

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF \$425,000, EL PASO PUBLIC IMPROVEMENT DISTRICT NO. 1 (THUNDER CANYON) SPECIAL ASSESSMENT REVENUE BONDS, SERIES 2007; PROVIDING FOR THE PAYMENT OF SAID BONDS BY A PLEDGE OF REVENUES DERIVED FROM SPECIAL ASSESSMENTS; PROVIDING THE TERMS AND CONDITIONS OF SUCH BONDS AND ENACTING OTHER PROVISIONS RELATING THERETO

RECITALS

WHEREAS, the City Council of the City of El Paso, Texas (the "City"), has previously found and determined that it was in the best interests of the City and the petitioning property owners of the City to create a public improvement district, pursuant to the provisions of the Public Improvement District Assessment Act, as amended, Texas Local Government Code, Chapter 372 (the "Act"); and

WHEREAS, on July 21, 2006, a petition signed by the requisite number of property owners located within the proposed public improvement district was submitted to and filed with the City Clerk requesting that the City Council create a public improvement district in the City; and

WHEREAS, the aforementioned petition was submitted in compliance with the provisions of Section 372.005 of the Act; and

WHEREAS, notice of a public hearing to consider the advisability of the improvements was published in a newspaper of general circulation on December 26, 2006, disclosing the City Council's intention to consider the creation of a public improvement district; and

WHEREAS, written notice of the scheduled public hearing was mailed on December 26, 2006, to each, property owner located within the proposed public improvement district; and

WHEREAS, on January 16, 2007, the City Council held a public hearing conforming to the requirements of Section 372.009 of the Act on the advisability of the improvements; and

WHEREAS, pursuant to Section 372.009(b) of the Act, the City Council, on January 16, 2007, passed and approved a Resolution making certain findings as to the advisability of the improvements, the nature of the improvements, the boundaries of the proposed public improvement district, the method of assessment, and the apportionment of the costs between the proposed public improvement district and the City as a whole and authorizing creation of the El Paso Public Improvement District No. 1 (Thunder Canyon) (the "District") thereby establishing the exact boundaries of the District; and

WHEREAS, no portion of the District is located within the extraterritorial jurisdiction of the City; and

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WHEREAS, such authorization took effect on January 25, 2007, the date on which notice of the creation of the District was published in the *El Paso Times*, a newspaper of general circulation in the City; and

WHEREAS, no protest, satisfying the requirements of Section 372.010(c) of the Act, has been filed with any official of the City; and

WHEREAS, pursuant to the provisions of Sections 372.013 and 372.014 of the Act, a Service and Assessment Plan was prepared and submitted to the City Council for review which was set for a public hearing before the City Council to be held on April 3, 2007; and.

WHEREAS, the Service and Assessment Plan provides that the cost of the improvements authorized by Section 372.003 of the Act (the "Authorized Improvements") will be paid by Special Assessments levied against property located within the District; and

WHEREAS, the Service and Assessment Plan provides that the City Council apportion the cost of the Authorized Improvements according to the ad valorem value of the improved property within the District according to the City's 2005 certified tax rolls, with such an apportionment resulting in the imposition of equal shares of the cost on property similarly benefited within the District; and

WHEREAS, based upon the aforementioned method of apportionment, the City Council has prepared and filed an Assessment Roll establishing the proposed Special Assessment against each parcel of property within the District, all as provided in Section 372.016 of the Act; and

WHEREAS, a notice was published on March 23, 2007 and April 5, 2007, in the *El Paso Times*, evidencing the City Council's intention to consider the proposed Special Assessments at a public hearing; and

WHEREAS, written notice of the scheduled public hearing was mailed on March 22, 2007, to each property owner residing within the District; and

WHEREAS, on April 3, 2007, the City Council held a public hearing to hear and pass on any objections to the proposed Special Assessments, and the public hearing was continued until April 17, 2007; and

WHEREAS, on April 17, 2007, the City Council adopted an Ordinance (the "Assessment Ordinance") approving the Service and Assessment Plan for the District and levied assessments as Special Assessments on each parcel of property within the District, all as provided in Section 372.017 of the Act; and

WHEREAS, pursuant to the Assessment Ordinance, the City permits the Special Assessments to be paid in installments (including interest on installment payments), established the penalties and interest on delinquent installments, and established the procedure for collection of the Special Assessments; and

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WHEREAS, the Assessment Ordinance provides the mechanism and procedure that will be utilized to collect and enforce the Special Assessments in periodic installments being the same procedures that the City currently employs to collect and enforce its annual ad valorem tax; and

WHEREAS, Sections 372.019 and 372.020 of the Act establish a mechanism for the City to make supplemental assessments to correct errors in the original Special Assessments, and a mechanism for reassessment in the event any Special Assessment is invalid or excessive; and

WHEREAS, the Act provides that an assessment or any reassessment, the expense of collection, and reasonable attorney's fees, if incurred, are a first and prior lien against the property assessed, superior to all other liens and claims except liens or claims for state, county, city, school district, or other political subdivision, ad valorem taxes, and are a personal liability of and charge against the owners of the property regardless of whether the owners are named; and

WHEREAS, Section 372.023 of the Act authorizes the City, through the District, to issue revenue bonds payable solely from Special Assessments; and

WHEREAS, the City Council has determined to pay the costs of the Authorized Improvements by the issuance of special assessment revenue bonds designated as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007" (the "Bonds"), dated April 15, 2007, in the original principal amount of \$425,000; and

WHEREAS, the terms and conditions of the Bonds and the pledge of the revenues derived from Special Assessments which must be collected on an annual basis while any of the Bonds remain Outstanding will be controlled by the provisions of this Ordinance and Sections 372.025 and 372.026 of the Act or any other applicable law; and

WHEREAS, the City Council further finds and determines that the aforementioned Bonds should be issued and sold at this time; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO, TEXAS:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the lien on and pledge of the Special Assessment Revenues (hereinafter defined) to the payment of the Bonds, the following words and terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

“Act” means the Public Improvement District Assessment Act, as amended, Texas Local Government Code, Chapter 372.

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“Administrative Expense Assessment” means the minimum annual special assessment levied by the Assessment Ordinance or such larger amount as may be levied by the City in the future to pay the annual costs of the administration and operation of the District.

“Administrative Expense Fund” means the fund established in Section 6.05 of this Ordinance.

“Administrative Expenses” means the administrative and operation costs associated with the establishment, administration, and operation of the District, including, without limitation, the costs of (a) collecting Special Assessments or the installments thereof, (b) maintaining the record of installments of the Special Assessments and the system of registration and transfer of the Bonds, (c) paying and redeeming the Bonds, (d) investing or depositing of monies, (e) complying with the Code with respect to the Bonds (other than any such costs which constitute City Administrative Expenses payable as an expense of issuing the Bonds), (f) paying the fees and expenses of the Paying Agent/Registrar, and (g) paying the costs of administering the acquisition of the Authorized Improvements.

“Assessment Ordinance” means the Ordinance adopted by the City Council on April 17, 2007, and any amendment or supplement thereto that may be hereafter adopted by the City Council, levying annual Administrative Expense Assessments, and levying Special Assessments to pay the Debt Service Requirements on the Bonds against each eligible parcel of land in the District and providing that such Special Assessments be paid in periodic installments in amounts necessary to pay Administrative Expenses and the Debt Service Requirements on the Bonds, respectively.

“Assessment Fund” means the fund established in Section 6.01 of this Ordinance.

“Assessment Prepayment Fund” means the fund established in Section 6.04 of this Ordinance.

“Assessment Roll” means the Assessment Roll, attached hereto as Exhibit "A", [Exhibit "C" to the Service and Assessment Plan which is attached as Exhibit "B" to the assessment ordinance (the "Assessment Ordinance")], as amended from time to time in accordance with the Act, which shows, among other things, the properties within the District subject to Special Assessments, the owner of the property assessed, the amount assessed, and the installment payments on the Special Assessments.

“Authorized Denomination” means the denomination of the Bonds which shall be \$5,000 or any integral multiple thereof except as otherwise provided in Section 2.03 of this Ordinance.

“Authorized Improvements” means the improvements described in the Service and Assessment Plan.

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“Authorized Investments” means obligations that are eligible for investment by the City pursuant to the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended.

“Bonds” means any Bonds or all Bonds of the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007", dated April 15, 2007, authorized by this Ordinance.

“Business Day” means any day which is not a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, or a legal holiday.

“City” means the City of El Paso, Texas.

“City Council” means the governing body of the City.

“City Manager” means the City Manager of the City.

“Closing Date” means the date of physical delivery of the Initial Bonds for payment in full by the initial purchasers thereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Comptroller” means the Comptroller of Public Accounts of the State of Texas.

“Debt Service Fund” means the debt service fund created in Section 6.02 of this Ordinance.

“Debt Service Requirements” means, as of any particular date of computation, with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside by the Paying Agent/Registrar on behalf of the City as of such date or in such period for the payment of the Principal Installment, premium, if any, and interest (to the extent not capitalized) on such Bonds.

“Deputy City Manager” means the Deputy City Manager – Financial and Administrative Services of the City.

“District” means the El Paso Public Improvement District No. 1 (Thunder Canyon) established by the City pursuant to the provisions of the Act by Resolution adopted on January 16, 2007.

“Exchange Bonds” means Bonds registered, authenticated, and delivered by the Paying Agent/Registrar, as provided in Section 2.11 of this Ordinance.

“Fiscal Year” means the twelve (12) month accounting period used by the City which may be any twelve (12) consecutive month period established by the City which currently ends on September 30.

“Foreclosure Proceeds” means the amounts received by the City from the judicial sale of assessed property within the District as a result of the nonpayment of Special Assessments.

“Holder or Holders” means the registered owner, whose name appears in the Register, for any Bond.

“Improvement Fund” means the fund established in Section 6.07.

“Initial Bonds” means the Bonds authorized, issued, and initially delivered as provided in Section 2.03 of this Ordinance.

“Initial Purchaser” means _____.

“Interest Payment Date” when used in connection with any Bond, means February 15, 2008, and each August 15 and February 15 thereafter until maturity.

“Issue Date” means the date of the Bonds which is April 15, 2007.

“Maturity Date” means the date or dates on which principal of the Bonds is scheduled to be paid, as provided in Section 2.03 of this Ordinance.

“Ordinance” as used herein and in the Bonds, means this Bond Ordinance and all amendments and supplements hereto.

“Outstanding” when used with reference to the Bonds, Outstanding means, as of a particular date, all such Bonds theretofore and thereupon delivered except: (a) any such Bond cancelled by or on behalf of the City at or before said date, (b) any such Bond defeased or no longer considered Outstanding pursuant to the provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law, and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Bond.

“Owner” or “Registered Owner” means the Person or entity who is the registered owner of any Outstanding Bond.

“Paying Agent/Registrar” means _____.

“Person” or “Persons” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Prepayments” means amounts received as a result of the early payment, in whole or in part, of a Special Assessment to pay the Debt Service Requirements on the Bonds or any installment thereof. Amounts received at the time of a Prepayment which represent a payment of principal, interest or penalties on a delinquent installment of a Special Assessment to pay the

Debt Service Requirement on the Bonds are not to be considered a Prepayment, but rather are to be treated as the payment of regularly scheduled Special Assessment Revenues.

“Principal Installment” means as of any particular date of computation and with respect to the Bonds, an amount of money equal to the aggregate of the principal amount of Outstanding Bonds of said series which mature on a single future date.

“Record Date” means, for any Interest Payment Date, the fifteenth (15th) calendar day of the month next preceding such Interest Payment Date.

“Redemption Fund” means the redemption fund established in Section 6.08 of this Ordinance.

“Register” means the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of, and the principal amounts registered to, the Registered Owners.

“Replacement Bond” means the Bond authorized by the City to be issued in substitution for lost, apparently destroyed, or wrongfully taken Bonds as provided in Section 2.13 of this Ordinance.

“Service and Assessment Plan” means the Service and Assessment Plan prepared in accordance with the Act and approved by the City Council as part of the Assessment Ordinance on April 17, 2007 (and attached as Exhibit "B" to the Assessment Ordinance) setting forth the plan for services and activities to be provided in the District and setting forth the plan for apportioning the cost of the improvements to be assessed against properties in the District.

“Special Assessments” means: (a) the assessments levied against properties in the District to pay Debt Service Requirements on the Bonds as set forth in the Service and Assessment Plan which are payable in periodic installments as provided in the Assessment Ordinance; and (b) the annual Administrative Expense Assessments levied and to be levied against properties in the District, all as provided in the Service and Assessment Plan, the Assessment Ordinance and this Ordinance. Special Assessments also include any supplemental assessments levied in accordance with Sections 372.019 and 372.020 of the Act.

“Special Assessment Revenues” means the monies collected from Special Assessments levied against properties in the District, including interest on Special Assessments during the period a Special Assessment or any installment thereof is current or delinquent, Prepayments, Foreclosure Proceeds, and penalties for non-timely payment of Special Assessments. Earnings and income derived from the investment or deposit of monies in the special funds or accounts created and established for the payment and security of the Bonds shall also constitute Special Assessment Revenues.

Section 1.02. Interpretation. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of

reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms and provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

ARTICLE II

TERMS OF THE BONDS

Section 2.01. Authorization. The Bonds shall be issued in fully registered form in the total authorized aggregate amount of \$425,000 for the purpose of paying the costs of acquiring the Authorized Improvements and paying costs of issuance of the Bonds in accordance with the Act.

Section 2.02. Designation, Date, and Interest Payment Dates. Each Bond issued pursuant to this Ordinance shall be designated as “El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Bond, Series 2007” and shall be dated April 15, 2007. The Bonds shall bear interest from the Closing Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, at the rates set out in Section 2.03 of this Ordinance, calculated on the basis of a 360-day year of twelve 30-day months, payable on February 15, 2008, and semiannually thereafter on August 15 and February 15 of each year until maturity or prior redemption.

Section 2.03. Initial Bonds; Numbers and Denomination. The Bonds shall be initially issued bearing the numbers, in the principal amounts, and bearing interest at the rates set forth in the following schedule, and may be transferred and exchanged as set out in this Ordinance. The Bonds shall mature on August 15 in each of the years and in the amounts set out in such schedule and be subject to prior redemption as provided herein. Bonds delivered on transfer of or in exchange for the Initial Bonds or any other Bonds shall be numbered (with appropriate prefix) in order of their authentication by the Paying Agent/Registrar, and shall be in the denomination of \$5,000 or any integral multiple thereof. The Bonds shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

<u>Bond Number</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
T-1	\$ 20,000	2009	____%
T-2	25,000	2009	
T-3	25,000	2010	
T-4	30,000	2011	
T-5	30,000	2012	
T-5	30,000	2013	
T-7	30,000	2014	
T-8	35,000	2015	
T-9	35,000	2016	
T-10	40,000	2017	
T-11	40,000	2018	
T-12	40,000	2019	
T-13	45,000	2020	

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Section 2.04. Execution of Bonds; Seal. The Bonds shall be signed on behalf of the District by the Mayor of the City and countersigned by the City Clerk, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.05. Approval, Registration and Delivery. After the Initial Bonds have been executed, it shall be the duty of the Mayor, City Manager or Deputy City Manager of the City to deliver the Initial Bonds and all pertinent records and proceedings to the Attorney General of Texas, for examination and approval by the Attorney General. After the Initial Bonds have been approved by the Attorney General, they shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. Upon registration of the Initial Bonds, the Comptroller of Public Accounts (or a deputy lawfully designated in writing to act for the Comptroller) shall manually sign the Comptroller's Registration Certificate prescribed herein to be attached or affixed to the Initial Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, thereon.

Section 2.06. Authentication. Except for the Initial Bonds, which need not be authenticated, only such Bonds as shall bear thereon a certificate of authentication, substantially in the form provided in Section 4.01 of this Ordinance, manually executed by an authorized representative of the Paying Agent/Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bond so authenticated was delivered by the Paying Agent/Registrar hereunder. The signed Certificate of Registration of the Comptroller of Public Accounts shall constitute the certificate of authentication for the Initial Bonds.

Section 2.07. Payment of Principal Installment and Interest. The Paying Agent/Registrar is hereby appointed as the Paying Agent and Registrar for the Bonds. The Principal Installment of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at maturity or at their earlier redemption date, at the office for payment of the Paying Agent/Registrar. The interest on each Bond shall be payable by check payable on the Interest Payment Date, mailed by the Paying Agent/Registrar, first-class, postage prepaid, on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register. Any accrued interest payable at maturity shall be paid upon presentation and surrender of the Bond to which such interest appertains.

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If the date for the Principal Installment payment or interest shall be a day other than a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

Section 2.08. Successor Paying Agent/Registrars. The City covenants that at all times while any Bonds are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar for the Bonds. Each successor Paying Agent/Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Ordinance. Promptly upon the appointment of any successor Paying Agent/Registrar, the previous Paying Agent/Registrar shall deliver the Register or a copy thereof to the new Paying Agent/Registrar, and the new Paying Agent/Registrar shall notify each Owner, by United States mail, first-class postage prepaid, of such change and of the address of the new Paying Agent/Registrar.

Section 2.09. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new Record Date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected Owner of record as of the close of business on the day prior to the mailing of such notice.

Section 2.10. Ownership; Unclaimed Principal and Interest. The City, the Paying Agent/Registrar, and any other Person shall treat the Person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the Person deemed to be the Owner of any Bond in accordance with this Section 2.10 shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Amounts held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent that such provisions are applicable to such amounts.

Section 2.11. Registration, Transfer, and Exchange. The Initial Bonds shall be registered in the name of the Initial Purchaser. At any time after the delivery of the Initial Bonds, the Initial Purchaser may, in accordance with the procedures prescribed in this Section 2.11, surrender the Initial Bonds to the Paying Agent/Registrar for registration of transfer or exchange, and the

Paying Agent/Registrar shall register, authenticate, and deliver Exchange Bonds in accordance with the provisions of this Ordinance.

So long as any Bonds remain Outstanding, the Paying Agent/Registrar shall keep at its office for payment, in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the office for payment of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. NO BOND OR BONDS SHALL BE TRANSFERRED ON THE REGISTER BY THE PAYING AGENT/REGISTRAR UNLESS SUCH BOND OR BONDS ARE ACCOMPANIED BY AN INVESTMENT LETTER, IN THE FORM ATTACHED TO THIS ORDINANCE AS EXHIBIT "B", EXECUTED BY THE TRANSFEREE AND APPROVED BY THE CITY. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the office for payment of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and deliver Exchange Bonds in accordance with the provisions of this Section 2.11. Each Bond delivered in accordance with this Section 2.11 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

The Paying Agent/Registrar shall not be required to register the transfer of any Bond during the period beginning on the Record Date next preceding a scheduled Interest Payment Date (other than final payment) and ending after such interest payment has been made. The Paying Agent/Registrar shall not be required to transfer or exchange any Bond called for redemption during the period beginning 10 days prior to the date fixed for redemption and ending on the date fixed for redemption; provided, however, that this limitation shall not apply to the exchange by the Owner of the unredeemed portion of a Bond called for redemption in part.

Section 2.12. Cancellation of Bond. All Bonds paid in accordance with this Ordinance, and all Bonds in lieu of which Exchange Bonds or Replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper

records regarding such payment. The Paying Agent/Registrar shall furnish the City with appropriate certificates of destruction of such Bonds.

Section 2.13. Replacement Bonds. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar.

If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver a Replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

- (a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction, or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar, and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the City and the Paying Agent/Registrar.

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

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

Each Replacement Bond delivered in accordance with this Section 2.13 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Replacement Bond is delivered.

ARTICLE III

REDEMPTION

Section 3.01. Optional Redemption. The Bonds may be redeemed by the District acting through the City, in whole or in part prior to maturity, on any Business Day at the option of the District acting through the City, at a price of par plus accrued interest to the date of redemption.

Section 3.02. Non-Scheduled Mandatory Redemptions. The Bonds shall be redeemed, in whole or in part, prior to maturity on any Interest Payment Date at a price of par plus accrued interest to the date redemption or purchased, in whole or in part, at the purchase prices stated in Section 3.07 from amounts transferred to the Redemption Fund from the Assessment Fund, Assessment Prepayment Fund, Administrative Expense Fund, and Improvement Fund pursuant to Sections 6.01, 6.04, 6.05, and 6.07, respectively.

Notwithstanding the foregoing, the City will not be required to make a mandatory nonscheduled redemption unless it has at least twenty-five thousand dollars (\$25,000) available in the Redemption Fund with which to redeem Bonds.

Section 3.03. Reserved.

Section 3.04. Notice of Redemption. Notice of redemption shall be given at least five (5) days and no more than sixty (60) days prior to the redemption date by giving written notice to the Paying Agent/Registrar and by sending such notice to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Such notice shall state the complete official name of the Bonds to be redeemed, CUSIP numbers, if any, the Issue Date and the Maturity Date of such Bonds, any other information appropriate to identify sufficiently the Bonds being redeemed, the redemption date, the principal amount of the Bonds to be redeemed and, if less than all of the then Outstanding Bonds are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, the amount of accrued interest payable on the redemption date, the redemption agent's name and address, and the place at which the Bonds are to be surrendered for payment. Any notice mailed as provided in this Section 3.04 shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the redemption date, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Bonds to be redeemed, plus accrued interest thereon to the redemption date. When such Bonds have been called for redemption, in whole or in part, as provided above and due provision has been made to redeem same, such Bonds, or portions thereof, shall no longer be regarded as Outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the Registered Owners to collect interest on such Bonds or portions thereof which would otherwise accrue after the redemption date shall be terminated.

Section 3.05. Additional Provisions with Respect to Redemption. Bonds may be redeemed in part only in integral multiples of five thousand dollars (\$5,000) and if a Bond subject to

redemption is in a denomination larger than five thousand dollars (\$5,000), a portion of such Bond may be redeemed, but only in an integral multiple of five thousand dollars (\$5,000).

If less than all of the Bonds are to be redeemed pursuant to a Section 3.01 optional redemption, the City may select the maturity to be redeemed. Bonds to be mandatorily redeemed with funds described in Section 3.02 shall be redeemed by the Paying Agent/Registrar in integrals of five thousand dollars (\$5,000), on a pro rata basis from all maturities in such manner as the Paying Agent/Registrar in its sole discretion determines.

If less than all of the Bonds within a maturity are to be redeemed pursuant to an optional or mandatory call, they shall be selected by lot within such maturity, in such manner as the Paying Agent/Registrar may determine and treating each five thousand dollar (\$5,000) amount of Bonds as a single Bond for such purposes.

Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefore a Bond or Bonds of like tenor, maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 3.06. Reserved.

Section 3.07. Purchase Price for Bonds. Upon receipt of written notice by the City specifying Bonds to be purchased, the Paying Agent/Registrar shall apply monies available for redemption to the purchase of Bonds which were otherwise to be redeemed in such order of priority and subject to such restrictions as may be prescribed in this Ordinance in the manner provided in this Section. The purchase price paid by the Paying Agent/Registrar (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Ordinance on any date or dates within thirteen (13) months after such purchase in which event such purchase price shall not exceed the highest of the redemption price of such Bond applicable on any such date.

Section 3.08. Paying Agent/Registrar to Redeem Bonds. Subject to the limitations set forth or referred to in Sections 3.02 and 3.07, the Paying Agent/Registrar shall call for redemption on each mandatory redemption date, whether scheduled or nonscheduled, when said Bonds are to be redeemed in accordance with this Ordinance, such principal amount of said Bonds as are to be redeemed on said date with the amount of such monies then available therefor.

ARTICLE IV

FORM OF BONDS AND CERTIFICATES

Section 4.01. Forms Generally. (a) The Bonds, including the Comptroller's Registration Certificate to be attached to the Initial Bonds, the Paying Agent/Registrar's Authentication Certificate, and the form of Assignment to appear on each of the Bonds, (i) shall be substantially

in the form set forth in this Article, with such appropriate insertions, omissions, and variations as are permitted or required by this Ordinance, (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of the Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds, if any, shall be typewritten, printed, lithographed or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bonds submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 4.02. Form of the Bonds. The form of the Bonds, including the form of the Comptroller's Registration Certificate to be attached to the Initial Bonds, the form of the Paying Agent/Registrar's Authentication Certificate, and the form of Assignment appearing on the Bonds, shall be substantially as follows:

FORM OF BOND

United States of America
State of Texas

NUMBER
R-
REGISTERED

DENOMINATION
\$ _____
REGISTERED

EL PASO PUBLIC IMPROVEMENT DISTRICT NO. 1 (THUNDER CANYON)
SPECIAL ASSESSMENT REVENUE BONDS
SERIES 2007

INTEREST RATE:

MATURITY DATE:

ISSUE DATE:

August 15, 20__

April 15, 2007

REGISTERED OWNER:

07 APR 19 PM 1:49
CITY CLERK DEPT.

PRINCIPAL AMOUNT:

THE EL PASO PUBLIC IMPROVEMENT DISTRICT NO. 1 (THUNDER CANYON), acting by and through the City of El Paso, Texas (the "City") for value received, promises to pay, but solely from Special Assessment Revenues as hereafter defined, to the registered owner identified above or registered assigns, on the date specified above, upon presentation and surrender of this bond at the office for payment of _____, _____, Texas (the "Paying Agent/Registrar"), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay interest thereon at the rate shown above, calculated on the basis of a 360-day year of twelve 30-day months, from the later of the date of delivery of the Bonds or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable by check payable on February 15, 2008 and each August 15 and February 15 thereafter until maturity, mailed to the registered owner of record as shown on the books of registration kept by the Paying Agent/Registrar as of the 15th calendar day of the month next preceding each interest payment date.

THIS BOND IS ONE OF A DULY AUTHORIZED ISSUE OF BONDS aggregating \$425,000, issued pursuant to an ordinance adopted by the City Council of the City (the "Ordinance") for El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007, to pay the costs of authorized improvements within the District and to pay costs of issuance of the Bonds as authorized by and pursuant to the Act.

THIS BOND AND THE SERIES OF WHICH IT IS A PART are special obligations and are payable as to both principal and interest solely from and equally secured by a lien on and pledge of the Special Assessment Revenues (as defined and more fully described in the Ordinance authorizing this bond and the series of which it is a part), levied against benefited property within the El Paso Public Improvement District No. 1 (Thunder Canyon), pursuant to the provisions of Chapter 372, Texas Local Government Code. Reference is hereby made to the Ordinance for a more complete statement of the covenants and provisions securing the payment of this bond and the series of which it is a part.

THIS BOND is transferable only upon presentation and surrender at the office for payment of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance. THIS BOND MAY BE TRANSFERRED ONLY UPON THE RECEIPT BY THE PAYING AGENT/REGISTRAR OF AN INVESTMENT LETTER IN THE FORM ATTACHED AS EXHIBIT "B" TO THE ORDINANCE, EXECUTED BY THE TRANSFEREE AND APPROVED BY THE CITY.

THE BONDS are subject to redemption prior to maturity at the option of the City on any Business Day (as defined in the Ordinance) at a redemption price of par plus accrued interest to the date fixed for redemption.

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CITY CLERK DEPT.

THE BONDS are to be redeemed on any Interest Payment Date from prepayments of Special Assessments, excess Special Assessment Revenues and proceeds of bonds as provided in the Ordinance at a price of par plus accrued interest to the date of redemption.

BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a bond subject to redemption is in a denomination larger than \$5,000, a portion of such bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of bonds for redemption, each bond shall be treated as representing that number of bonds of \$5,000 denomination which is obtained by dividing the principal amount of such bond by \$5,000. Upon surrender of any bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a bond or bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the bond so surrendered.

NOTICE OF EACH EXERCISE OF A RESERVED RIGHT OF REDEMPTION shall be given at least five (5) days and no more than sixty (60) days prior to the redemption date by written notice to the Paying Agent/Registrar and by sending such notice to the registered owner of each bond to be redeemed in whole or in part at the address shown on the Register by first-class mail, postage prepaid. Such notice shall state the complete official name of the bonds to be redeemed, CUSIP numbers, if any, the issue date and the maturity date of such bonds, any other information appropriate to identify sufficiently the bonds being redeemed, the redemption date, the principal amount of the bonds to be redeemed and, if less than all of the then outstanding bonds are to be redeemed, the identification numbers (and, in the case of partial redemption, the respective principal amounts) of the bonds to be redeemed, the amount of accrued interest payable on the redemption date, the redemption agent's name and address, and the place at which the bonds are to be surrendered for payment. Any notice mailed as provided in Section 3.04 of the ordinance authorizing the bonds shall be conclusively presumed to have been duly given, whether or not the registered owner receives such notice. By the redemption date, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the bonds to be redeemed, plus accrued interest thereon to the redemption date. When such bonds have been called for redemption, in whole or in part, as provided above and due provision has been made to redeem same, such bonds, or portions thereof, shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for redemption, and the right of the registered owners to collect interest on such bonds or portions thereof which would otherwise accrue after the redemption date shall be terminated.

THE BONDS are exchangeable at the office for payment of the Paying Agent/Registrar for Bonds of a like principal amount and maturity date.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate endorsed hereon.

07 APR 19 PM 1:49
CITY CLERK DEPT.

THE REGISTERED OWNER of this bond, by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Ordinance.

THE CITY has covenanted in the Ordinance that it will at all times provide a legally qualified registrar for the Bonds and will cause notice of any change of registrar to be mailed to each registered owner.

IT IS HEREBY CERTIFIED, RECITED, AND REPRESENTED that this bond has been duly and validly issued and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the issuance and delivery of this bond have been performed, exist, and been done in accordance with law; that the bonds do not exceed any statutory limitation; and that provision has been made for the principal installment payment of and interest on this Bond and all of the Bonds by the creation of the aforesaid lien on and pledge of the Special Assessment Revenues.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY, DOES NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY, AND IS NOT PAYABLE EXCEPT AS PROVIDED HEREUNDER AND IN ACCORDANCE WITH CHAPTER 372, V.T.C.A., LOCAL GOVERNMENT CODE, AS AMENDED (THE "ACT"). THE OWNER OF THIS BOND SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY FUNDS OF THE CITY OTHER THAN THE SPECIAL ASSESSMENT REVENUES (THE "SPECIAL ASSESSMENT REVENUES") WITHIN THE DISTRICT, AND THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY THIS OBLIGATION FROM ANY FUNDS OTHER THAN SPECIAL ASSESSMENT REVENUES. NEITHER THE STATE OF TEXAS NOR ANY POLITICAL, SUBDIVISION THEREOF IS OBLIGATED TO MAKE PAYMENT ON THIS BOND.

IN WITNESS HEREOF, this bond has been signed with the manual or facsimile signature of the Mayor of the City and countersigned with the manual or facsimile signature of the City Clerk of the City, and the official seal of the City has been duly impressed, or placed in facsimile, on this bond.

CITY OF EL PASO, TEXAS

City Clerk
City of El Paso

Mayor
City of El Paso

(SEAL)

07 APR 19 PM 1:49
CITY CLERK DEPT.

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

WITNESS MY SIGNATURE AND SEAL OF OFFICE THIS _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

07 APR 19 PM 1:49
CITY CLERK DEPT.

FORM OF AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been delivered pursuant to the Ordinance described in the text of this Bond, in exchange for or in replacement of a Bond, Bonds, or a portion of a Bond or Bonds of a series which was originally approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

[_____]
Paying Agent/Registrar

By: _____
Authorized Signature

Date of Authentication _____

07 APR 19 PM 1:49
CITY CLERK DEPT.

FORM OF ASSIGNMENT CITY CLERK DEPT.
ASSIGNMENT 07 APR 19 PM 1:49

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

Please insert Social Security or Taxpayer
Identification Number of Transferee

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____, attorney, to register the transfer of the within Bonds 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 a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

Section 4.03. Legal Opinion; CUSIP Numbers; Bond Insurance. The approving opinion of Delgado, Acosta, Braden & Jones, P.C., Bond Counsel, and the assigned CUSIP numbers, if any, may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds. If bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

SECURITY FOR THE BONDS

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Section 5.01. Pledge of Special Assessment Revenues. The City hereby covenants and agrees that the Special Assessment Revenues are hereby irrevocably pledged, to the payment and security of the Bonds and the payment of Administrative Expenses, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordained that the pledge of the Special Assessment Revenues to the payment of the Bonds and the interest thereon be valid and binding without any physical delivery thereof or further act by the City, and the lien upon such revenues created for the payment and security of the Bonds shall be, except as otherwise provided in the Act or by law, prior in right and claim as to any other indebtedness, liability, or obligation of the City.

Section 5.02. Special Obligations. THE BONDS ARE SPECIAL OBLIGATIONS PAYABLE FROM THE SPECIAL ASSESSMENT REVENUES, AS AND TO THE EXTENT PROVIDED IN THIS ORDINANCE. THE BONDS DO NOT GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE CITY AND ARE NOT PAYABLE EXCEPT AS PROVIDED IN THE ACT AND IN THIS ORDINANCE. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT THEREOF OUT OF ANY FUNDS OF THE CITY OTHER THAN THE SPECIAL ASSESSMENT REVENUES. THE CITY SHALL HAVE NO LEGAL OR MORAL OBLIGATION TO PAY FOR THE BONDS OUT OF ANY CITY FUNDS OTHER THAN SPECIAL ASSESSMENT REVENUES.

Section 5.03. Assessment Roll. The Special Assessments are shown on the Assessment Roll attached hereto as Exhibit "A". The aggregate amount of Special Assessments assessed to pay the Debt Service Requirements on the Bonds is \$425,000 plus accrued interest. Reference is made to the Assessment Roll for a particular description of the lots or parcels of land and the amount of Special Assessment on each.

Section 5.04. Collection and Deposit of Special Assessments. The Special Assessments shown on the Assessment Roll, together with the interest thereon, shall remain and constitute a trust fund for the redemption and Principal Installment payment of the Bonds and for the interest due thereon and to pay Administrative Expenses.

The Special Assessments assessed to pay Debt Service Requirements on the Bonds, together with interest thereon, are payable in annual installments established by the Assessment Ordinance to correspond, as nearly as practicable, to the Debt Service Requirements. A Special Assessment has been made payable in the Assessment Ordinance in each Fiscal Year preceding the date of final maturity of the Bonds which, if collected, will be sufficient to pay the Debt Service Requirements on the Bonds and to pay Administrative Expenses. The annual installment of each Special Assessment coming due in any year, together with the annual interest thereon, is payable in the manner as set forth in the Assessment Ordinance.

A record of the Special Assessments on each tract or lot in the District which are to be collected in each year during the term of the Bonds has been prepared by the City and is shown on the Assessment Roll. Sums received from the collection of the Special Assessments to pay the Debt Service Requirements on the Bonds (including delinquent installments, Foreclosure Proceeds, proceeds from a guarantor of Special Assessments to pay the Debt Service Requirements on the Bonds, and penalties) and of the interest thereon shall be deposited into the Assessment Fund, except that amounts received as Prepayments shall be deposited into the Assessment Prepayment Fund.

Any sums collected as an annual Administrative Expense Assessment to pay Administrative Expenses shall be deposited in the Administrative Expense Fund.

Section 5.05. Prepayments in Full. The provisions of Section 372.018 of the Act are applicable to the payment of the unpaid Special Assessments and the corresponding mandatory redemption of the Bonds. Pursuant thereto, whenever an owner elects to pay off an unpaid Special Assessment levied to pay the Debt Service Requirements on the Bonds in full and remove the lien of such Special Assessment, the City (in addition to any delinquent installments of such Special Assessment, including the interest and penalties thereon) shall collect from such owner the total of the following sums:

- (a) The unpaid, nondelinquent principal of such Special Assessment, including principal for the current Fiscal Year but not yet paid.
- (b) Unpaid interest to accrue on such Special Assessment through the date of Prepayment.

Section 5.06. Partial Prepayments. Whenever an owner of assessed land elects to prepay the Special Assessment levied to pay the Debt Service Requirements on the Bonds in part and remove the lien of such Special Assessment in part, the City (in addition to any delinquent installments of such Special Assessment, including the interest and penalties thereon) shall collect from each owner the total of the following sums:

- (a) A portion of the unpaid, nondelinquent principal of such Special Assessment to be prepaid in increments of five thousand dollars (\$5,000).
- (b) Unpaid interest to accrue on such Special Assessment through the date of Prepayment.

When a Special Assessment to pay the Debt Service Requirements on the Bonds has been partially prepaid, the City shall issue a revised record for that parcel, a copy of which shall be filed with the City Clerk, showing the proportionate reduction in such Special Assessment installments or the portion of the parcel which has had the lien for such Special Assessment removed. Thereafter, the City shall mail subsequent installments at the reduced rate.

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CITY CLERK DEPT.

FUNDS AND ACCOUNTS, INITIAL DEPOSITS
AND APPLICATION OF MONEY

Section 6.01. Assessment Fund. The City hereby covenants and agrees that all Special Assessment Revenues (other than interest and investment earnings, those receive as a Prepayment of a Special Assessment, and revenues resulting from the collection of the Administrative Expenses Assessments) shall be deposited, as collected and received, into a separate account to be maintained at an official depository bank of the City, known as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Assessment Fund" and that the Special Assessment Revenues shall be kept separate and apart from all other funds of the City. All Special Assessment Revenues deposited into the Assessment Fund shall be promptly transferred to the following Funds at the times and in the amounts indicated and in the following order of priority:

FIRST: To the Debt Service Fund, an amount necessary, if any, to increase the balance in the Debt Service Fund to an amount equal to the aggregate amount of all remaining scheduled Debt Service Requirements during the next year, as provided herein.

SECOND: To the Redemption Fund, any remaining amounts.

Section 6.02. Debt Service Fund. For purposes of providing funds to pay the Debt Service Requirements on the Bonds as the same become due and payable, the City agrees to maintain at an official depository bank of the City a separate and special account or fund to be created and known as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Debt Service Fund." Any accrued interest on the Bonds shall be deposited into the Debt Service Fund upon issuance of the Bonds. There shall also be deposited into the Debt Service Fund prior to each Maturity Date and Interest Payment Date on the Bonds, from the available Special Assessment Revenues, an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the Principal Installment of the Bonds then falling due and payable whether at maturity or as a mandatory scheduled redemption.

Section 6.03. No Reserve Fund. There is no reserve fund for the Bonds.

Section 6.04. Assessment Prepayment Fund. There is hereby established at an official depository bank of the City a special fund or account to be known as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Assessment Prepayment Fund." Upon receiving a Prepayment of a Special Assessment for the payment of the Debt Service Requirements on the Bonds, the City shall deposit the amount of such Prepayment (except for any portion thereof that represents a payment of principal, interest or penalty on a delinquent installment of such prepaid Special Assessment, which portion shall be treated and applied as Special Assessment Revenues) into the Assessment Prepayment Fund. All Prepayments may be commingled in a single account. Promptly following the deposit of any such Prepayment into the Assessment Prepayment Fund, the City shall transfer such amount

representing unpaid principal of the Special Assessment as set forth in Section 5.05 directly into the Redemption Fund to be used to redeem or purchase Bonds and such amount representing unpaid interest as set forth in Section 5.05 to the Debt Service Fund.

Section 6.05. Administrative Expense Fund. There is hereby created at an official depository bank of the City a special fund or account to be known as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Administrative Expense Fund." The City shall deposit into the Administrative Expense Fund, all amounts required to be transferred to such Fund from the Assessment Fund pursuant to, and at the times specified in, Section 6.01 hereof, and all revenues resulting from the collection of the Administrative Expense Assessments. Such amounts shall be applied by the City to pay Administrative Expenses as they become due.

Fees or charges incurred by the City payable to the Paying Agent/Registrar in satisfaction of the liability to the Paying Agent/Registrar for the services described herein, as well as other Administrative Costs hereunder, shall be paid from the Administrative Expense Fund.

Section 6.06. Lien Forgiveness upon Payment of Bonds. When there are monies in the Administrative Expense Fund, Assessment Fund, Assessment Prepayment Fund, Improvement Fund, and Redemption Fund sufficient to make all interest payments to maturity or earlier required redemption date, to pay all Principal Installment payments, and to pay the Administrative Expenses due and to become due to the final Maturity Date or scheduled mandatory redemption date of all the Bonds, no further payments need to be made into the Administrative Expense Fund, Assessment Fund, Assessment Prepayment Fund, Improvement Fund, and Redemption Fund and such funds shall be used to redeem the Bonds.

After all Bonds are paid or provision is made for their payment, the City forgives the owner of assessed property of the payment of any further Special Assessment and the lien for the Special Assessment shall be removed from all property in the District.

Any amount remaining in any of the Funds created hereunder upon the retirement of the Bonds shall be paid to the City.

Section 6.07. Improvement Fund. There is hereby created a special fund or account at an official depository bank of the City to be known as the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Improvement Fund." The Improvement Fund shall consist of the proceeds received from the sale of the Bonds, including any premium received by the City on the sale of the Bonds (but not including: any accrued interest which shall be deposited directly into the Debt Service Fund pursuant to Section 6.02; and any amounts placed in the Administrative Expense Fund pursuant to Section 6.05). Disbursement from the Improvement Fund shall be made to pay the costs of acquisition and construction of the Authorized Improvements, together with all expenses incidental thereto, and the City's costs of creation of the District and initial administration of the District and costs of issuance of the Bonds.

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CITY CLERK DEPT.

After completion of the acquisition and construction of the Authorized Improvements and the payment of all claims from the Improvement Fund, the City shall determine the amount of the surplus, if any, remaining in the Improvement Fund and shall transfer any such surplus to the Redemption Fund to redeem Outstanding Bonds prior to their scheduled maturity as provided in Section 3.02 of this Ordinance.

Section 6.08. Redemption Fund. There is hereby created a special fund or account at an official depository bank of the City to be known the "El Paso Public Improvement District No. 1 (Thunder Canyon) Special Assessment Revenue Bonds, Series 2007 Redemption Fund." The City shall deposit into the Redemption Fund all amounts required to be transferred to such Fund from the Assessment Fund, Assessment Prepayment Fund, Administrative Expense Fund and the Improvement Fund pursuant to, and at the times specified in, Sections 6.01, 6.04, 6.05 and 6.07, respectively, hereof. The City shall apply all such amounts in the Redemption Fund, subject to the \$25,000 limitation specified in Section 3.02 hereof to redeem or purchase Bonds in accordance with Section 3.02 hereof. Accrued interest on any Bonds redeemed shall be paid from the Debt Service Fund. The redemption premium shall be paid from amounts transferred to the Redemption Fund.

Section 6.09. Deposit and Investment of Funds. Monies in the Assessment Fund, the Debt Service Fund, the Administrative Expense Fund, the Assessment Prepayment Fund, the Redemption Fund and the Improvement Fund shall be deposited or invested in any Authorized Investments maturing on a date or dates on or prior to the need for such monies. Except as provided in this Section, any income or interest earned on any fund or account held by the Paying Agent/Registrar under this Ordinance shall accrue to and be deposited in the fund or account from which said monies were deposited or invested, except to the extent otherwise provided herein. The Paying Agent/Registrar shall be entitled to receive instructions from the City as to each deposit or investment prior thereto, and to have such instructions confirmed in writing within two Business Days. In the absence of prior instructions, the City shall invest monies as they become available for deposit or investment in a qualified money market account.

Section 6.10. Payment of Bonds. While any of the Bonds are Outstanding, the City shall cause to be paid solely from funds on deposit in the Funds created hereunder amounts sufficient to fully pay and discharge promptly the Debt Service Requirements on the Bonds as such payments accrue or mature, whether by reason of Stated Maturity, redemption, or otherwise; such transfer of funds must be made in such manner as will cause immediately available funds to be available for payment of the Bonds at the close of the Business Day next preceding the date the Debt Service Requirement payment is due on the Bonds.

Section 6.11. Advances from Available Funds. In the event of a delinquency in the payment of any installment of the Special Assessment levied upon any property for the payment of the Principal Installment of and interest on the Bonds, the City may, but is not obligated to, be the purchaser of the delinquent property upon which any of said Special Assessments are levied in like manner in which it may become the purchaser of property sold for the nonpayment of general ad valorem property taxes, and in the event the City does so become the purchaser of such property, shall pay and transfer from available funds and deposit into the Debt Service Fund the amount of any remaining amount of unpaid Special Assessment, delinquent Special

CITY CLERK DEPT.

Assessment installment and interest thereon. The City may also pay and transfer from available funds and deposit into the Debt Service Fund, but shall not be so obligated, the amount of any such Special Assessments on the property pending redemption or sale. Any amounts so advanced shall be recoverable upon sale or redemption of the property. The City shall not be obligated to advance available funds to cure any deficiency in the Debt Service Fund, or any other fund created hereunder, and has determined that it would not obligate itself to advance available funds from the City treasury to cure any such deficiency.

ARTICLE VII

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 7.01. Provisions Concerning Federal Income Tax Exclusion. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in the gross income, as defined in section 61 of the Code, of the Owners thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Article VII; provided, however, that the City shall not be required to comply with any particular requirement of this Article VII if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article VII will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article VII.

Section 7.02. No Private Use or Payment and No Private Loan Financing. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations

Section 7.03. No Federal Guaranty. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

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Section 7.04. Bonds Are Not Hedge Bonds. The City covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the Regulations.

Section 7.05. No-Arbitrage Covenant. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the Regulations. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the Regulations.

Section 7.06. Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party

Section 7.07. Information Reporting. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

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Section 7.08. No Private Loan. None of the proceeds of the Bonds will be or have been used, directly or indirectly, to make or finance loans to any person other than a unit of state or local government. In furtherance of such certification, the City further certifies as follows:

(a) The Special Assessments constitute an enforced contribution that is imposed and collected for a specific purpose pursuant to the Act.

(b) The Authorized Improvements constitutes an “essential governmental function” within the meaning of Section 1.141 - 5(d)(4)(ii) of the Regulations.

(c) Owners of both business and nonbusiness property benefiting from the Authorized Improvements are eligible, or required, to make deferred payments of the Special Assessments on an equal basis.

(d) No one is making any payment with respect to the Bonds except as stated in the Service and Assessment Plan.

(e) The Authorized Improvements will be owned by the City and the Authorized Improvements will be located on either (i) publicly dedicated rights-of-way, (ii) land owned by the City or (iii) publicly dedicated easements.

(f) No one is providing any security for the payment of the principal of and interest on the Bonds other than the Special Assessments.

Section 7.09. Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City’s obligations under the covenants and provisions of this Article VII shall survive the defeasance and discharge of the Bonds.

ARTICLE VIII

MISCELLANEOUS COVENANTS AND COLLECTION PROCEDURES

So long as any of the Bonds issued hereunder are Outstanding and unpaid, the City makes the following covenants with the Owners of the Bonds under the provisions of the Act and this Ordinance (to be performed by the City or its proper officers, agents or employees), which covenants are necessary, convenient and desirable to secure the Bonds and to make them more marketable; provided, however, that said covenants do not require the City to expend any funds or monies other than the Special Assessment Revenues collected.

Section 8.01. City to Pursue Collections. During the term of the Bonds, the City hereby covenants for the benefit of the Owners to promptly and diligently pursue the following collection procedures:

(a) prepare and mail at the time and in the manner required by the provisions of this Ordinance, the Assessment Ordinance, and the Act, statements for the collection of all Special Assessments levied by the Assessment Ordinance, this Ordinance and any ordinances

supplemental hereto levying supplemental assessments or reassessments (collectively, the "Ordinances");

(b) prepare and mail statements of delinquent Special Assessments at the time and manner required by the Ordinances or the Act;

(c) receive and collect Special Assessments and the penalties and interest thereon or any proceeds from a judicial sale of assessed property and deposit the same as required by the Ordinances and the Act;

(d) engage such attorneys and other consultants as the City deems appropriate to act on its behalf upon such terms and conditions and at the rate the City deems appropriate and to pay for same from monies in the Administrative Expense Fund;

(e) bring legal actions in the name of the City and District to collect delinquent Special Assessments and to proceed to sell any assessed property in a judicial foreclosure proceeding;

(f) buy any assessed property at a judicial foreclosure proceeding and thereafter sell such property upon such terms and conditions as the City deems desirable; and

(g) do any and all further acts as the City deems desirable to protect the interest of the Owners of the Bonds and/or collect the Special Assessments.

Section 8.02. Foreclosure Covenant. The City hereby covenants with and for the benefit of the Owners that it will determine or cause to be determined, no later than December 1 of each year, whether or not any installment or installments of Special Assessments are delinquent and, if such delinquencies exist, the City will order and cause to be commenced, on or before January 1 or immediately thereafter, and thereafter diligently prosecute an action in district court to foreclose the lien for the amount of any delinquent installment or installments of Special Assessments.

To the extent it may legally do so, and taking into account the prior liens on assessed land for ad valorem taxes, the City covenants that property will not be sold in a judicial foreclosure for less than the amount of a delinquent Special Assessment installment due on the property, including delinquent penalties, interest, and attorney fees, without the consent of fifty-one percent (51%) of the owners of the Outstanding Bonds. Any sale of property for nonpayment of an installment or installments of a Special Assessment shall be subject to the lien established for the remaining unpaid installments of the Special Assessment against such property and such property may again be sold at a judicial foreclosure sale if the purchaser thereof fails to make timely payment of the nondelinquent installments of Special Assessment against such property as they become due and payable pursuant to the terms of the Assessment Ordinance and this Ordinance.

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Section 8.03. No Additional Bonds. The City covenants that it will not issue additional bonds or other indebtedness payable from special assessments on land in the District without the consent of 100% of the holders of the Outstanding Bonds.

Section 8.04. Good Faith Covenant. The City will proceed in good faith to complete the acquisition and construction of the Authorized Improvements in a timely manner pursuant to the Act, reserving the right to make changes and modifications as permitted by the Act.

Section 8.05. Further Assurances. The City will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Ordinance. All officers of the City are authorized to execute such documents, certificates and receipts and to take such actions as they may deem necessary or appropriate to in order to consummate the issuance and delivery of the Bonds.

Section 8.06 Punctual Payment. The City covenants that it will duly and punctually pay or cause to be paid the Principal Installments of and interest on every Bond issued hereunder at maturity or earlier scheduled mandatory redemption date, together with the premium thereon, if any be payable, on the date, at the place and in the manner mentioned in the Bonds and in accordance with this Ordinance to the extent Special Assessment Revenues are available therefor, and that the payments into the various Funds created hereunder will be made, all in strict conformity with the terms of the Bonds and this Ordinance, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Ordinance and all ordinances supplemental hereto and of the Bonds issued hereunder, and that time of such payment and performance is of the essence of the City's contract with the Owners of the Bonds.

Section 8.07. Reassessments. If any Special Assessment heretofore or hereafter issued is void or unenforceable, for any cause, or if the City made a mistake in a Special Assessment relating to the cost of the Authorized Improvements, then a supplemental assessment or reassessment shall be made in the manner as provided by Sections 372.019 and 372.020 of the Act.

Section 8.08. Contract With Owners of Bonds. The provisions of this Ordinance and of any other ordinance supplementing or amending this Ordinance, shall constitute a contract between the City and the Owners of the Bonds and such provisions shall be enforceable by any Owner of Bonds for the equal benefit and protection of all Owners of Bonds similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State of Texas in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State of Texas.

No remedy conferred hereby upon any Owner of Bonds is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by law. No waiver of any default or breach of duty or contract by any Owner of Bonds shall affect any subsequent default or breach of duty or contract of the City or shall impair any right or remedies on said

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subsequent default or breach. No delay or omission of any Owners of Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any default or acquiescence therein. Every substantive right and every remedy conferred upon the Owners of Bonds may be enforced and exercised as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and should said suit, action or proceeding be abandoned, or be determined adversely to the Owners of Bonds, then, and in every such case, the City and the Owners of Bonds shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Section 8.09. No Obligation to Cure Deficiency. The City shall not be obligated at any time or for any reason to advance available funds from any source other than available Special Assessment Revenues to cure any deficiency which may occur in any Fund created under this Ordinance or to pay any other cost associated with the Bonds not covered by amounts on deposit in such Funds.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payment of the Principal Installment of any of the Bonds when the same shall become due and payable, either at maturity or by proceedings for redemption, or (b) defaults in the payment of any installment of interest, or (c) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Owner or Owners of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

Section 9.02. Delay in Exercise of Rights. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, nor shall such delay or omission be construed to be a waiver of any such default or any acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 9.03. Priority of Payment Upon Default. If at any time the monies in the Funds created under this Ordinance shall not be sufficient to pay the Principal Installments or the interest on the Bonds as the same become due and payable, such monies, together with any monies then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money, be applied as follows:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and, if the amount available

shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

SECOND: to the payment of the Principal Installments of any Bonds which are due, and, if the amount available shall not be sufficient to pay all of such amounts, then to the payment thereof ratably, according to the amount due.

Section 9.04. Remedies Not Exclusive. No remedy herein conferred or reserved is intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

ARTICLE X

CONCERNING THE PAYING AGENT/REGISTRAR

Section 10.01. Appointment of Initial Paying Agent/Registrar. _____ is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 10.02. Qualifications. Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 10.03. Maintaining Paying Agent/Registrar. (a) At all times while any Bonds are Outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 3.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar. The City Clerk shall attest the signature of the Mayor.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement, provided no such resignation shall be effective until a successor Paying Agent/Registrar has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 10.04. Termination. The City, upon not less than sixty (60) days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivery to the entity whose appointment is to be terminated written notice of such termination, provided, that such termination shall not be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 10.05. Notice of Change to Owners. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first-class United States mail, postage prepaid, at the address in the Register, stating

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the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 10.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 10.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE XI

AMENDMENTS

Section 11.01. Amendment Without Consent of Owners of Bonds. This Ordinance may be amended, without the consent of any of the Owners, by the City, by ordinance, for any of the following purposes:

(a) to add to the covenants for the benefit of the Owners or to surrender any right or power conferred upon the City; and

(b) to cure any ambiguity, to correct, or supplement any provision which may be inconsistent with any other provision, or to make any other provision, with respect to matters or questions arising with respect to the Bonds, which shall not be inconsistent with the provisions of this Ordinance and applicable law, provided that such action shall not adversely affect the interests of the Owners of the Bonds.

This Ordinance shall, by the adoption of any such ordinance, be amended in accordance therewith. Bonds authenticated and delivered after the adoption of any such ordinance may bear a notation as to any matter provided for in such ordinance. If the City shall so determine, new bonds so modified as to conform to any such ordinance or resolution may be prepared and executed by the City and authenticated and delivered in exchange for Bonds Outstanding.

Section 11.02. Supplemental Ordinance Amending the Ordinance or Bonds. (a) At any time or from time to time but subject to the conditions or restrictions contained in this Ordinance, an ordinance of the City amending or supplementing this Ordinance may be adopted modifying any of the provisions of this Ordinance or of the Bonds or releasing the City from any of the obligations, covenants, agreements, limitations, conditions, or restrictions therein contained, but no such ordinance shall be effective until after the filing with the Paying Agent/Registrar of a copy of such ordinance certified by the City Clerk and unless (1) no Bonds remain Outstanding at the time the ordinance becomes effective, or (2) such ordinance is consented to by or on behalf

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of Owners of the Bonds in accordance with and subject to the provisions of Sections 11.04 through 11.06.

(b) The provisions of paragraph (a) of this Section 11.02 shall not be applicable to supplemental ordinances adopted in accordance with the provisions of Section 11.01.

Section 11.03. Restriction on Amendments. Neither the Ordinance, nor the Bonds, shall be modified or amended in any respect except as provided in, and in accordance with, and subject to the provisions of this Article. The provisions of Section 11.02 are in all respects subject and subordinate to the provisions, restrictions, exceptions, and limitations set forth in this Article. Nothing in this Article shall affect or limit the rights or obligations of the City to pass, make, do, execute, acknowledge, or deliver any ordinance, act, or other instrument which is authorized elsewhere in this Ordinance.

Section 11.04. Amendment of Ordinance with Consent of Owners of Bonds. Except as provided in Section 11.01, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time and from time to time, to consent to and approve an amendment of this Ordinance as shall be deemed desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in this Ordinance; provided, however, that nothing in this Article shall permit (a) an extension of the maturity of the Principal Installment of or the interest on any Bond issued hereunder, or any scheduled mandatory redemption, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

Bonds owned or held by or for the account of or for the benefit of the City shall not be deemed to be Outstanding for the purpose of amending this Ordinance.

Section 11.05. Notice and Adoption of Amendment. If the City desires to amend this Ordinance in the manner provided in Section 11.04, the City shall cause notice be sent by first-class mail to the Registered Owners of the Bonds. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the office of the City Clerk for inspection by all Owners of Bonds. If within ninety (90) days or such longer period as shall be prescribed by the City following the mailing of such notice, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding shall have consented to the amendment as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or in any manner to question the propriety of the execution thereof, or enjoin or restrain the City from taking any action pursuant to the provisions thereof and all of the rights of the Owners of Outstanding Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

Section 11.06. Revocation of Consent. Any consent given by any Owner of a Bond pursuant to the provisions of this Article shall be irrevocable for a period of six (6) months from the date notice of the amendment was mailed as provided in Section 11.05, and shall be conclusive and binding upon all future Owners of the same Bond during such period. Such

consent may be revoked at any time after six (6) months from the date the notice was mailed by the Owner who gave such consent or by a successor in title, by filing notice thereof with the City Clerk, but such revocation shall not be effective if the Owners of fifty-one percent (51%) aggregate principal amount of the Bonds Outstanding as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

ARTICLE XII

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF BONDS

Section 12.01. Sale of the Bonds; Approval of Notice of Sale; Authorization of Purchase and Investment Letter. (a) The Bonds are hereby initially sold and shall be delivered to _____ (herein referred to as the "Initial Purchaser") in accordance with the terms and provisions of that certain Purchase and Investment Letter dated April 24, 2007 (the "Investment Letter"), attached hereto as Exhibit "B" and incorporated herein by reference as a part of this Ordinance for all purposes. The form and content of such Investment Letter are hereby approved, and the Mayor, City Manager or Deputy City Manager of the City is hereby authorized and directed to execute and deliver such Investment Letter. Pursuant to the terms of the Investment Letter, the Purchaser agrees to purchase the Bonds at the price of 100% of par and no accrued interest. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall initially be registered in the name of the Initial Purchaser, or its designee.

(b) The form and substance of the Notice of Sale and Bidding Instructions and the Official Bid Form, together with any addenda thereto, prepared and circulated with respect to the sale of the Bonds, are hereby ratified and approved.

(c) All officers of the City are authorized to take such actions and to execute such documents, certificates and receipts as they may deem necessary and appropriate in order to consummate the delivery of the Bonds in accordance with the Investment Letter and this Ordinance.

Section 12.02. Related Matters. To satisfy in a timely manner all of the City's obligations under this Ordinance and the Paying Agent/Registrar Agreement, the Mayor, the City Manager, the Deputy City Manager, the City Clerk or an Assistant City Clerk, and all other appropriate officers and agents of the City are hereby authorized and directed to take all other actions that are reasonably necessary to provide for the issuance of the Bonds, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, and other documents as may be reasonably necessary to satisfy the City's obligations under the Paying Agent/Registrar Agreement and this Ordinance and to direct the application of funds of the City consistent with the provisions of such agreements and this Ordinance.

Section 12.03. Paying Agent/Registrar. The form of agreement setting forth the duties of the Paying Agent/Registrar in substantially the form attached as Exhibit "C" is hereby approved,

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and the appropriate officials of the City are hereby authorized to execute such agreements for and on behalf of the City.

Section 12.05. No Personal Liability. No recourse shall be had for payment of the Principal Installment of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any Person executing any Bonds.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Further Procedures. The Mayor, the City Clerk, the Alternate City Clerk, the Deputy City Manager and/or the City Manager of the City and all other officers, employees and agents of the City, 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 seal of the City and on behalf of the City all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, and the Purchase and Investment Letter. In addition, prior to the initial delivery of the Bonds, the Mayor, the City Clerk, the Alternate City Clerk, the Deputy City Manager and/or the City Manager of the City, and its Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance: (i) in order to cure any technical ambiguity, formal defect, or omission in the Ordinance or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Bonds by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of the Ordinance, which determination shall be final. In the event that any officer of the City whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 13.02. Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 13.03. Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

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Section 13.04. Effect of Ordinance. This Ordinance shall be in force and effect from and after its passage, and it is so ordered.

Section 13.06. Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

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PASSED AND APPROVED this 24th day of April, 2007 07 APR 19 PM 1:50

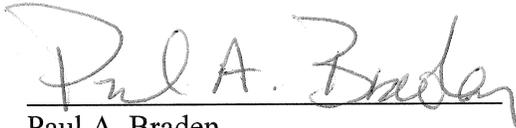
Mayor
City of El Paso, Texas

ATTEST:

City Clerk
City of El Paso, Texas

(SEAL)

Approved as to form:



Paul A. Braden
Attorney for the City

Approved as to content:



Carmen Arrieta-Candelaria
Chief Financial Officer



Theresa Cullen-Garney
Assistant City Attorney

Signature Page to Bond Ordinance

EXHIBIT "A"
ASSESSMENT ROLL

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(See attached).

EXHIBIT "B"

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PURCHASE AND INVESTMENT LETTER

El Paso Public Improvement District
No. 1 (Thunder Canyon)
City of El Paso
2 Civic Center Plaza
El Paso, Texas 79901

First Southwest Company
221 N. Kansas, Suite 1200
El Paso, Texas 79901

Delgado Acosta Braden & Jones, P.C.
221 N. Kansas, Suite 2000
El Paso, Texas 79901

Ladies and Gentlemen:

We have agreed to purchase, and El Paso Public Improvement District No. 1 (Thunder Canyon), acting by and through the City of El Paso, Texas (the "City") has agreed to sell to us, the captioned Bonds at the purchase price of \$425,000. Such Bonds shall bear interest at such rates, mature on such dates and in such amounts, and have such other terms and conditions as are set forth in the Ordinance authorizing the same adopted by the City Council of the City on April 24, 2007 (the "Ordinance"), all subject to receipt by you and by us of such opinions, certificates, and other documents as you or we may reasonably require to establish the validity and legality of the Bonds.

We hereby represent and warrant that:

(1) we acknowledge that no official statement or other disclosure or offering document has been prepared in connection with the issuance of the Bonds;

(2) we are: (i) an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933; or (ii) a state or national bank organized under the laws of the United States, and we have sufficient knowledge and experience in financial and business matters, including purchase and ownership of tax-exempt municipal obligations, to be able to evaluate the economic risks and merits of the investment represented by the purchase of the Bonds;

(3) we have made our own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds, and we have not relied upon any statement by you, your officers, directors, or employees, or your financial consultants or legal advisors in connection with such inquiry or analysis or in connection with the offer and sale of the Bonds; except: (i) with respect to the City, the City's representations and warranties that it has the authority to issue, and has properly and validly

issued, the Bonds; and (ii) with respect to Delgado, Acosta, Braden & Jones, P.C. (“Bond Counsel”), the written opinions of Bond Counsel with respect to the Bonds;

(4) we have either been furnished with or have had access to all information that we as a reasonable investor have requested as a result of our having attached significance thereto making an informed investment decision concerning investment in the Bonds, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the purpose for which the proceeds of the Bonds will be utilized, and the security therefor, so that we have been able to make an informed decision to purchase the Bonds;

(5) we are purchasing the Bonds for our own account as evidence of a loan and not with a view to, and with no present intention of, selling, pledging, transferring, conveying, hypothecating, mortgaging, disposing, reoffering, distributing, or reselling the Bonds, or any part or interest thereof, except to persons who are able to and do confirm in writing to us and to you the representations contained in paragraphs (2) through (4) and this paragraph to the same extent as if such paragraphs referred to such persons;

(6) we further acknowledge that we are responsible for consulting with our advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws, we may have with respect to subsequent purchasers of the Bonds if and when any such future disposition of the Bonds may occur;

(7) we understand that the Bonds: (a) are not being registered under the Securities Act of 1933 and are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state due to exemptions from registration provided for therein; (b) will not be listed on any stock or other securities exchange; (c) will carry no rating from any rating service; and (d) will not be readily marketable;

(8) we acknowledge that the Bonds are transferable only by notation on the registration books maintained by the paying agent/registrar and are transferable provided that the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(9) we understand and agree that the foregoing representations and warranties will be relied upon by Bond Counsel in rendering certain of its opinions in connection with the sale of the Bonds.; and

(10) WE UNDERSTAND AND AGREE THAT NO BOND OR BONDS SHALL BE TRANSFERRED ON THE REGISTER BY THE PAYING AGENT/REGISTRAR UNLESS SUCH BOND OR BONDS ARE ACCOMPANIED BY AN INVESTMENT LETTER, IN THE FORM ATTACHED TO THE ORDINANCE AS EXHIBIT “B”, EXECUTED BY THE TRANSFEREE AND APPROVED BY THE CITY.

07 APR 19 PM 1:51
CITY CLERK DEPT.

Very truly yours,

Name of Purchaser

Signature of Authorized Representative

Printed Name

Title

AGREED TO AND ACCEPTED this
_____ day of _____, 20__.

CITY OF EL PASO, TEXAS

By: _____

Name: _____

Title: _____

CITY CLERK DEPT.
07 APR 19 PM 1:51

EXHIBIT "C"

PAYING AGENT/REGISTRAR AGREEMENT

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