale, and delivery of the Notes, including without limitation approving modifications to this Ordinance and executing such instruments, documents and agreements as may be necessary with respect to the issuance of the Notes, and obtaining municipal bond insurance for all or any portion of the Notes (including in connection therewith the execution of any commitment agreements, membership agreements in mutual insurance companies, and other similar agreements) and providing for the terms and provisions thereof applicable to the Notes, all of which shall be specified in the Pricing Certificate; provided that:

- (i) the aggregate original principal amount of the Notes shall not exceed \$31,500,000;
- (ii) the maximum stated maturity of the Notes shall not exceed five years from the date of issuance;
- (iii) the Notes shall bear interest at a fixed rate, and the net effective interest rate on the Notes shall not exceed the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Issuer in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, as amended);

- (iv) the delegation made hereby shall expire if not exercised by the Pricing Officer through execution of the Pricing Certificate on or prior to November 7, 2024; and
- (v) on or prior to delivery, the Notes shall be rated by a Rating Agency for municipal securities in one of the four highest categories for long-term obligations or one of the three highest rating categories for short-term obligations.

(b) In establishing the aggregate principal amount of a Series of Notes, the Pricing Officer shall establish an amount not exceeding, in aggregate with any other Series of Notes, the amount authorized in Subsection (a)(i) hereof, which shall be sufficient in amount to provide for the purposes for which the Series of Notes are authorized and to pay costs of issuing the Notes. Each Series of Notes shall be sold with and subject to such terms as set forth in the Pricing Certificate for such Series.

#### SECTION 4. CHARACTERISTICS OF THE NOTES.

(a) Appointment of Paying Agent/Registrar. The Pricing Officer shall designate in the Pricing Certificate a bank to act as the Paying Agent/Registrar for the Notes. A Pricing Officer is authorized and directed to execute and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar in substantially the form presented at this meeting.

(b) Registration, Transfer, Conversion and Exchange. The Issuer shall keep or cause to be kept Registration Books at the corporate trust office of the Paying Agent/Registrar, and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, conversions and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, conversions and exchanges as herein provided within three days of presentation in due and proper form. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Note to which payments with respect to the Notes shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, conversion, exchange and delivery of a substitute Note or Notes. Registration of assignments, transfers, conversions and exchanges of Notes shall be made in the manner provided and with the effect stated in the FORM OF NOTE set forth in this Ordinance. Each substitute Note shall bear a letter and/or number to distinguish it from each other Note.

(c) Authentication. Except as provided in subsection (g) of this Section, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Note, date and manually sign said Note, and no such Note shall be deemed to be issued or outstanding unless such Note is so executed. The Paying Agent/Registrar promptly shall cancel all paid Notes and Notes surrendered for conversion and exchange. No additional ordinances, resolutions, orders or other instruments need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange of any Note or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution and delivery of the substitute Notes in the manner prescribed herein. Pursuant to

Subchapter D, Chapter 1201, Texas Government Code, the duty of conversion and exchange of Notes as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Note, the converted and exchanged Note shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Notes which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

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

(e) Payment to Registered Owner. Notwithstanding any other provision of this Ordinance to the contrary, the Issuer and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Note is registered in the Registration Books as the absolute owner of such Note for the purpose of payment of principal and interest with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Notes only to or upon the order of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal of and interest on the Notes to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Note certificate evidencing the obligation of the Issuer to make payments of principal and interest pursuant to this Ordinance.

(f) Paying Agent/Registrar. The Issuer covenants with the registered owners of the Notes that at all times while the Notes 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 Notes under this Ordinance, and that the Paying Agent/Registrar will be one entity. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(g) Substitute Paying Agent/Registrar. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Notes, 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 Notes, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar.

(h) Book-Entry Only System. The Notes issued in exchange for the Notes initially issued to the purchaser or purchasers specified herein shall be initially issued in the form of a separate single fully registered Note for each of the maturities thereof and the ownership of each such Note may be registered in the name of Cede & Co., as nominee of DTC, and, if so registered in the name of Cede & Co., as nominee of DTC, except as provided in subsections (j) and (k) of this Section, all of the Outstanding Notes shall be registered in the name of Cede & Co., as nominee of DTC. The Pricing Officer shall designate in the Pricing Certificate whether the Notes are to be registered in the name of Cede & Co., as nominee of DTC, and subject to DTC's Book-Entry Only System.

(i) Blanket Letter of Representations. The previous execution and delivery of the Blanket Letter of Representations with respect to obligations of the Issuer is hereby ratified and confirmed; and the provisions thereof shall be fully applicable to the Notes. Notwithstanding anything to the contrary contained herein, while the Notes are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representations is hereby incorporated herein and its provisions shall prevail over any other provisions of this Ordinance in the event of conflict.

(j) Notes Registered in the Name of Cede & Co. With respect to Notes 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 to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Notes. 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 Notes, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of Notes, as shown on the Registration Books, of any notice with respect to the Notes, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Notes, as shown in the Registration Books of any amount with respect to principal of or interest on the Notes. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(k) Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Issuer to DTC or that it is in the best interest of the beneficial owners of the Notes that they be able to obtain certificated Notes, the Issuer shall (i) appoint a successor securities depository, qualified to act as such under Section 17A 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 Notes to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to DTC Participants having Notes credited to their DTC accounts. In such event, the Notes shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name

or names registered owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Ordinance.

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

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

(n) Cancellation of Initial Notes. On the closing date, one Initial Note representing the entire principal amount of a Series of the Notes, payable in stated installments to the Purchaser or its designee, executed by manual or facsimile signature of the Mayor and Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to such purchaser or its designee. In the event that the Notes are to be registered in the name of Cede & Co., as nominee of DTC, and subject to DTC's Book-Entry Only System, upon payment for such Initial Note, the Paying Agent/Registrar shall cancel such Initial Note and deliver to DTC on behalf of such purchaser one registered definitive Note for each year of maturity of such Notes, in the aggregate principal amount of all of the Notes for such maturity, registered in the name of Cede & Co., as nominee of DTC. To the extent that the Paying Agent/Registrar is eligible to participate in DTC's FAST System, pursuant to an agreement between the Paying Agent/Registrar and DTC, the Paying Agent/Registrar shall hold the definitive Notes in safekeeping for DTC.

SECTION 5. FORM OF NOTES. The form of the Notes ("FORM OF NOTE"), including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be attached to the Notes initially issued and delivered pursuant to this Ordinance, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance, and with the FORM OF NOTE to be modified pursuant to, and completed with information set forth in, the Pricing Certificate.

(a) FORM OF NOTE.

NO. R- UNITED STATES OF AMERICA  
STATE OF TEXAS  
CITY OF DENTON  
UTILITY SYSTEM REVENUE NOTE  
SERIES 2024

PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

Interest Rate      Delivery Date      Maturity Date      CUSIP No.

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the City of Denton, Texas (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above. The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from \_\_\_\_\_, \_\_\_\_\_ at the Interest Rate per annum specified above. Interest is payable on \_\_\_\_\_, \_\_\_\_\_ and semiannually on each \_\_\_\_\_ and \_\_\_\_\_ thereafter to the Maturity Date specified above, or the date of redemption prior to maturity; except, if this Note is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), 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 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; provided, however, that if on the date of authentication hereof the interest on the Note or Notes, if any, for which this Note is being exchanged is due but has not been paid, then this Note shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON this Note are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Note shall be paid to the Registered Owner hereof upon presentation and surrender of this Note at maturity, or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of \_\_\_\_\_, \_\_\_\_\_, which is the "Paying Agent/Registrar" for this Note. The payment of interest on this Note shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each 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 this Note (the "Note Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the \_\_\_\_\_ day of the month 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 such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date,

and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Note appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

THIS NOTE is one of a series of Notes dated \_\_\_\_\_, \_\_\_\_\_, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$\_\_\_\_\_ for the public purpose financing Project Costs of Eligible Projects, and to pay the costs associated with the issuance of the Notes.

ON \_\_\_\_\_, or on any date thereafter, the Notes of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Notes, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Note may be redeemed only in an integral multiple of [\$5,000]), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST [30] days prior to the date fixed for any redemption of Notes or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least [30] days prior to the date fixed for any such redemption, to the Registered Owner of each Note to be redeemed at its address as it appeared on the [45<sup>th</sup>] day prior to such redemption date; provided, however, that the failure of the Registered Owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Note. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Notes or portions thereof that are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Notes or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being Outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Note shall be redeemed, a substitute Note or

Notes having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of [\$5,000], at the written request of the Registered Owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Note Ordinance.

IF AT THE TIME OF MAILING of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized escrow agent immediately available funds sufficient to redeem all the Notes called for redemption, such notice may state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized escrow agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within five days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

ALL NOTES OF THIS SERIES are issuable solely as fully registered notes, without interest coupons, in the denomination of any integral multiple of [\$5,000]. As provided in the Note Ordinance, this Note may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate principal amount of fully registered Notes, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having the same 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 Note to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Note Ordinance. Among other requirements for such assignment and transfer, this Note 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 Note or any portion or portions hereof in any integral multiple of [\$5,000] to the assignee or assignees in whose name or names this Note or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Note may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Note or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Note or portion thereof will be paid by the Issuer. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, 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 Note or any 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 Notes is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Note Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the Registered Owners of the Notes.

THE NOTES are special obligations of the Issuer payable solely from and equally secured by a lien on and pledge of the Pledged Revenues of the Issuer's System (as defined in the Ordinance). Reference is

hereby made to the Note Ordinance for a more complete statement of the covenants and provisions securing the payment of this Note and the series of which it is one.

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

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation or from any sources whatsoever other than those described in the Note Ordinance.

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

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

BY BECOMING the Registered Owner of this Note, the Registered Owner thereby acknowledges all of the terms and provisions of the Note Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Note 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 Note and the Note Ordinance constitute a contract between each Registered Owner hereof and the Issuer.

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

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Secretary

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Mayor

(SEAL)

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

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Note 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 Note has been issued under the provisions of the Note Ordinance described in the text of this Note; and that this Note has been issued in conversion or replacement of, or in

exchange for, a note, notes, or a portion of a note or notes of a series that originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated: \_\_\_\_\_.

\_\_\_\_\_,  
Paying Agent/Registrar

By: \_\_\_\_\_  
Authorized Representative

(c) Form of Assignment.

ASSIGNMENT  
(Please print or type clearly)

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

Transferee's Social Security or Taxpayer Identification Number: \_\_\_\_\_

Transferee's name and address, including zip code: \_\_\_\_\_

the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney, to register the transfer of the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_.

Signature Guaranteed:

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

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

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

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_

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

Witness my signature and seal this \_\_\_\_\_.

(COMPTROLLER'S SEAL)

(e) Initial Note Insertions.

(i) The Initial Notes shall be in the form set forth in paragraph (a) of this Section, except that:

A. immediately under the name of the Note, the headings "Interest Rate" and "Maturity Date" shall both be completed with the words "As shown below" and "CUSIP No. \_\_\_\_\_" shall be deleted.

B. the first paragraph shall be deleted and the following will be inserted:

"THE CITY OF DENTON, TEXAS (the "Issuer"), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "Registered Owner"), on \_\_\_\_\_ in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>Years</u>	<u>Principal Installments (\$)</u>	<u>Interest Rates (%)</u>
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(Information for the Notes from the Pricing Certificate to be inserted)

The Issuer promises to pay interest on the unpaid principal amount hereof (calculated on the basis of a 360-day year of twelve 30-day months) from \_\_\_\_\_, \_\_\_\_ at the respective Interest Rate per annum specified above. Interest is payable on \_\_\_\_\_, \_\_\_\_\_, and semiannually on each \_\_\_\_\_ and \_\_\_\_\_ thereafter to the date of payment of the principal installment specified above, or the date of redemption prior to maturity; except, that if this Note is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), 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 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; provided, however, that if on the date of authentication hereof the interest on the Note or Notes, if any, for which this Note is being exchanged is due but has not been paid, then this Note shall bear interest from the date to which such interest has been paid in full."

C. The Initial Note shall be numbered "T-1."

SECTION 6. PLEDGE OF PLEDGED REVENUES.

(a) The Notes are "Additional Senior Lien Obligations" as permitted by Section 17 of the Series 2017 Bond Ordinance; and it is hereby determined, declared and resolved that Sections 1, 6 through 17, 19, 20, 21, 28 and 30 of this Ordinance are supplemental to and cumulative of such sections in the Series 2017 Bond Ordinance.

(b) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Senior Lien Obligations, including the establishment and maintenance of the special funds confirmed, created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Senior Lien Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Senior Lien Obligations, including the establishment and maintenance of the special funds created, confirmed, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued by the Issuer. The Senior Lien Obligations, and any interest payable thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues. The Senior Lien Obligations are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System.

(c) Chapter 1208, Government Code, applies to the issuance of the Notes and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Notes are Outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Registered Owners of the Notes a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

#### SECTION 7. SPECIAL FUNDS.

(a) There heretofore has been created and is hereby confirmed and ordered to be maintained on the books of the Issuer, a special fund entitled the "City of Denton Electric System Fund" (the "*Electric System Fund*").

(b) There heretofore has been created and is hereby confirmed and ordered to be maintained on the books of the Issuer, a special fund entitled the "City of Denton Wastewater System Fund" (the "*Wastewater System Fund*").

(c) There heretofore has been created and is hereby confirmed and ordered to be maintained on the books of the Issuer, a special fund entitled the "City of Denton Water System Fund" (the "*Water System Fund*").

(d) There heretofore has been created and is hereby confirmed and ordered to be maintained on the books of the Issuer so long as Senior Lien Obligations are Outstanding, a separate fund entitled "City of Denton Utility System Revenue Bonds Interest and Sinking Fund" (the "*Interest and Sinking Fund*").

(e) The Issuer may at any time combine any two or more of the Electric System Fund, Wastewater System Fund or Water System Fund into a single Fund. Any references in this Ordinance to any of the Funds so combined shall be deemed to refer to the newly combined Fund.

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

SECTION 8. SYSTEM FUNDS. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the System Funds immediately as collected and received except as otherwise provided in this Ordinance. All Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

SECTION 9. FLOW OF FUNDS.

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

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

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund, created and established for the payment of the Notes and any other Senior Lien Obligations as the same become due and payable.

Third: pro rata to the payment of the amounts required to be deposited and credited to each debt service reserve fund (including any payments under any Reserve Credit Facility) as may be created and established to maintain a reserve with respect to the Additional Senior Lien Obligations, if any, and in accordance with the provisions of the ordinances relating to the issuance of any Additional Senior Lien Obligations hereafter issued by the Issuer.

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

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

SECTION 10. INTEREST AND SINKING FUND.

(a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Senior Lien Obligations as the same become due and payable, including any Amortization Installment payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Senior Lien Obligations then coming due and payable. The Issuer shall deposit to the Interest and Sinking Fund the amounts required to be deposited therein with respect to Senior Lien Obligations in accordance with the ordinance authorizing such Senior Lien Obligations. The Issuer shall cause to be deposited to the credit of the Interest and Sinking Fund accrued interest received from the sale of the Notes, and on or before the last business day of each month, 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, including Amortization Installments, on the Notes on the next succeeding interest or principal payment date.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and in any debt service reserve fund created pursuant to Section 11, taking into account any Reserve Credit Facility held in or for the benefit of any such debt service reserve fund, is equal to the amount required to fully pay and discharge all Outstanding Senior Lien Obligations (principal, premium, if any, and interest) or (ii) the Senior Lien Obligations are no longer Outstanding.

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

(d) In allocating moneys on deposit in the Interest and Sinking Fund to pay the principal of, premium, if any, and interest on the Senior Lien Obligations as the same become due and payable among Senior Lien Obligations that are secured by a debt service reserve fund created pursuant to Section 11 and Senior Lien Obligations that are not secured by a debt service reserve fund, the Issuer shall not take amounts on deposit (including moneys or Reserve Credit Facilities) in the debt service reserve funds into account when making such allocations.

#### SECTION 11. DEBT SERVICE RESERVE FUNDS.

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

(b) The Issuer may issue Additional Senior Lien Obligations not secured by any debt service reserve fund.

SECTION 12. RATE STABILIZATION RESERVES. The Issuer may from time to time establish and maintain a Rate Stabilization Reserve in any one or more of the Electric System Fund, the Wastewater System Fund and the Water System Fund for so long as any Senior Lien Obligations remain outstanding and unpaid. The Issuer may at any time deposit to the credit of any Rate Stabilization Reserve any excess Net Revenues, after making required deposits hereinabove described to the Interest and Sinking Fund and any debt service reserve fund created in accordance with Section 11(a), and any other money received by the Issuer and available to be used therefor. Funds on deposit in a Rate Stabilization Reserve may be used, at the discretion of the Issuer, for capital additions and improvements to the System or any other lawful

purpose, or to enable the Issuer to satisfy its covenant set forth in Section 16(m). All interest or other earnings derived from the investment of money in a Rate Stabilization Reserve shall be credited to that Rate Stabilization Reserve. Money on deposit to the credit of a Rate Stabilization Reserve shall not be included as a revenue for purposes of satisfying the covenant set forth in Section 16(m), unless the Issuer transfers money from the Rate Stabilization Reserve to the System Funds for the sole purpose of enabling the Issuer to be in compliance with its covenant set forth in Section 16(m).

#### SECTION 13. DEFICIENCIES; EXCESS PLEDGED REVENUES.

(a) Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Senior Lien Obligations) to make the required deposits and credits to the Interest and Sinking Fund and any debt service reserve fund for Senior Lien Obligations, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to such funds.

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

#### SECTION 14. INVESTMENT OF FUNDS; VALUATION; FUNDS SECURED; TRANSFER OF INVESTMENT INCOME.

(a) Moneys in any fund established or maintained pursuant to this Ordinance may, at the option of the Issuer, be invested in Permitted Investments, 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. Moneys in a debt service reserve fund for Senior Lien Obligations shall not be invested in securities maturing later than the final maturity of the Senior Lien Obligations secured by such debt service reserve fund. Such investments shall be valued in terms of current market value as of the last day of each Year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at their par or face principal amount. Such investments shall be sold promptly when necessary to prevent any default in connection with the Notes or any Additional Senior Lien Obligations issued. To the extent not invested, moneys in any fund established pursuant to this Ordinance shall be secured in the manner prescribed by law for securing funds of the Issuer.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the Rate Stabilization Reserves or any debt service reserve fund created in accordance with Section 11, if the debt service reserve fund does not contain the Senior Lien Obligation Reserve Requirement) shall be credited to the System Funds semi-annually and shall constitute Gross Revenues.

SECTION 15. PAYMENT OF SENIOR LIEN OBLIGATIONS. While any of the Senior Lien Obligations are Outstanding, the Issuer shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Senior Lien Obligations as shall become due on each interest or principal payment date, or date of redemption of the Senior Lien Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each

respective paying agent/registrar for the Senior Lien Obligations by not later than 11:00 a.m. Central Time on the applicable payment date for the Senior Lien Obligations. The paying agent/registrar shall destroy all paid Senior Lien Obligations and furnish the Issuer with an appropriate certificate of cancellation or destruction.

SECTION 16. ISSUER COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any ordinance authorizing the issuance of Senior Lien Obligations, including this Ordinance, and in each and every Senior Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every Senior Lien Obligation on the dates and in the places and manner prescribed in such ordinances and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund.

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

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

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

(e) Operation of System; No Free Service. It will, while any Senior Lien Obligations are Outstanding, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the Issuer or any of its agencies, instrumentalities, lessors, or concessionaires make use of the services and facilities of the System, payment monthly of the standard retail price of the services provided shall be made by the Issuer or any of its agencies, instrumentalities, lessors, or concessionaires out of funds from sources other than the revenues of the System, unless made from surplus Pledged Revenues as permitted by Section 13(b).

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

(g) Sale or Disposal of Property. While any Senior Lien Obligations are Outstanding, 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, except as follows:

(1) To the extent permitted by law, the Issuer may sell, exchange or otherwise dispose of at any time and from time to time any property or facilities constituting part of the System only if (i) it shall determine such property or facilities are not useful in the operation of the System, (ii) the proceeds of such sale are \$500,000 or less, or it shall have received a certificate of a Designated Financial Officer stating in the opinion of the signer, that the fair market value of the property or facilities exchanged is \$500,000 or less, or (iii) if such proceeds or fair market value exceeds \$500,000 it shall have received a certificate of a Designated Financial Officer stating, in the opinion of the signer, that the sale or exchange of such property or facilities will not impair the ability of the Issuer to comply during the current or any future year with the provisions of clause (m) of this Section. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith, at the option of the Issuer (i) be used to redeem or purchase Senior Lien Obligations, (ii) otherwise be used to provide for the payment of Senior Lien Obligations, or (iii) be used for any other lawful purpose; and

(2) To the extent permitted by law, the Issuer may lease or make contracts or grant licenses for the operation of or make arrangements for the use of or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by the Issuer of the System and (ii) does not in any manner impair or adversely affect the rights or security of the owners of the Senior Lien Obligations under this Ordinance; and provided, further, that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of \$1,000,000, the Issuer shall have received a certificate of a Designated Financial Officer that the action of the Issuer with respect thereto does not result in a breach of the conditions under this clause (2). Any payments received by the Issuer under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

(h) Insurance. (1) The Issuer shall insure such parts of the System as would usually be insured by corporations operating like properties, with responsible insurance companies, or through self-insurance with adequate stop-loss reinsurance, against loss to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, insurance against the perils of fire, extended coverage and flooding and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the Issuer's attorney gives a written opinion to the effect that the Issuer is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All

such policies shall be open to the inspection of the Registered Owners and their agents and representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at a Depository, to be designated the Insurance Account. The Insurance Account shall be held until such time as 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; provided that the Issuer may, in its discretion, use funds in the Insurance Account for the redemption or purchase of Senior Lien Obligations.

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

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

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

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

(k) Records. It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the System, the Pledged Revenues, and the funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of a Registered Owner of Senior Lien Obligations; provided, that all books, documents, and vouchers relating to the City's electric system shall be made available for inspection only to the extent required by law, including, without limitation, the provisions of Section 552.133 of the Texas Government Code.

(l) Audits. After the close of each Year while any Senior Lien Obligation is Outstanding, it will cause an audit to be made of the books and accounts relating to the Issuer, including the System and the Pledged Revenues by an Accountant. Such annual audit reports shall be open to the inspection of the Registered Owners of Senior Lien Obligations and their agents and representatives at all reasonable times.

(m) Rate Covenant. It will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues, together with any other Pledged Revenues, sufficient (1) to pay all current Operating Expenses, and (2) to produce

Pledged Revenues for each Year at least equal to 1.00 times the Annual Debt Service Requirements of all then Outstanding Senior Lien Obligations for that Year, and (3) to produce amounts required to pay all other obligations of the System reasonably anticipated to be paid from Pledged Revenues during the current Year.

#### SECTION 17. ISSUANCE OF ADDITIONAL SENIOR LIEN OBLIGATIONS.

(a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver Additional Senior Lien Obligations for any purpose authorized by law, including for purposes of extending, improving or repairing the System and for the purpose of refunding of any Senior Lien Obligations, Subordinate Lien Obligations or other obligations of the Issuer incurred in connection with the ownership or operation of the System. Such Additional Senior Lien Obligations, if and when authorized, issued and delivered in accordance with this Ordinance and any ordinance hereafter adopted authorizing the issuance or incurrence of Additional Senior Lien Obligation, shall be secured by and made payable equally and ratably on a parity with all other Senior Lien Obligations at the time Outstanding and unpaid, from a first lien on and pledge of the Pledged Revenues herein granted.

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

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

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

(2) A Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the month in which the then proposed Additional Senior Lien Obligations are to be issued, the Net Revenues are equal to the lesser of (A) at least 1.25 times the Average Annual Debt Service Requirements, or (B) at least 1.10 times the Maximum Annual Debt Service Requirements, of, in either case, the Senior Lien Obligations to be Outstanding after the issuance of the then proposed Additional Senior Lien Obligations.

(d) If the proceeds of the Additional Senior Lien Obligations are to be used to construct or acquire a Capital Addition, the certificate required by clause (c)(2) above shall not be required, and the following two certificates shall be required:

(1) A Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the month in which the then proposed Additional Senior Lien Obligations are to be issued, the Net Revenues are equal to the lesser of (A) at least 1.25 times the Average Annual Debt Service Requirements, or (B) at least 1.10 times the Maximum Annual Debt Service Requirements, of, in either case, the Senior Lien Obligations to be Outstanding at the time of the issuance of the then proposed Additional Senior Lien Obligations (but excluding the Additional Senior Lien Obligations then being issued); and

(2) An Accountant or a Consulting Engineer shall have executed a certificate to the effect that the projected Net Revenues will be, in the person's or its opinion, for each of the five (5) Years subsequent to the date the Capital Addition becomes commercially operative (as estimated in the engineering report pertaining thereto) equal to the lesser of (A) at least 1.25 times the Average Annual Debt Service Requirements, or (B) at least 1.10 the Maximum Annual Debt Service Requirements, of, in either case, Senior Lien Obligations then Outstanding and all Additional Senior Lien Obligations then estimated to be issued, if any, for all improvements to the System and for all Capital Additions then in progress or then being initiated during the period from the date the first series of obligations for the Capital Addition is to be delivered through the fifth Year subsequent to the date the Capital Addition is estimated to become commercially operative.

(e) Payments to be made under a Credit Agreement may be treated as a payment in respect of a Senior Lien Obligation and secured by Pledged Revenues if the City Council makes a finding in the ordinance authorizing the execution and delivery of a Credit Agreement as a Senior Lien Obligation that, based upon the findings contained in a certificate executed and delivered by a Designated Financial Officer, the Issuer will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the System and the financial obligations of the Issuer relating to the System after giving effect to the treatment of the Credit Agreement as a Senior Lien Obligation. The payment obligations incurred by the Issuer under a Credit Agreement shall not be treated as a Senior Lien Obligation unless the form of such Credit Agreement is approved by ordinance or resolution adopted by the City Council.

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

(g) Senior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Issuer may deem to be in the best interest of the Issuer and its inhabitants, and if less than all such Outstanding Senior Lien Obligations are refunded, the proposed refunding bonds shall be considered as "Additional Senior Lien Obligations" under the provisions of this Section and the certificate required in clause (c)(2) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

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

SECTION 18. [RESERVED].

SECTION 19. NO ISSUANCE OF OBLIGATIONS SENIOR TO THE SENIOR LIEN OBLIGATIONS. The Issuer covenants and agrees that it will not issue any obligations payable from and secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, senior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Senior Lien Obligations, it being the intent of the Issuer that upon the issuance of the Notes, the Issuer will finance improvements and extensions of the System and refinance revenue obligations issued for the purpose of improving and extending the System with Senior Lien Obligations, Subordinate Lien Obligations or other obligations not issued on a parity with Senior Lien Obligations.

SECTION 20. ISSUANCE OF SUBORDINATE OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Senior Lien Obligations, as may be authorized by the laws of the State of Texas.

SECTION 21. ISSUANCE OF SPECIAL PROJECT BONDS. Nothing in this Ordinance shall be construed to deny the Issuer the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project Bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

SECTION 22. DEFEASANCE OF NOTES.

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

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

(c) Until all Defeased Notes shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Notes 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.

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

#### SECTION 23. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED NOTES.

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

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

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

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

(e) Authority for Issuing Replacement Notes. In accordance with Section 1206.022, Texas Government Code, this Section 23 shall constitute authority for the issuance of any such replacement Note without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Notes is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Notes in the form and manner and with the effect, as provided in Section 4(a) for Notes issued in conversion and exchange for other Notes.

SECTION 24. CUSTODY, APPROVAL, AND REGISTRATION OF NOTES; BOND COUNSEL'S OPINION; CUSIP NUMBERS.

(a) The Mayor of the Issuer and each Designated Financial Officer are hereby authorized to have control of the Notes initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Notes pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Notes said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Notes, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Note. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Notes issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Notes. In addition, if bond insurance is obtained, the Notes may bear an appropriate legend as provided by the insurer.

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

SECTION 25. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE NOTES.

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

(1) to take any action to assure that no more than 10 percent of the proceeds of the Tax-Exempt Notes (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Tax-Exempt Notes, 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 Tax-Exempt Notes or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

(4) to refrain from taking any action that would otherwise result in the Tax-Exempt Notes 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 Tax-Exempt Notes 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 Tax-Exempt Notes, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Tax-Exempt Notes, other than investment property acquired with:

(A) proceeds of the Tax-Exempt Notes invested for a reasonable temporary period of three years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the rules and regulations of the United States Department of the Treasury (“*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 Tax-Exempt Notes;

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

(8) to refrain from using the proceeds of the Tax-Exempt Notes or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Notes 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 Tax-Exempt Notes) 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 Tax-Exempt Notes have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) Rebate Fund. In order to facilitate compliance with the above covenant (a)(9), a “Rebate Fund” is hereby established by the Issuer for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the Noteholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), the Issuer understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds

expended prior to the date of issuance of the Tax-Exempt Notes. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the United States Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Tax-Exempt Notes, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Tax-Exempt Notes under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Tax-Exempt Notes, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Tax-Exempt Notes under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor or Pricing Officer to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Tax-Exempt Notes.

(d) Disposition of Project. The Issuer covenants that the property constituting the projects refinanced with the Tax-Exempt Notes will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Tax-Exempt Notes. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains a legal opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### SECTION 26. COVENANTS REGARDING TAXABLE NOTES.

(a) To the extent required by the Code, and the rules and regulations of the United States Department of the Treasury, it shall be the duty of the Paying Agent/Registrar to report to the owners of the Taxable Notes and the Internal Revenue Service (i) the amount of “reportable payments,” if any, subject to back up withholding during each year and the amount of tax withheld, if any, with respect to the payments on the Taxable Notes and (ii) the amount of interest or amount treated as interest, such as original issue discount, on the Taxable Notes required to be included in the gross income of the owners thereof for federal income tax purposes.

(b) It is the intention of the Issuer that the Taxable Notes not be obligations described in section 103 of the Code interest on which is excludable from the gross income of the holders and in that regard the Issuer agrees not to file a form 8038 G, or any comparable information return relating to tax-exempt obligations, with the Internal Revenue Service.

SECTION 27. SALE OF NOTES; OFFICIAL STATEMENT; NOTE INSURANCE; FURTHER PROCEDURES.

(a) Sale of Notes. Each Series of Notes shall be sold and delivered subject to the provisions of Section 2 and Section 3 through a negotiated sale, competitive sale or private placement and pursuant to the terms and provisions of a purchase contract or a notice of sale and official bid form (in each case, a “*Purchase Agreement*”), the terms and provisions of which are to be determined by the Pricing Officer in accordance with Section 3, and in which the purchaser or purchasers of the Notes (the “*Purchaser*”) shall be designated. The Pricing Officer is hereby authorized to execute and deliver one or more Purchase Agreements for and on behalf of the Issuer. The Notes shall initially be registered in the name of the Purchaser or its designee.

(b) Official Statement. The Pricing Officer is hereby authorized, in the name and on behalf of the Issuer, to approve, distribute, and deliver one or more preliminary official statements or other preliminary offering document relating to the Notes and any addenda, supplement or amendment thereto, and approves the distribution of such preliminary official statement or other preliminary offering document in the offering of the Notes by the Purchaser in final form, with such changes therein or additions thereto as the Pricing Officer may deem advisable. The Pricing Officer is hereby authorized, in the name and on behalf of the Issuer, to approve, distribute, and deliver one or more final official statement or other a final offering document relating to the Notes to be used by the Purchaser in the marketing of the Notes.

(c) Note Insurance. The Pricing Officer is authorized, in connection with effecting the sale of the Notes, to obtain from a municipal bond insurance company so designated in the Pricing Certificate (the “*Insurer*”) a municipal bond insurance policy (the “*Insurance Policy*”) in support of the Notes. To that end, should the Pricing Officer exercise such authority and commit the Issuer to obtain a municipal bond insurance policy, for so long as the Insurance Policy is in effect, the requirements of the Insurer relating to the issuance of the Insurance Policy as set forth in the Pricing Certificate are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary. The Pricing Officer shall have the authority to execute any documents to effect the issuance of the Insurance Policy by the Insurer, including commitment agreements, membership agreements in mutual insurance companies and other similar agreements.

(d) Further Procedures. The Mayor and Mayor Pro Tem, the City Manager, the Chief Financial Officer and City Secretary and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Paying Agent/Registrar Agreement with the Paying Agent/Registrar, a covenant agreement with the Purchaser, and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Pricing Certificate, the Notes, the sale of the Notes, any Purchase Agreement and any official statement or other offering document. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, 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 28. DEFAULT AND REMEDIES.

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

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

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

(b) Remedies for Default.

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

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

(c) Remedies Not Exclusive.

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

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

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

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

SECTION 29. COMPLIANCE WITH RULE 15c2-12.

To the extent required by the provisions of the Rule for the issuance of the Notes or as otherwise agreed to by the Issuer as indicated in the Pricing Certificate, the Issuer agrees to file financial information and operating data with respect to the Notes as follows in this Section.

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

“*Financial Obligation*” means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“*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.

(i) The Issuer shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the “*Annual Operating Report*”) with respect to the Issuer of the general type included in the final official statement or other offering document authorized by this Ordinance, being the information described in the Pricing Certificate. The Issuer will additionally provide financial statements of the Issuer (the “*Financial Statements*”), that will be (i) prepared in accordance with the accounting principles described in the Pricing Certificate or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in the final official statement or other offering document and (ii) audited, if the Issuer commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The Issuer will update and provide the Annual Operating Report within six months after the end of each Year and the Financial Statements within 12 months of the end of each Year, in each case beginning with the Year ending in and after 2020. The Issuer may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such Year end, then the Issuer shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable Year, when and if the audit report on such Financial Statements becomes available.

(ii) If the Issuer 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 Issuer 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 that is available to the public on the MSRB's internet website or filed with the SEC. All documents provided to the MSRB pursuant to this Section shall be accompanied by identifying information as prescribed by the MSRB.

(c) Event Notices.

(i) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Notes, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of Registered Owners;

3. Note calls;

4. Release, substitution, or sale of property securing repayment of the Notes;

5. 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 to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

6. Appointment of a successor or additional trustee or the change of name of a trustee; and

7. Incurrence of a Financial Obligation of the Issuer or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders.

(ii) The Issuer shall notify the MSRB in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Notes, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Notes, or other material events affecting the tax-exempt status of the Notes;

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of an obligated person;  
and

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(iii) The Issuer shall notify the MSRB, in a timely manner, of any failure by the Issuer 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.

(i) The Issuer shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Issuer remains an “obligated person” with respect to the Notes within the meaning of the Rule, except that the Issuer in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes Notes no longer to be Outstanding.

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the Notes, 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 Issuer 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 Issuer'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 Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Notes at any future date.

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

(iv) No default by the Issuer 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 Issuer under federal and state securities laws.

(v) Should the Rule be amended to obligate the Issuer to make filings with or provide notices to entities other than the MSRB, the Issuer hereby agrees to undertake such obligation with respect to the Notes in accordance with the Rule as amended. The provisions of this Section may be amended by the Issuer 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 Issuer, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes 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 registered owners 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 Notes consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Notes. The Issuer 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 Notes in the primary offering of the Notes. If the Issuer so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (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.

(e) Amendment of the Rule; Revisions of this Section. The provisions of this Section shall be revised by the Pricing Officer to reflect the requirements of the Rule if the Rule is amended after the adoption of this Ordinance but prior to the delivery of the Notes so as to permit an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule. The provisions of this Section may also be revised by the Pricing Officer prior to the delivery of the Notes if the Pricing Officer determines such revisions are necessary or desirable. Any such revisions shall be set forth in the Pricing Certificate and are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary.

### SECTION 30. METHOD OF AMENDMENT.

(a) The Registered Owners of Senior Lien Obligations of a majority of the aggregate principal amount of then Outstanding Senior Lien Obligations thereby affected (for purposes of this sentence only, 100% of the aggregate principal amount of Senior Lien Obligations which are insured by a bond insurance provider at the time that the Issuer seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of the Registered Owners of all of the Senior Lien Obligations at the time Outstanding thereby affected, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Senior Lien Obligations so as to:

- (1) Make any change in the maturity of any of the Outstanding Senior Lien Obligations;
- (2) Reduce the rate of interest borne by any of the Outstanding Senior Lien Obligations;
- (3) Reduce the amount of the principal payable on the Outstanding Senior Lien Obligations;
- (4) Modify the terms of payment of principal of or interest on the Outstanding Senior Lien Obligations or impose any conditions with respect to such payment;
- (5) Affect the rights of the Registered Owners of less than all of the Senior Lien Obligations then Outstanding;
- (6) Change the minimum percentage of the principal amount of Senior Lien Obligations necessary for consent to such amendment; or
- (7) Amend this subsection (a) of this Section.

(b) If at any time the Issuer shall desire to amend the Ordinance under this Section, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two (2) successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all Registered Owners of Senior Lien Obligations. Such publication is not required, however, if notice in writing is given to each Registered Owner of Senior Lien Obligations.

(c) Whenever at any time the Issuer shall receive an instrument or instruments executed by the Registered Owners of at least a majority in the aggregate principal amount of all Senior Lien Obligations then Outstanding thereby affected, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the Issuer and all the Registered Owners of then Outstanding Senior Lien Obligations and all future Senior Lien Obligations 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 Senior Lien Obligation pursuant to the provisions of this Section shall be irrevocable for a period of twelve (12) months from the date of the first publication of the notice or other service of written notice provided for in this Section, and shall be conclusive and binding upon all future Registered Owners of the same Senior Lien Obligation during such period. Such consent may be revoked at any time after twelve (12) months from the date of the first publication of such notice or other service of written notice by the Registered Owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the Issuer, but such revocation shall not be effective if the Registered Owners of a majority in aggregate principal amount of the then Outstanding Senior Lien Obligations as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) The fact of the owning of Senior Lien Obligations issued in registered form without coupons and the amounts and numbers of such Senior Lien Obligations and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. The Issuer may conclusively assume that such ownership continues until such ownership is changed on the Registration Books. For purposes of this Section, the notional amount attributable to a Credit Agreement that is treated as a Senior Lien Obligation shall be deemed to be the principal amount of such Senior Lien Obligation.

(g) The foregoing provisions of this Section notwithstanding, the Issuer by action of the City Council may amend this Ordinance without the consent or approval of any Registered Owners of Senior Lien Obligations for any one or more of the following purposes:

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

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, including, without limitation, those matters described in Section 29(d)(v), or those matters necessary to obtain a rating on the Notes or to obtain the approving opinion of the Attorney General of Texas as required by law, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the Registered Owners of the Senior Lien Obligations;

(3) To make such changes, modifications and amendments as may be necessary or desirable, which shall not adversely affect the interests of the Registered Owners of Outstanding Senior Lien Obligations, in order to obtain or maintain a Credit Agreement or a Credit Facility;

(4) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Senior Lien Obligations Outstanding at the date of the adoption of such modification shall cease to be Outstanding, and (ii) such modification shall be specifically referred to in the text of all Senior Lien Obligations issued after the date of the adoption of such modification.

SECTION 31. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

SECTION 32. NO PERSONAL LIABILITY. No recourse shall be had for payment of the principal of or interest on any Notes or for any claim based thereon, or on this Ordinance, against any official or employee of the Issuer or any person executing any Note.

SECTION 33. RULES OF CONSTRUCTION. That for all purposes of this Ordinance, unless the context requires otherwise, all references to designated Sections and other subdivisions are to the Sections and other subdivisions of this Ordinance. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Ordinance is adopted by the Issuer and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Ordinance shall be deemed to include the payment of Amortization Installments (if any). Any reference to "FORM OF NOTE" shall refer to the form of the Notes set forth in Section 5, as modified in a Pricing Certificate. The calculation of Average Annual Debt Service Requirements as may be required by this Ordinance shall be made at the beginning of each Year and shall be the sum of the Annual Debt Service Requirements due for the current and each subsequent Year in which the Senior Lien Obligations are outstanding divided by the number of such Years, or partial Years, if applicable. The words "owner" and "holder" and "noteholder", as used in this Ordinance, shall mean the registered or beneficial owner of a Note.

SECTION 34. OPEN MEETING. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SECTION 35. IMMEDIATE EFFECTIVE DATE. This Ordinance shall take effect and be in force immediately upon and after its adoption by the City Council in accordance with the provisions of Section 1201.028, Texas Government Code, and it is accordingly so resolved.

The motion to approve this Ordinance was made by \_\_\_\_\_ and seconded by \_\_\_\_\_

\_\_\_\_\_. This Ordinance was passed and approved by the following vote [\_\_ – \_\_]:

	<b>Aye</b>	<b>Nay</b>	<b>Abstain</b>	<b>Absent</b>
Mayor Gerard Hudspeth:	_____	_____	_____	_____
Vicki Byrd, District 1:	_____	_____	_____	_____
Brian Beck, District 2:	_____	_____	_____	_____
Paul Meltzer, District 3:	_____	_____	_____	_____
Joe Holland, District 4:	_____	_____	_____	_____
Brandon Chase McGee, At Large Place 5:	_____	_____	_____	_____
Chris Watts, At Large Place 6:	_____	_____	_____	_____

PASSED, APPROVED AND EFFECTIVE this May 7, 2024.

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GERARD HUDSPETH, MAYOR

ATTEST:  
LAUREN THODEN, CITY SECRETARY

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APPROVED AS TO LEGAL FORM:  
MACK REINWAND, CITY ATTORNEY

**Susan Keller**

Digitally signed by Susan Keller  
DN: dc=com, dc=cityofdenton, dc=codad,  
ou=Department Users and Groups, ou=General  
Government, ou=Legal, cn=Susan Keller,  
email=Susan.Keller@cityofdenton.com  
Date: 2024.04.10 16:27:02 -05'00'

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