

**CITY OF EL PASO, TEXAS**  
**AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM**

**DEPARTMENT:** El Paso Municipal Drainage Utility System

**AGENDA DATE:** July 13, 2010

**CONTACT PERSON/PHONE:** Edmund G. Archuleta, P. E., President/CEO/(915) 594-5501

**DISTRICT(S) AFFECTED:** All



**SUBJECT:**

**APPROVE a resolution / ordinance / lease to do what? OR AUTHORIZE the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.**

Discussion and Action on an Ordinance authorizing the issuance and sale to the North American Development Bank ("NADBank") of \$15,000,000 of "City of El Paso, Texas, Water and Sewer Revenue Taxable Build America Bonds, to finance the construction of the Paisano Valley 48" Water Transmission Line Replacement Project.

This ordinance also authorizes the Mayor, the City Manager, the President/CEO, the Vice President and/or Chief Financial Officer of the El Paso Water Utilities Public Service Board to sign various documents associated with such bond issuance.

**BACKGROUND / DISCUSSION:**

**Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action? What are the citizen concerns?**

The Federal Government enacted the American Recovery and Reinvestment Act of 2009 ("ARRA") to provide for, among other things, investment in infrastructure throughout the United States. ARRA created the Build America Bond program which authorizes State and local governments to issue taxable Build America Bonds ("BAB") to finance capital expenditures receiving a direct federal Treasury Department subsidy of 35% credit on the interest paid semiannually for the borrowing costs.

The El Paso Water Utilities ("EPWU") desires the City to authorize and approve the issuance of City of El Paso Water and Sewer Revenue Taxable Build America Bonds in an amount of \$15,000,000 so as to finance the Paisano Valley 48" Water Transmission Line Replacement Project budgeted by the EPWU for FY 2010-2011, which issuance would lock in a favorable interest rate and advance construction of this potable water delivery system to the utility rate payers.

At its regularly scheduled meeting on June 9, 2010, the EPWU Public Service Board approved, passed and adopted a Resolution requesting the City to authorize and approve the issuance and sale to the North American Development Bank ("NADBank") of not to exceed \$15,000,000 of the City of El Paso, Texas Water and Sewer Revenue Taxable Build America Bonds, to finance the construction of the Paisano Valley 48" Water Transmission Line Replacement Project.

Department Head's Summary Form

**Build America Bonds Authorization – Agenda- JULY13, 2010**

Page 2.

**PRIOR COUNCIL ACTION:**

**Has the Council previously considered this item or a closely related one?**

Yes. In September, 2009, the City Council passed an ordinance authorizing the issuance and sale of Municipal Drainage Utility System Bonds to the North American Development Bank and such MDUS bonds were also structured as Build America Bonds.

**AMOUNT AND SOURCE OF FUNDING:**

**How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?**

This item will be funded through the American Recovery and Reinvestment Act of 2009. No budget transfer is required.

**BOARD / COMMISSION ACTION:**

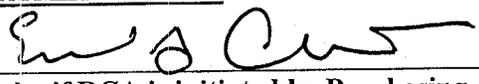
**Enter appropriate comments or N/A**

The El Paso Water Utility Public Service Board passed a Resolution dated June 9, 2010 requesting the City to authorize and approve the issuance and sale to the North American Development Bank of not to exceed \$15,000,000 of the City of El Paso Texas Water and Sewer Revenue Taxable Build America Bonds, to finance the construction of the Paisano Valley 48" Water Transmission Line Replacement Project. (copy of Resolution attached)

**\*\*\*\*\*REQUIRED AUTHORIZATION\*\*\*\*\***

**LEGAL:** (if required) \_\_\_\_\_ **FINANCE:** (if required) \_\_\_\_\_

**DEPARTMENT HEAD:**



(Example: if RCA is initiated by Purchasing, client department should sign also)  
*Information copy to appropriate Deputy City Manager*

**APPROVED FOR AGENDA:**

**CITY MANAGER:** \_\_\_\_\_ **DATE:** \_\_\_\_\_

**RESOLUTION**

**A RESOLUTION REQUESTING THE EL PASO CITY COUNCIL APPROVE THE ISSUANCE AND SALE TO THE NORTH AMERICAN DEVELOPMENT BANK OF NOT TO EXCEED FIFTEEN MILLION DOLLARS (\$15,000,000) OF CITY OF EL PASO, TEXAS, WATER AND SEWER REVENUE TAXABLE BUILD AMERICA BONDS, TO FINANCE THE CONSTRUCTION OF THE PAISANO VALLEY 48” WATER TRANSMISSION LINE REPLACEMENT PROJECT; AND PROVIDING AN EFFECTIVE DATE.**

\*\*\*\*\*

**WHEREAS**, the American Recovery and Reinvestment Act of 2009 (“ARRA”), enacted by the United States Congress and signed into law February 17, 2009, provides for, among other things, investment in infrastructure throughout the United States; and,

**WHEREAS**, the ARRA created the Build America Bond (“BAB”) program which authorizes State and local governments to issue taxable Build America Bonds to finance capital expenditures receiving a direct federal Treasury Department subsidy of 35% credit on the interest paid semiannually for the borrowing costs; and,

**WHEREAS**, the El Paso Water Utilities (“EPWU”), has been working with the North American Development Bank (“NAD Bank”) and the Border Environment Cooperation Commission (“BECC”) along with EPWU’s financial advisors and bond counsel to successfully negotiate a favorable loan to EPWU for the Paisano Valley 48” Water Transmission line replacement project utilizing BABs and selling them to NAD Bank; and,

**WHEREAS**, the EPWU desires the City to authorize and approve the issuance of City of El Paso Water and Sewer Revenue Taxable Build America Bonds not to exceed \$15,000,000 so as to finance the Paisano Valley 48” Water Transmission line replacement budgeted for FY 2010-2011, which issuance would lock in a favorable interest rate and advance potable water delivery system to the utility rate payers; and,

**WHEREAS**, the El Paso Water Utilities Public Service Board finds that it is in the best interest of its ratepayers for EPWU to pursue this Build America Bond low cost capital infrastructure project funding;

**NOW, THEREFORE, BE IT RESOLVED** by the Public Service Board (“PSB”) of the City of El Paso El Paso Water Utilities:

**Section 1.** The findings and recitations set out in the preamble to this Resolution are true and correct and are hereby adopted by the PSB and made a part of this Resolution for all purposes.

**Section 2.** That the El Paso Water Utilities Public Service Board requests the City Council to approve the issuance and sale of not to exceed FIFTEEN MILLION DOLLARS (\$15,000,000) in City of El Paso, Texas, water and sewer taxable Build America Bonds, to be sold to the North American Development Bank to finance the Paisano Valley 48" Water Transmission Line Replacement project.

**Section 3.** That all previous actions heretofore taken by the PSB's President/CEO, the PSB's Financial Advisor, and the PSB's Bond Counsel with respect to this matter are hereby ratified and approved.

**Section 4.** A copy of this Resolution shall be transmitted to the City Attorney's Office and an original to the North American Development Bank.

**PASSED and APPROVED at a regular meeting of the City of El Paso, El Paso Water Utilities Public Service Board, this 9th day of June, 2010, the Resolution's effective date, at which meeting a quorum was present, said meeting being held in accordance with the provisions of V.T.C.A. Government Code, Sections 551.001 et. seq.**

PUBLIC SERVICE BOARD

  
Chair

ATTEST:

  
Secretary-Treasurer

APPROVED AS TO FORM:

  
Robert D. Andron, General Counsel



**TO:** Joyce A. Wilson, City Manager  
El Paso, Texas

**FROM:** Robert D. Andron, General Counsel   
El Paso Water Utilities Public Service Board

**DATE:** July 1, 2010

**SUBJECT:** Request to place Item on City Council Agenda – July 13, 2010  
Introduction and Adoption of an Ordinance

Discussion and Action on an Ordinance authorizing the issuance of “City of El Paso, Texas, Water and Sewer Revenue Bonds, Taxable Series 2010 (Direct Subsidy-Build America Bonds)” in an amount of \$15,000,000; and resolve matters which are necessary to effectuate said issuance. (All Districts) (Contact Person: Edmund G. Archuleta, P. E. 594-5501) [Public Hearing Date: July 13, 2010]

~~~~~  
**ORDINANCE INTRODUCTION AND PASSAGE – City Council Agenda – July 13, 2010**

**Background**

The Federal Government enacted the American Recovery and Reinvestment Act of 2009 (“ARRA”) to provide for, among other things, investment in infrastructure throughout the United States. ARRA created the Build America Bond program which authorizes State and local governments to issue taxable Build America Bonds (“BAB”) to finance capital expenditures receiving a direct federal Treasury Department subsidy of 35% credit on the interest paid semiannually for the borrowing costs.

The El Paso Water Utilities (“EPWU”) desires the City to authorize and approve the issuance of City of El Paso Water and Sewer Revenue Taxable Build America Bonds in the amount of \$15,000,000 in order to partially finance that portion of the Paisano Valley 48” Water Transmission Line Replacement Project budgeted by the EPWU for FY 2010-2011. This issuance will lock in a favorable interest rate and advance this potable water delivery system to the utility rate payers.

At its regularly scheduled meeting on June 9, 2010, the EPWU Public Service Board approved, passed and adopted a Resolution requesting the City to authorize and approve the issuance and sale to the North American Development Bank (“NADBank”) of not to exceed \$15,000,000 of the City of El Paso, Texas Water and Sewer Revenue Taxable Build America Bonds, to partially finance the construction of the Paisano Valley 48” Water Transmission Line Replacement Project.

City Manager Joyce A. Wilson  
Department Memo, July 1, 2009  
Request for Item for City Council Agenda  
**Ordinance—Introduction and Passage- July 13, 2010**  
Page 2

**ACTION REQUESTED**

That the City authorize the issuance and sale to the North American Development Bank of \$15,000,000 of City of El Paso, Texas, Water and Sewer Revenue Bonds Series 2010 (Direct Subsidy-Build America Bonds) to partially finance the construction of the Paisano Valley 48" Water Transmission Line Replacement Project.

That the Mayor, the City Manager, the President/CEO, the Vice President and/or Chief Financial Officer of the El Paso Water Utilities Public Service Board are authorized by the City Council to sign various documents associated with such bond issuance to accomplish the requested action.

**REQUEST TO PLACE ITEM ON THE CITY COUNCIL AGENDA**

Attached is a copy of the Ordinance and the El Paso Water Utilities Resolution. upon adoption and approval of the Ordinance, it is requested that the City Clerk provide to this office an original of the fully executed Ordinance.

Please advise this office of the placement of this item on the City Council Agenda and my Secretary will contact the City Clerk and make arrangements to have document packets hand-delivered to the City Clerk's Office and email backup documents as noted to those listed below. If there are any questions, please call me at 594-5607 or email [bandron@epwu.org](mailto:bandron@epwu.org). I will plan to attend the City Council meeting on Tuesday, July 13, 2010. Thank you for your kind attention to this matter.

Attachments:

Cc: The Honorable Mayor John Cook (email)  
City Council Representatives (email)  
Pat Aduato, Deputy City Manager for Building & Planning Services (email)  
Charlie McNabb, City Attorney (email)  
Richarda Duffy-Momsen, City Clerk (hard copies & email)  
Nicholas J. Costanzo, Vice President of Strategic, Financial & Management Services (email)  
Marcela Navarrete, Chief Finance Officer, PSB (email)

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ORDINANCE NO. \_\_\_\_\_

AUTHORIZING THE ISSUANCE OF

CITY OF EL PASO, TEXAS  
WATER AND SEWER REVENUE BONDS,  
TAXABLE SERIES 2010  
(DIRECT SUBSIDY - BUILD AMERICA BONDS)

Adopted: July 13, 2010

TABLE OF CONTENTS

Page

|              |                                                                         |    |
|--------------|-------------------------------------------------------------------------|----|
| ARTICLE I    | DEFINITIONS, FINDINGS AND INTERPRETATION .....                          | 1  |
| Section 1.01 | Definitions .....                                                       | 1  |
| Section 1.02 | Findings .....                                                          | 6  |
| Section 1.03 | Table of Contents, Titles and Headings.....                             | 6  |
| Section 1.04 | Interpretation.....                                                     | 6  |
| ARTICLE II   | SECURITY FOR THE BONDS.....                                             | 6  |
| Section 2.01 | Security for the Bonds .....                                            | 6  |
| Section 2.02 | Limited Obligations .....                                               | 6  |
| Section 2.03 | Security Interest.....                                                  | 6  |
| ARTICLE III  | AUTHORIZATION; GENERAL TERMS AND PROVISIONS<br>REGARDING THE BONDS..... | 7  |
| Section 3.01 | Authorization .....                                                     | 7  |
| Section 3.02 | Date, Denomination, Maturities, Numbers and Interest .....              | 7  |
| Section 3.03 | Medium, Method and Place of Payment.....                                | 8  |
| Section 3.04 | Execution and Initial Registration .....                                | 9  |
| Section 3.05 | Ownership.....                                                          | 9  |
| Section 3.06 | Registration, Transfer and Exchange.....                                | 10 |
| Section 3.07 | Cancellation and Authentication.....                                    | 11 |
| Section 3.08 | Temporary Bonds .....                                                   | 12 |
| Section 3.09 | Replacement Bonds .....                                                 | 12 |
| ARTICLE IV   | REDEMPTION OF BONDS BEFORE MATURITY .....                               | 13 |
| Section 4.01 | Limitation on Redemption.....                                           | 13 |
| Section 4.02 | Optional Redemption.....                                                | 13 |
| Section 4.03 | Partial Redemption .....                                                | 13 |
| Section 4.04 | Notice of Redemption to Owners .....                                    | 14 |
| Section 4.05 | Payment Upon Redemption.....                                            | 14 |
| Section 4.06 | Effect of Redemption.....                                               | 15 |
| ARTICLE V    | PAYING AGENT/REGISTRAR .....                                            | 15 |
| Section 5.01 | Appointment of Initial Paying Agent/Registrar.....                      | 15 |
| Section 5.02 | Qualifications of Paying Agent/Registrar.....                           | 15 |
| Section 5.03 | Maintaining Paying Agent/Registrar .....                                | 15 |
| Section 5.04 | Termination of Paying Agent/Registrar.....                              | 16 |

## TABLE OF CONTENTS

|                                                                                          | <u>Page</u> |
|------------------------------------------------------------------------------------------|-------------|
| Section 5.05 Notice of Change of Paying Agent/Registrar to Owners.....                   | 16          |
| Section 5.06 Agreement of Paying Agent/Registrar to Perform Duties and<br>Functions..... | 16          |
| Section 5.07 Delivery of Records to Successor.....                                       | 16          |
| ARTICLE VI FORM OF THE BONDS.....                                                        | 16          |
| Section 6.01 Form Generally .....                                                        | 16          |
| Section 6.02 Form of the Bonds .....                                                     | 16          |
| Section 6.03 CUSIP Registration.....                                                     | 22          |
| Section 6.04 Legal Opinion .....                                                         | 22          |
| ARTICLE VII PUBLIC SERVICE BOARD.....                                                    | 23          |
| Section 7.01 Public Service Board .....                                                  | 23          |
| ARTICLE VIII FUNDS; FLOW OF FUNDS.....                                                   | 24          |
| Section 8.01 Special Funds.....                                                          | 24          |
| Section 8.02 Revenue Fund .....                                                          | 25          |
| Section 8.03 Investment of Funds.....                                                    | 26          |
| Section 8.04 Contributions in Aid of Construction .....                                  | 27          |
| ARTICLE IX DEPOSIT OF PROCEEDS; CONTROL AND DELIVERY OF<br>BONDS.....                    | 27          |
| Section 9.01 Deposit of Proceeds .....                                                   | 27          |
| Section 9.02 Control and Delivery of Bonds.....                                          | 28          |
| ARTICLE X PARTICULAR REPRESENTATIONS AND COVENANTS .....                                 | 28          |
| Section 10.01 Insurance.....                                                             | 28          |
| Section 10.02 Books and Records .....                                                    | 28          |
| Section 10.03 Additional Covenants .....                                                 | 28          |
| Section 10.04 Payment of Bonds.....                                                      | 31          |
| ARTICLE XI BONDS DESIGNATED AS BUILD AMERICA BONDS .....                                 | 31          |
| Section 11.01 Build America Bonds.....                                                   | 31          |
| Section 11.02 Tax Certificate .....                                                      | 32          |
| Section 11.03 Survival of Covenants.....                                                 | 32          |
| Section 11.04 Application of Federal Subsidy Payments.....                               | 32          |
| ARTICLE XII DEFAULT AND REMEDIES.....                                                    | 32          |
| Section 12.01 Remedies in Event of Default.....                                          | 32          |

## TABLE OF CONTENTS

|                                                                                        | <u>Page</u> |
|----------------------------------------------------------------------------------------|-------------|
| Section 12.02 Remedies Not Exclusive.....                                              | 33          |
| ARTICLE XIII DISCHARGE.....                                                            | 33          |
| Section 13.01 Discharge.....                                                           | 33          |
| ARTICLE XIV SALE AND DELIVERY OF BONDS.....                                            | 33          |
| Section 14.01 Sale of Bonds.....                                                       | 33          |
| ARTICLE XV CONTINUING DISCLOSURE UNDERTAKING.....                                      | 34          |
| Section 15.01 Annual Reports.....                                                      | 34          |
| Section 15.02 Material Event Notices.....                                              | 34          |
| Section 15.03 Filings with the MSRB.....                                               | 35          |
| Section 15.04 Limitations, Disclaimers and Amendments.....                             | 35          |
| ARTICLE XVI SPECIAL PROVISIONS RELATING TO THE NORTH AMERICAN<br>DEVELOPMENT BANK..... | 36          |
| Section 16.01 Purchaser's Conditions to Closing.....                                   | 36          |
| Section 16.02 Special Covenants.....                                                   | 37          |
| Section 16.03 Disbursement of Proceeds from Construction Fund.....                     | 38          |
| Section 16.04 Events of Default and Remedies.....                                      | 39          |
| ARTICLE XVII MISCELLANEOUS.....                                                        | 40          |
| Section 17.01 Amendment to Ordinance.....                                              | 40          |
| Section 17.02 Further Procedures.....                                                  | 42          |
| Section 17.03 No Municipal Bond Insurance.....                                         | 42          |
| Section 17.04 Inconsistent Provisions.....                                             | 42          |
| Section 17.05 Governing Law.....                                                       | 42          |
| Section 17.06 Effectiveness.....                                                       | 42          |

**AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF \$15,000,000 "CITY OF EL PASO, TEXAS, WATER AND SEWER REVENUE BONDS, TAXABLE SERIES 2010 (DIRECT SUBSIDY - BUILD AMERICA BONDS)" AND ENACTING PROVISIONS RELATED THERETO**

WHEREAS, in accordance with the Constitution and the laws of the State of Texas, specifically Chapter 1502, Texas Government Code, as amended (the "Act"), the City of El Paso, Texas (the "City"), has previously issued waterworks and sewer system revenue bonds (the "Previously Issued Senior Lien Bonds") payable from and secured by a first and superior lien on and pledge of the net revenues of the City's combined waterworks and sewer system (the "System"); and

WHEREAS, there has been filed with the City Council a resolution adopted and approved by the Public Service Board requesting the City Council to approve the issuance and sale of the City's revenue bonds for the purpose of improving and extending the System; and

WHEREAS, in the ordinances authorizing the City's Previously Issued Senior Lien Bonds, the City reserved the right and option to issue, under certain conditions, "Additional Bonds" on a parity as to lien and right with such bonds; and

WHEREAS, a public hearing was held, following proper publication of notice thereof, before the City Council with respect to the adoption of this Ordinance; and

WHEREAS, the City Council has found and determined that the bonds herein authorized should be issued in one series, on a parity with its Previously Issued Senior Lien Bonds, for the purposes aforesaid, pursuant to this Ordinance and as permitted by the General Act and the Laws of the State of Texas, as amended; and

WHEREAS, the meeting at which this Ordinance is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended; and

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

**ARTICLE I**

**DEFINITIONS, FINDINGS AND INTERPRETATION**

Section 1.01 Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

"Act" means Chapter 1502, Texas Government Code, as amended.

"Additional Bonds" means the additional revenue bonds permitted to be issued on a parity with the Bonds and the Previously Issued Senior Lien Bonds by Section 10.03(a) of this Ordinance.

“Board” or “Board of Trustees” means that certain board of trustees known as the “Public Service Board” heretofore established for the purpose of managing the System and other water utilities of the City, as represented by the various persons appointed from time to time.

“Bond” means any of the Bonds.

“Bonds” means the City of El Paso, Texas, Water and Sewer Revenue Bonds, Taxable Series 2010 (Direct Subsidy – Build America Bonds), authorized by Section 3.01 of this Ordinance.

“Bond Counsel” means a firm of nationally recognized attorneys experienced in the issuance of bonds and acceptable to the City, initially Fulbright & Jaworski L.L.P.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the State of Texas are generally authorized or obligated by law or executive order to close.

“City” means the City of El Paso, Texas, and with respect to those matters requiring action regarding the authority and control of management and operation of the System or the expenditure and application of the System’s revenues, “City” shall mean the Board acting on behalf of the City.

“City Council” means the governing body of the City of El Paso, Texas.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

“Construction Fund” means the fund by that name designated in Section 9.01 hereof.

“Depository Bank” means any financial institution duly designated by the Board to serve as a depository for funds controlled by the Board.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Minneapolis, Minnesota, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

“EPWU” means the El Paso Water Utilities, a component unit of the City of El Paso, and any successors thereto.

“Fiscal Year” means the twelve month financial accounting period used by the System in connection with the operation of the System which may be any twelve consecutive month period established by the EPWU.

“Gross Revenues” means all of the revenues of every nature received through the operation of the System.

“Improvement Fund” means the fund by such name described in Section 8.01(a)(iv) hereof.

“Initial Bond” means the Initial Bond authorized by Section 3.04 of this Ordinance.

“Initial Date” means the date designated as the Initial Date by Section 3.02(a) of this Ordinance.

“Interest and Sinking Fund” means the fund by that name described in Section 8.01(a)(ii) hereof.

“Interest Payment Date” means the date or dates on which interest on the principal of the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being March 1 and September 1, commencing \_\_\_\_\_, 20\_\_.

“Issue Price” has the meaning stated in section 1.148-1(b) of the Regulations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Revenues” means the Gross Revenues less the Operation and Maintenance Expenses.

“Note Payment Fund” shall mean the fund so designated in Section 8.02(c) hereof.

“Operation and Maintenance Expenses” means the reasonable and proper expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as are necessary to keep the System in operation or which are necessary to meet some physical accident or condition that would otherwise impair the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds shall be included as Operation and Maintenance Expenses.

“Owner” means the person who is the registered owner of a Bond or Bonds.

“Paying Agent/Registrar” means Wells Fargo Bank, National Association, a national association organized under the laws of the United States of America authorized to do business in the State of Texas, or any successor thereto or replacement therefor as provided in this Ordinance.

“Previously Issued Senior Lien Bonds” means the outstanding bonds of the following issues of the City (such bonds being designated as “Previously Issued Bonds” in ordinances adopted prior to March 1, 1993):

- (1) Water and Sewer Taxable Revenue Bonds, Series 1990B, authorized by ordinance duly passed and approved December 18, 1990;

- (2) Water and Sewer Revenue Bonds, Series 2001, authorized by ordinance duly passed and approved August 14, 2001;
- (3) Water and Sewer Revenue Refunding and Improvement Bonds, Series 2001A, authorized by ordinance duly passed and approved December 18, 2001;
- (4) Water and Sewer Revenue Bonds, Series 2002, authorized by ordinance duly passed and approved January 14, 2002;
- (5) Water and Sewer Revenue Refunding and Improvement Bonds, Series 2003, authorized by ordinance duly passed and approved October 7, 2003;
- (6) Water and Sewer Revenue Bonds, Series 2003A, authorized by ordinance duly passed and approved August 26, 2003;
- (7) Water and Sewer Revenue Bonds, Series 2003B, authorized by ordinance duly passed and approved December 2, 2003;
- (8) Water and Sewer Revenue Refunding Bonds, Series 2004, authorized by ordinance duly passed and approved January 27, 2004;
- (9) Water and Sewer Revenue Refunding Bonds, Series 2004A, authorized by ordinance duly passed and approved November 30, 2004;
- (10) Water and Sewer Revenue Bonds, Series 2005A, authorized by ordinance duly passed and approved March 1, 2005;
- (11) Water and Sewer Revenue Refunding Bonds, Series 2005B, authorized by ordinance duly passed and approved March 22, 2005;
- (12) Water and Sewer Revenue Bonds, Series 2005C, authorized by ordinance duly passed and approved April 5, 2005;
- (13) Water and Sewer Revenue Refunding Bonds, Series 2006, authorized by ordinance duly passed and approved February 14, 2006;
- (14) Water and Sewer Revenue Refunding Bonds, Series 2006A, authorized by ordinance duly passed and approved November 14, 2006;
- (15) Water and Sewer Revenue Refunding Bonds, Series 2007, authorized by ordinance duly passed and approved July 24, 2007;
- (16) Water and Sewer Revenue Refunding Bonds, Series 2008, authorized by ordinance duly passed and approved January 15, 2008;
- (17) Water and Sewer Revenue Bonds, Series 2008A, authorized by ordinance duly passed and approved September 16, 2008;

(18) Water and Sewer Revenue Bonds, Series 2008B, authorized by ordinance duly passed and approved September 16, 2008;

(19) Water and Sewer Revenue Refunding Bonds, Series 2008C, authorized by ordinance duly passed and approved October 7, 2008; and

(20) Water and Sewer Revenue Refunding Bonds, Series 2010, authorized by ordinance duly passed and approved December 22, 2009.

“Project” means certain System improvements certified by the Border Environmental Cooperation Commission, including replacement of the Paisano Valley 48” water transmission line of the System.

“Purchaser” means the North American Development Bank in accordance with Section 14.01 hereof.

“Record Date” means with respect to each interest payment date the fifteenth day of the month next preceding such interest payment date.

“Register” means the Register specified in Section 3.06(a) of this Ordinance.

“Regulations” means the temporary or final Income Tax Regulations applicable to the Bonds issued pursuant to sections 103, 141 through 150, 54A, 54AA, and 6431 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to such sections of the Code and applicable to the Bonds.

“Reserve Fund” means the fund by that name described in Section 8.01(a)(iii) hereof.

“Reserve Fund Requirement” means the amount which is equal to the average annual principal and interest requirements on the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds at any time outstanding; **provided, however,** that in making such calculation and with respect to any series of the Bonds, then-outstanding Previously Issued Senior Lien Bonds or Additional Bonds for which the City is entitled to receive payments from the federal or state government on account of, and substantially contemporaneously with, interest paid on such bonds, the amount to be received in such period shall be deducted from such interest in computing the average annual principal and interest requirements.

“Revenue Fund” means the Waterworks and Sewage Fund established in Section 8.01(a)(i) hereof.

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

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

“Subordinate Lien Obligations” shall mean the obligations of the City under the City’s Commercial Paper Notes, Series A and the documents pertaining thereto.

“System” means the complete waterworks plant and system of the City as they now exist and may be improved, added to, or extended hereafter, and the complete sewer system of the City as it now exists and may hereafter be improved, added to, or extended, there being included in such term all water and sewer facilities now or hereafter owned or operated by the City, lying within and without the boundaries of the City, and including all real estate and real and personal property of every kind and nature comprising any part of or used or useful in the operation of the water and sewer facilities of the City.

Section 1.02 Findings. The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.03 Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.04 Interpretation.

(a) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(b) This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Ordinance.

## ARTICLE II

### SECURITY FOR THE BONDS

Section 2.01 Security for the Bonds. The Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds, both principal and interest, are and shall be equally and ratably secured by and payable from an irrevocable first lien on and pledge of the Net Revenues.

Section 2.02 Limited Obligations. The Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds, are special obligations of the City, payable solely from the Net Revenues, and do not constitute a prohibited indebtedness of the City. Neither the Bonds, the Previously Issued Senior Lien Bonds, nor the Additional Bonds shall ever be payable out of funds raised or to be raised by taxation.

Section 2.03 Security Interest. The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the City is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a

document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds, the Previously Issued Senior Lien Bonds or Additional Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the Owners of the Bonds, the Previously Issued Senior Lien Bonds or Additional Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01 Authorization. The City’s revenue bonds to be designated the “City of El Paso, Texas, Water and Sewer Revenue Bonds, Taxable Series 2010 (Direct Subsidy – Build America Bonds),” are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, particularly the Act, and the Charter of the City. The Bonds shall be issued in the aggregate principal amount of \$15,000,000 for the purposes of financing the Project and (ii) paying the costs of issuing the Bonds.

Section 3.02 Date, Denomination, Maturities, Numbers and Interest.

(a) The Bonds shall have an Initial Date of [July 1, 2010]. The Bonds shall be in fully registered form, without coupons, and shall be numbered consecutively from one upward, except the Initial Bond, which shall be numbered as specified in Section 6.02.

(b) The Bonds shall be in the denomination of \$5,000 or any integral multiple thereof, shall mature on March 1 in the years and in the principal amounts and shall bear interest at the per annum rates set forth in the following schedule:

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------|-------------------------|----------------------|-------------|-------------------------|----------------------|
| 20          | \$                      | %                    | 20          | \$                      | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |
| 20          |                         | %                    | 20          |                         | %                    |

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or earlier redemption from the later of the Closing Date or the most recent interest payment date to which interest has been paid or provided for at the per annum rates specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on March 1 and

September 1 of each year, commencing \_\_\_\_\_, 20\_\_\_, computed on the basis of a 360-day year of twelve 30-day months.

Section 3.03 Medium, Method and Place of Payment.

(a) The principal of and interest on the Bonds shall be paid in lawful money of the United States of America, as provided in this Section.

(b) Interest on the Bonds shall be paid to the Owners thereof as shown in the Register at the close of business on the Record Date by check (dated as of the Interest Payment Date) and sent by the Paying Agent/Registrar to the person entitled to such payment, first class United States mail, postage prepaid, to the address of such person as it appears in the Register, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements.

(c) The principal of each Bond shall be paid to the Owner of such Bond on the due date thereof (whether at the maturity date or the date of prior redemption thereof) upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(d) If the date for the payment of the principal of or interest on the Bonds is not a Business Day, the date for such payment shall be the next succeeding Business Day, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

(e) In the event of a nonpayment of interest on a Bond on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" that shall be fifteen (15) days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

(f) Unclaimed payments shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which the unclaimed payments pertain. Subject to Title 6 of the Texas Property Code, payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the City to be used for any lawful purpose. Thereafter, neither the City, the Paying Agent/Registrar nor any other person shall be liable or responsible to any Owners of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code.

Section 3.04 Execution and Initial Registration.

(a) The Bonds shall be executed on behalf of the City by the Mayor and the City Clerk or Alternate City Clerk as of the date of adoption of this Ordinance, by their manual 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.

(b) In the event any officer of the City whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that they are valid and binding special obligations of the City, and have been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond, payable in stated installments to the Purchaser or its designee, executed by manual or facsimile signature of the Mayor and City Clerk or Alternate City Clerk, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, with the Closing Date inserted on the Bond, will be delivered to the Purchaser or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver registered definitive Bonds to the Purchaser.

Section 3.05 Ownership.

(a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal, for the further purpose of making and receiving payment of the interest thereon (subject to the terms of this Ordinance requiring the Paying Agent/Registrar to make payments of interest to the person who is the registered owner on the Record Date or the Special Record Date), 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.

(b) All payments made to the person deemed to be the Owner of any Bond in accordance with this Section 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.

Section 3.06 Registration, Transfer and Exchange.

(a) So long as any Bonds remain outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") 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 this Ordinance.

(b) Registration of any Bond may be transferred in the Register only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of the Bonds, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and the right of such assignee or assignees thereof to have the bond or any portion thereof registered in the name of such assignee or assignees. No transfer of any Bond shall be effective until entered in the Register. Upon assignment and transfer of any Bond or portion thereof, a new Bond or Bonds will be issued by the Paying Agent/Registrar in exchange for such transferred and assigned Bond. To the extent possible the Paying Agent/Registrar will issue such new Bond or Bonds in not more than three business days after receipt of the Bond to be transferred in proper form and with proper instructions directing such transfer.

(c) Any Bond may be exchanged only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantees of signatures satisfactory to the Paying Agent/Registrar, for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. If a portion of any Bond is redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. To the extent possible, a new Bond or Bonds will be required to be delivered by the Paying Agent/Registrar to the registered owner of the Bond or Bonds in not more than three business days after receipt of the Bond to be exchanged in proper form and with proper instructions directing such exchange.

(d) Each Bond issued in exchange for any Bond or portion thereof assigned or transferred shall be of the same tenor and shall have the same maturity date and bear interest at the same rate and in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange the Bonds as provided herein, and each substitute Bond delivered in accordance with this Section shall constitute an original additional contractual

obligation of the City and 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 substitute Bond is delivered.

(e) The City will pay the Paying Agent/Registrar's reasonable and customary charge for the initial registration of the Bonds and the subsequent exchange of the Bonds pursuant to the provisions hereof. However, the Paying Agent/Registrar will require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond. In addition, the City hereby covenants with the Owners of the Bonds that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer, registration and exchange of Bonds as provided herein to the extent such fees and charges are payable hereunder by the City.

(f) Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the owner of the uncalled principal balance of a Bond.

#### Section 3.07 Cancellation and Authentication.

(a) All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance, shall be canceled upon the making of proper records regarding such payment, redemption, exchange or replacement.

(b) Each substitute Bond issued in exchange for or replacement of (pursuant to the provisions of Section 3.09 hereof) any Bond or Bonds issued under this Ordinance shall have printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form hereinafter set forth. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such bond, manually sign and date such Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. No additional ordinances, orders, or resolutions need be passed or adopted by the City Council or any other body or person so as to accomplish the foregoing exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein. Pursuant to Chapter 1201, Texas Government Code, the duty of exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, the exchanged or replaced Bonds shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which originally were delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

Section 3.08 Temporary Bonds.

(a) Pending the preparation of definitive Bonds, the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Ordinance. The City, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09 Replacement Bonds.

(a) 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 tenor 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 is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, 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 authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the City, to save each of them harmless;

(iii) pays 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 is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

(c) 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.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, without the necessity of issuing a replacement Bond, may pay such Bond on the date on which such Bond becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the City and 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 IV

##### REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01 Limitation on Redemption. The Bonds shall be subject to redemption before their scheduled maturity only as provided in this Article.

Section 4.02 Optional Redemption.

(a) The City reserves the option to redeem Bonds in whole or in part, before their respective scheduled maturity dates, on any date, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption.

(b) If less than all of the Bonds are to be redeemed pursuant to an optional redemption, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

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

Section 4.03 Partial Redemption.

(a) A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall assign a separate number for each \$5,000 portion of the Bonds and select the portion or portions of the Bond to be redeemed by lot or by any other customary method that results in a random selection.

(b) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of this Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge.

(c) The Paying Agent/Registrar shall promptly notify the City in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

#### Section 4.04 Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or portion thereof) to be redeemed, at the address shown in the Register at the close of business on the Business Day next preceding the date of mailing of such notice.

(b) The notice shall state, among other things, the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, that the Bonds so called for redemption shall cease to bear interest after the redemption date, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

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

#### Section 4.05 Payment Upon Redemption.

(a) Before or on each redemption date, the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount received by the Paying Agent/Registrar sufficient to pay the principal of and accrued interest on such Bonds.

(b) Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar, on or after the date fixed for redemption, the

Paying Agent/Registrar shall pay the principal of, and accrued interest on such Bond from the moneys set aside for such purpose.

Section 4.06 Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.04 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the City defaults in the payment of the principal thereof or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until paid or until due provision is made for the payment of same.

(c) Money set aside for the redemption of Bonds and remaining unclaimed by the Owners thereof shall be subject to the provisions of Section 3.03(f) hereof.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01 Appointment of Initial Paying Agent/Registrar.

(a) Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States of America authorized to do business in the State of Texas, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

(b) The City Manager and City Clerk of the City and Chief Financial Officer of the System are 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.

Section 5.02 Qualifications of Paying Agent/Registrar. Each Paying Agent/Registrar shall be a commercial bank, a national banking association, trust company organized under the laws of the State of Texas, or 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 5.03 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 5.02 of this Ordinance.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 5.04 Termination of Paying Agent/Registrar. The City reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the City (i) giving notice of the termination of the appointment, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/ Registrar.

Section 5.05 Notice of Change of Paying Agent/Registrar 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 the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06 Agreement of Paying Agent/Registrar to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, 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 hereby.

Section 5.07 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 VI

### FORM OF THE BONDS

#### Section 6.01 Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the 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, substitutions, and other variations as are permitted or required by this Ordinance, and (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. Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

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

Section 6.02 Form of the Bonds. The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas (which shall

only appear on the Initial Bond), the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds shall be substantially as follows:

(i) Form of Bond.

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
COUNTY OF EL PASO  
CITY OF EL PASO, TEXAS  
WATER AND SEWER REVENUE BONDS  
TAXABLE SERIES 2010  
(Direct Subsidy – Build America Bonds)

INTEREST RATE: \_\_\_\_\_%      MATURITY DATE: \_\_\_\_\_      INITIAL DATE: [July 1, 2010]      CUSIP NO.: \_\_\_\_\_

The City of El Paso (the "City"), in the County of El Paso, State of Texas, for value received, hereby promises to pay to

\_\_\_\_\_

or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for prior redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the date of delivery or the most recent interest payment date to which interest has been paid or provided for until payment of such principal amount has been paid or provided for, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on March 1 and September 1 of each year, commencing \_\_\_\_\_, 20\_\_ . The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the designated payment/transfer office in Minneapolis, Minnesota (the "Designated Payment/Transfer Office") of Wells Fargo Bank, National Association, Paying Agent/Registrar, or at the Designated Payment/Transfer Office any successor thereto. Interest on this Bond is payable by check, dated as of the interest payment date, mailed by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and the person to whom interest is paid; provided, however, that such person shall bear all risk and expense of such other customary banking arrangements. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the

"Record Date," which shall be the fifteenth day of the month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date, and for thirty days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which date shall be fifteen days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof, dated as of [July 1, 2010], issued in the aggregate principal amount of \$15,000,000 (herein referred to as the "Bonds"), and issued pursuant to the authority provided by Chapter 1502, Texas Government Code, and a certain ordinance of the City (the "Ordinance"), for the purpose of providing funds to pay a portion of the costs of the Project as described in the Ordinance and the costs of issuing the Bonds as described in the Ordinance. Capitalized terms used herein and not otherwise defined shall have the meaning assigned thereto in the Ordinance.

The Bonds, together with the City's previously issued and presently outstanding water and sewer senior lien revenue bonds, are payable from and secured by a first lien on and pledge of the Net Revenues of the City's combined waterworks and sewer system. The City has reserved the right, subject to the restrictions stated in the Ordinance, to issue additional revenue bonds that may be secured in the same manner and on a parity with the Bonds and the Previously Issued Senior Lien Bonds.

The City reserves the option to redeem Bonds, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on any date, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the redemption date. If less than all of the Bonds are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity and in such principal amounts, for redemption.

A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall assign a separate number for each \$5,000 portion of the Bonds and select the portion or portions of the Bond to be redeemed by lot or by any other customary method that results in a random selection.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice, and from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

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

As provided in the Ordinance and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption when such redemption is to occur within 45 calendar days after the transfer or exchange date. However, such limitations of transfer shall not be applicable to an exchange by the Owner of the unredeemed balance of a Bond called for redemption in part.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date) and for all other purposes, whether or not this Bond be overdue, and neither the City, the Paying Agent/Registrar, nor any such agent shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED 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, existed, and been done in accordance with law; and that the interest on and principal of this Bond and the series of which it is a part, together with certain outstanding senior lien revenue bonds of the City, are secured by and payable from an irrevocable first lien on and pledge of the Net

Revenues of the System, as provided in Ordinance, and not from any other revenues, funds or assets of the City.

THIS BOND shall not be deemed to constitute a debt of the City or a pledge of its faith and credit; nor shall the Owners hereof ever have the right to demand payment of this Bond out of any funds raised or to be raised by taxation.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk or Alternate City Clerk, and the official seal of the City has been duly impressed or placed in facsimile on this Bond all as of the Dated Date set forth herein.

\_\_\_\_\_  
City Clerk  
City of El Paso, Texas

\_\_\_\_\_  
Mayor  
City of El Paso, Texas

(SEAL)

(ii) Form of Comptroller's Registration Certificate.

[to be printed on Initial Bond only]

OFFICE OF THE COMPTROLLER           §  
OF PUBLIC ACCOUNTS                   §           REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS               §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the City of El Paso, Texas, payable from the revenues pledged to its payment by and in the ordinance authorizing same and that said Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, on this date: \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(SEAL)

(iii) Form of Certificate of Paying Agent/Registrar.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Ordinance.

WELLS FARGO BANK,  
NATIONAL ASSOCIATION,  
as Paying Agent/Registrar

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

By: \_\_\_\_\_  
Authorized Signature

(iv) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee):

\_\_\_\_\_  
(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

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

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

Signature Guaranteed By:

\_\_\_\_\_  
\_\_\_\_\_

Authorized Signatory

(v) The Initial Bond shall be in the form set forth in subsection (i) of this Section, except for the following alterations:

(A) immediately under the name of the Bond, the headings “Interest Rate” and “Maturity Date” shall be completed with the words “As Shown Below” and the heading “CUSIP No.” shall be deleted.

(B) in the first paragraph of the Bond the words “on the Maturity Date specified above, the sum of \_\_\_\_\_ DOLLARS” shall be deleted and the following will be inserted: “on March 1 in each of the years, in the principal amounts and bearing interest at the per annum rates set forth in the following schedule:

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-------------|-------------------------|----------------------|
|-------------|-------------------------|----------------------|

(Information to be inserted from schedule  
in Section 3.02 of this Ordinance)

(C) the Initial Bond shall be numbered T-1.

(vi) The Comptroller’s Registration Certificate may be deleted from the definitive Bonds if such Certificate on the Initial Bond is fully executed.

(vii) The Certificate of the Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller’s Registration Certificate appears thereon.

Section 6.03 CUSIP Registration. The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor’s Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04 Legal Opinion. The approving legal opinion of Bond Counsel, may be attached to or printed on each Bond over the certification of the City Clerk or Alternate City Clerk of the City, which certification may be executed in facsimile.

## ARTICLE VII

### PUBLIC SERVICE BOARD

#### Section 7.01 Public Service Board.

(a) Pursuant to the authority contained in Section 1502.071, Texas Government Code, during such time as any of the Bonds herein authorized are outstanding and unpaid the Public Service Board shall have complete authority and control of the management and operation of the System.

(b) The Board shall consist of seven members, one of whom shall be the Mayor of the City who shall ex officio be one member of the Board. Each term of office shall be four years with no member being appointed to more than two consecutive terms. To the extent not prohibited by State law or in conflict with the ordinances authorizing the Bonds, Previously Issued Senior Lien Bonds and any Additional Bonds, any member shall continue to serve until his or her successor is appointed and qualified, or until 60 days have passed beyond the expiration of such term, whichever event occurs first. After that time a vacancy on the Board shall exist and the former member shall have no power to vote or participate in Board proceedings; but such vacancy shall not serve to reduce the number of members required for a quorum.

Each vacancy in Board membership whether occasioned by expiration of office or otherwise shall be filled by the City Council from three persons eligible to serve as Board members and presented to City Council. A selection committee selected by the City Council and comprised of the Board and such additional members as appointed by City Council shall agree upon and submit to City Council the names of such three eligible persons.

Any member of the Board, other than the Mayor, who shall be continuously absent from all meetings of the Board for a period of three consecutive months shall, unless he or she shall be granted leave of absence by the unanimous vote of the remaining members of the Board, be removed from office, but only for adequate cause. As City Council appointees, members of the Board are subject to the City's ethics ordinance, Chapter 2.92 of the City Code of the City, as amended, and must comply with the applicable provisions contained therein.

(c) The Board shall elect one of its own members as Chairman and one as Vice-Chairman and appoint a Secretary and a Treasurer or a Secretary-Treasurer, who may, but need not, be a member or members of the Board. The Board may make such regulations or any by-laws for the orderly handling of its affairs as it may in its discretion see fit and shall thereafter, subject to the pertinent laws of the State of Texas, operate and manage the System with the same freedom and in the same manner as are ordinarily enjoyed by the Board of Directors of a private corporation operating properties of a similar nature.

Subject to the provisions and restrictions contained in this Ordinance, all of which shall be binding on the Board, the Board shall have complete authority and control of the management and operations of the System and the expenditure and application of its revenues.

(d) The Board shall elect or appoint all officers and employees which it may consider desirable, including a President/Chief Executive Officer of the System. The President/Chief Executive Officer shall be responsible to appoint officers and employees that directly report to the President/Chief Executive Officer, including an attorney or attorneys, vice president(s) and such other personnel that directly report to the President/Chief Executive Officer. All other officers and employees, except members of the Board, the President/Chief Executive Officer, attorneys, vice president(s) and persons directly reporting to the vice president(s) shall serve under the City Civil Service provisions as are or may be established by the Charter of the City or the laws of Texas, and the Board shall have the same authority with respect to such officers and employees as that of the City Council with respect to other officers and other employees of the City. The Board shall obtain and keep continually in force an employers' fidelity and indemnity bond of the so-called blanket type, written by a solvent and recognized indemnity company, and covering losses to the amount not to exceed \$50,000.

(e) The members of the Board, other than the Mayor shall, for each meeting attended, receive the sum of \$20.00, except that the amount so paid to any member of the Board in any fiscal year shall not exceed \$5,000. The members of the Board shall not personally be liable for any act or omission not willfully fraudulent or committed in bad faith.

## ARTICLE VIII

### FUNDS; FLOW OF FUNDS

#### Section 8.01 Special Funds.

(a) The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the following special funds heretofore established are reaffirmed and shall be maintained at the Depository Bank so long as any of the Bonds, the Previously Issued Senior Lien Bonds, or any Additional Bonds are outstanding and unpaid, to-wit:

(i) "City of El Paso, Texas, Water and Sewer Revenue Bonds Waterworks and Sewage Fund" (herein called the "Revenue Fund");

(ii) "City of El Paso, Texas, Water and Sewer Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund");

(iii) "City of El Paso, Texas, Water and Sewer Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"); and

(iv) "City of El Paso, Texas, Water and Sewer System Improvement Fund" (herein called the "Improvement Fund").

The Interest and Sinking Fund and the Reserve Fund shall be held in trust solely for the benefits of the Owners and the Owners of the Previously Issued Senior Lien Bonds, the Bonds and any Additional Bonds.

(b) The “City of El Paso, Texas, Water and Sewer System Note Payment Fund” (the “Note Payment Fund”) heretofore created by the ordinance authorizing the City’s Commercial Paper Notes, Series A, herein referred to as the “Subordinate Lien Obligations.”

Section 8.02 Revenue Fund. All Gross Revenues shall be deposited from day to day as collected into the Revenue Fund. Moneys on deposit in the Revenue Fund shall first be used to pay all Operation and Maintenance Expenses. The revenues of the System not actually required to pay Operation and Maintenance Expenses (the “Net Revenues”) shall be transferred from the Revenue Fund to the other Funds in this Ordinance, in the order of priority, in the manner, and in the amounts set forth below:

(a) Interest and Sinking Fund. In addition to the deposits required by ordinances authorizing the Previously Issued Senior Lien Bonds, there shall be deposited into the Interest and Sinking Fund the following:

(i) such amounts, in equal monthly installments, commencing on the first day of the month next following the month of Closing, and on the first day of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds on the next interest payment date, less any amounts already on deposit therein for such purpose derived from the proceeds of the Bonds or from any other lawfully available source; and

(ii) such amounts, in equal monthly installments, commencing on the first day of the month next following the month of Closing, and on the first day of each month thereafter, as will be sufficient to pay the next maturing principal of the Bonds, including any scheduled mandatory redemption of Bonds.

The Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds as such principal matures and such interest becomes due.

(b) Reserve Fund. So long as the funds on deposit in the Reserve Fund created for the benefit of the Bonds, the Previously Issued Senior Lien Bonds, and all Additional Bonds are equal to the Reserve Fund Requirement, no deposits need to be made to the credit of the Reserve Fund; but should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund, the City shall transfer from the Net Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund, on the first day of each month, such amounts in equal monthly installments to accumulate within at least five years and one month a sum equal to the Reserve Fund Requirement. The money on deposit in the Reserve Fund may be used to pay the principal of and interest on the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds at any time there are not sufficient funds on deposit in the Interest and Sinking Fund for such purpose.

In accordance with the procedures specified in the preceding paragraph, the City hereby directs that the deposits, if any, being made to the Reserve Fund be increased to accumulate in

the Reserve Fund within five years and one month from the date of the Bonds an amount equal to the Reserve Fund Requirement.

(c) Note Payment Fund. In addition to the foregoing deposits, in order to provide for the payment of and security for any Subordinate Lien Obligations there shall be deposited to the Note Payment Fund amounts sufficient to pay when due the principal of and interest on the Subordinate Lien Obligations.

(d) Payment to the City's General Fund. At the end of each month there shall be paid to the City Treasurer for deposit to the City's General Fund from any money which may remain in the Revenue Fund after all payments required to be paid from such Fund in such month have been made and all deficiencies accumulated from prior months have been remedied, such amounts as will result in there having been paid to the City during each fiscal year, ten percent (10%) of the total received by the Board from the sale of water during the fiscal year.

(e) Improvement Fund. All money remaining in the Revenue Fund at the end of each month after all payments required to be made therefrom in such month have been made and all deficiencies accumulated from prior months have been remedied shall continue to be paid to the Improvement Fund established in connection with the System, and shall be held in and paid out from such Fund for the following purposes:

(i) To pay the cost of any special or extraordinary repairs or replacements to or of the properties comprising the System, properly payable with such money under the laws of the State of Texas, necessitated by reason of some emergency; and

(ii) To the extent permitted by law, for the making of extensions, improvements, and betterments of the System.

#### Section 8.03 Investment of Funds.

(a) Revenue Fund and Interest and Sinking Fund. The Funds hereinabove created shall be invested and secured in the manner required by State or federal law, including specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code, as appropriate. Moneys on deposit in the Interest and Sinking Fund and the Revenue Fund shall be continually secured by the deposit of collateral securities having a market value at all times not less than the amount in such Fund. The money in the Interest and Sinking Fund and the Reserve Fund shall be held as a trust fund for the benefit of the Owners of the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds, the beneficial interest in which shall be regarded as existing in such owners. The Secretary of the Board shall require arrangements to be made with the Paying Agent/Registrar as will, to the extent of money in the Interest and Sinking Fund, and, if necessary, in the Reserve Fund, assure the prompt payment of principal of and interest on the Bonds herein authorized as such principal and interest become due, except that by agreement with the Owners of any Bonds purchased on the open market for retirement, payment of principal and interest thereon due by reason of such purchase, may be made by the Paying Agent/Registrar to the Owners thereof upon surrender of Bonds. All Bonds so paid, redeemed or purchased shall be canceled and shall not be subject to reissuance.

(b) Investment of Reserve Fund. To the extent permitted by applicable law, including specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code, moneys on deposit in the Reserve Fund may be invested and reinvested in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by the United States Government, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Federal Home Loan Banks, Banks for Cooperatives, or certificates of deposit, the payment of which are insured in full by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, which shall mature, or which shall be subject to redemption by the Owner thereof at the option of such Owner, not later than ten years after the date of investment. Any obligations in which money is so invested shall be kept in escrow and shall be promptly sold and the proceeds of sale applied to the making of payments required to be made from the Reserve Fund whenever such payments are necessary to be made under this Section. The deposits into the Reserve Fund shall be subordinate to those required to be made into the bond funds for the Previously Issued Senior Lien Bonds, the Bonds, and any Additional Bonds.

Section 8.04 Contributions in Aid of Construction. Any moneys that may be received by the Board that shall represent contributions in aid of construction shall be deposited in a separate account at the Depository Bank. Such contributions shall not be considered as part of the Gross Revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

## ARTICLE IX

### DEPOSIT OF PROCEEDS; CONTROL AND DELIVERY OF BONDS

#### Section 9.01 Deposit of Proceeds.

(a) All amounts, if any, received on the Closing Date as accrued interest on the Bonds shall be deposited to the Interest and Sinking Fund.

(b) Bond proceeds, less (i) any accrued interest and (ii) amounts to pay costs of issuance, shall be deposited into the special construction account or accounts for the Project established at the Depository Bank (the "Construction Fund") and used for the purposes of financing the Project.

(c) The remaining balance shall be applied to the costs of issuing the Bonds.

(d) Any interest earnings on the Construction Fund shall be used for the Project or other capital expenditures of the System. Any proceeds of sale of the Bonds remaining after completion of, and payment of all costs associated with the Project (including any change orders) shall be used for other System capital projects [**certified by the Border Environmental Cooperation Commission**].

Section 9.02 Control and Delivery of Bonds.

(a) The Mayor, or in his absence, the Mayor Pro-Tem, is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts, delivery of the Bonds shall be made to the Purchaser under and subject to the general supervision of the City Manager of the City or the President/Chief Executive Officer of the System against receipt by the City of all amounts due the City under the terms of the sale.

ARTICLE X

PARTICULAR REPRESENTATIONS AND COVENANTS

Section 10.01 Insurance. The City hereby agrees that it will carry at all times for the benefit of the Owners of the Bonds, such insurance on the System that is reasonably obtainable of the kinds and in the amounts which are usually carried by private companies operating similar properties. Such insurance may be provided by means of a self-insurance fund in which event deposits to such fund shall be a maintenance and operating expense of the System.

Section 10.02 Books and Records. The City hereby covenants and agrees that complete and proper books of records and account will be kept and that the Owners of any of the Bonds, or any duly authorized agent or agents of such Owners, shall have the right to inspect such records at all reasonable times. The Board will within sixty (60) days following the close of each fiscal year, cause an audit of the books and accounts to be made by an independent firm of certified public accountants and that such audit will be available for inspection by the Owners of any of the Bonds.

Section 10.03 Additional Covenants.

(a) Additional Bonds. The City may issue "Additional Bonds" if the following conditions are met:

(i) the City is not then in default as to any covenant, condition or obligation prescribed by an ordinance authorizing the issuance of any bonds payable from and secured by a first lien on and pledge of the Net Revenues;

(ii) the Additional Bonds are made to mature on March 1 [or September 1] in each of the years in which they are scheduled to mature;

(iii) the net earnings of the System for any consecutive period of 12 months of the 15 months next preceding the month of the date of the Additional Bonds then to be issued, or for the City's completed fiscal year next preceding the date of such Additional Bonds, are equal to at least 1.25 times the maximum annual principal and interest requirements of all bonds to be outstanding after the issuance of the Additional Bonds, as

such net earnings are shown by a report by a certified public accountant, **provided, however,** that in making such calculation and with respect to any series of the Bonds, then outstanding Previously Issued Senior Lien Bonds or Additional Bonds for which the City is entitled to receive payments from the federal or state government in such period on account of, and substantially contemporaneously with, interest paid on such bonds, the amount to be received in such period shall be deducted from such interest in computing the maximum annual principal and interest requirements; and

(iv) the amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount not less than the average annual requirements for the payment of principal of and interest on the Bonds, the Previously Issued Senior Lien Bonds and the Additional Bonds, such additional amount to be accumulated in equal monthly installments during a period not to exceed five years and one month, **provided, however,** that in determining such amount and with respect to any series of the Bonds, then outstanding Previously Issued Senior Lien Bonds or Additional Bonds for which the City is entitled to receive payments from the federal or state government on account of, and substantially contemporaneously with, interest paid on such bonds, the amount to be received in such period shall be deducted from such interest in computing the average annual principal and interest requirements..

(b) **Maintain and Operate System Efficiently.** The City and the Board hereby covenant, respectively, that they will maintain and operate the System with all possible efficiency while any of the Bonds remain outstanding and faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State.

(c) **Rate Covenant.** The Board hereby covenants that it will establish and maintain rates for water and sewer services supplied by the System which shall produce or yield revenues sufficient to pay maintenance and operating expenses of the System and an additional amount equal to 150% of the aggregate amount required to be paid in such year for principal and interest on all outstanding Previously Issued Senior Lien Bonds, the Bonds and any Additional Bonds.

(d) **Charges for Water and Sewer Service.** The City and the Board hereby covenant that charges for sewer services will be made jointly with charges made for the sale of water and water services. Such charges shall be required to be paid by the customer at the same time. Water connections shall be permitted only on a metered basis.

(e) **Enforcement.**

(i) The City and the Board hereby respectively covenant, acting in the exercise of their respective police powers, to take all necessary action to require every owner, tenant or occupant of each lot or parcel of land in the City which abuts upon a street or other public way containing a sewer line and upon which lot or parcel a building shall have been constructed for residential, commercial or industrial use to connect such building with the System and to cease using any other method for the disposal of sewage, sewage waste or other polluting matter. All such connections shall be made in accordance with the rules and regulations of the City and the Board, as may be adopted

from time to time, which rules and regulations may provide for an inspection charge to assure the proper making of such connections.

(ii) The City and the Board hereby further covenant, respectively, to require the occupant of any premises, the owner or occupant of which shall be delinquent for more than thirty (30) days in the payment of sewer charges imposed hereunder, to cease to dispose of sewage or industrial or commercial wastes originating from or on such premises by discharge thereof into the System until such delinquent charges, together with all penalties relating thereto, shall have been paid. In order to enforce the provisions of this covenant and to prevent the creation of a health hazard, in the event any such occupant shall not cease such disposal, the supply and sale of water to such premises shall cease until such time as all delinquencies have been removed.

(iii) The Board will proceed immediately with a suit in assumpsit or similar action against such owner or occupant to recover the amount of any delinquent charges, together with penalties and with interest computed thereon at the rate of six percent (6%) per annum.

(iv) The Board will shut off the supply of water to any premises the owner or occupant of which shall be delinquent for more than thirty (30) days in the payment of any charges imposed hereunder.

(f) Nonimpairment of Lien. The City and the Board hereby covenant, respectively, to take no action or omit to take any action, or suffer to be done or omitted to be done, any matter or thing whatsoever whereby the lien of the Bonds, the Senior Lien Bonds and any Additional Bonds on the revenues of the System might or could be lost or impaired, and that the Board will pay or cause to be paid, or will make adequate provision for the satisfaction and discharge of all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law be given precedence to, or an equality with the Bonds, the Senior Lien Bonds and any Additional Bonds as a lien or charge upon the revenues of the System or any part thereof; provided that nothing in this subsection (f) shall be construed to require the Board to pay, discharge or make provision for any such lien, charge, claim or demand so long as the validity thereof shall be by it in good faith contested.

(g) No Sale or Encumbrance of System. The City and the Board hereby covenant, respectively, that they will not in any manner dispose of the System or any substantial part thereof, including any and all extensions and additions that may be made thereto, until the Bonds, the Senior Lien Bonds and any Additional Bonds shall have been paid in full as to both principal and interest; provided, however, that this covenant shall not be construed to prevent the disposal by the City of property, which in the Board's judgment has become inexpedient to use in connection with the System, when other property of equal value is substituted therefor or when the proceeds of such disposition of such property are placed in the Interest and Sinking Fund, in addition to all other amounts required to be placed in the Interest and Sinking Fund, in the current fiscal year, and are used for the retirement of Bonds, Senior Lien Bonds and any Additional Bonds in advance of their respective maturities.

(h) Payment to City from Sale of Land. An amount equal to five percent (5%) of the net proceeds from the sale of lands of the System shall be paid as received to the General Fund of the City and used for any lawful purpose.

(i) No Competing Systems. The City hereby covenants that it will not grant a franchise for the operation of any competing water or sewer system in the City until all Bonds, Senior Lien Bonds and any Additional Bonds have been paid in full with respect to principal and interest.

(j) No Free Service. The Board hereby covenants that it will not permit free water or services to be supplied to the City or to any other user, and the City hereby agrees that it will pay from its general fund the reasonable value of all water and services obtained from the System by the City and all departments and agencies thereof.

Section 10.04 Payment of Bonds. While any of the Bonds are Outstanding, the Chief Financial Officer of the System shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Interest and Sinking Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

## ARTICLE XI

### BONDS DESIGNATED AS BUILD AMERICA BONDS

#### Section 11.01 Build America Bonds.

(a) The City hereby irrevocably elects to apply (i) section 54AA of the Code to each of the Bonds as a “build America bond” and (ii) subsection 54AA(g) of the Code to each of the Bonds as a “qualified bond.”

(b) With respect to the Bonds which have been designated as “Build America Bonds,” the City shall:

(i) not permit the Issue Price of such Bonds to have original issue premium of more than one-quarter of one percent of the stated redemption price at maturity times the number of complete years to maturity;

(ii) not use more than two percent of the Issue Price of such Bonds to pay or finance costs of issuance of the Bonds; and

(iii) use 100% of the available project proceeds, as defined in Section 54A(e)(4) of the Code, of the issue which includes such Bonds less any amounts deposited to a reasonably required reserve or replacement fund (as defined in Section 1.148-2(f) of the Regulations, to pay or finance capital expenditures, as defined in Section 1.150-1(b) of the Regulations.

(c) The City hereby directs and authorizes, for and on behalf of the City and the Board, the President/Chief Executive Officer of the System, the Vice President of the System and/or the Chief Financial Officer of the System, either or any combination of the foregoing, to (i) make such elections permitted or required pursuant to the provisions of the Code, or Regulations as they deem necessary or appropriate in connection with the Bonds; (ii) enter into such agreements, provide such certificates and take such other action as Bond Counsel may require to enable such counsel to provide such federal income tax opinions to the Board as they deem necessary or proper; (iii) authorize and direct to whom and which account any subsidy payable by the United States with respect to the Bonds under section 6431 of the Code, or any successor, similar or related provision may be deposited provided however, such deposit shall be made on a basis consistent with Section 11.04 hereof; (iv) apply for subsidies under section 6431 of the Code payable to the Board or to the party or parties determined by the Board; and (v) take any related act or action as they deem necessary or advisable. Such elections shall be deemed to be made on the Closing Date.

Section 11.02 Tax Certificate. The City Council hereby authorizes the President/Chief Executive Officer of the System, the Vice President of the System and/or the Chief Financial Officer of the System to review, approve, and execute the Tax Certificate with respect to the Bonds (the "Tax Certificate") in the form prepared by Bond Counsel for the purposes of complying with the applicable provisions of the Code, as necessary to maintain the validity of the elections made in this Article XI.

Section 11.03 Survival of Covenants. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article XI shall survive the defeasance and discharge of the Bonds.

Section 11.04 Application of Federal Subsidy Payments. An account with the Paying Agent/Registrar is hereby established for the deposit of federal subsidy payments received on the Bonds (the "BAB Subsidy Account"). The City and/or the Board acting on behalf of the City will deposit all subsidy payments received from the United States Treasury with respect to the Bonds into the BAB Subsidy Account. All money deposited into the BAB Subsidy Account shall be held in trust solely for the benefit of the holders of the Bonds and shall be used to make payment on the Bonds.

## ARTICLE XII

### DEFAULT AND REMEDIES

Section 12.01 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 payments to be made to the Interest and Sinking Fund or the Reserve Fund as required by the Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the 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 the Ordinance. 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 acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 12.02 Remedies Not Exclusive. No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

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

### ARTICLE XIII

#### DISCHARGE

Section 13.01 Discharge. The Bonds may be defeased, refunded and discharged in any manner permitted by law. Provided, however, that if the Bonds are defeased, the City shall remain obligated for all payments, including contribution of additional money or securities if necessary, to provide sufficient amounts to satisfy any payment obligations.

### ARTICLE XIV

#### SALE AND DELIVERY OF BONDS

##### Section 14.01 Sale of Bonds.

(a) The Bonds authorized by this Ordinance are to be sold by the City to The North American Development Bank (the "Purchaser") in accordance with the terms and conditions set forth in a resolution, attached hereto as **Exhibit A**, adopted by the Board of Directors of the Purchaser on \_\_\_\_\_, 20\_\_ in connection with the sale of the Bonds, and in accordance with Section 3 hereof. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous and reasonably obtainable. The Bonds shall be initially registered in the name of the Purchaser or its designee. The President/Chief Executive Officer of the System, the Vice President of the System and/or the Chief Financial Officer of the System, are hereby authorized and directed to execute any required letter agreement or acknowledgement which reflects such agreed terms and conditions for and on behalf of the City and as the act and deed of this City Council. To the extent there is any conflict between the Purchaser's resolution and the terms of this Ordinance, the Ordinance controls.

(b) The President/Chief Executive Officer of the System, the Vice President of the System, the Chief Financial Officer of the System and all other officers of the City are authorized to execute such documents, certificates and receipts, and to make such federal tax elections with respect to the Bonds, as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the provisions and terms of this Ordinance.

(c) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Fulbright & Jaworski L.L.P., Bond Counsel for the City, which opinion shall be dated and delivered the Closing Date. The engagement of such firm as Bond Counsel to the City in connection with the issuance of its System revenue bonds is hereby approved and confirmed.

## ARTICLE XV

### CONTINUING DISCLOSURE UNDERTAKING

#### Section 15.01 Annual Reports.

(a) The City shall cause the Board to provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2010, financial information and operating data with respect to the System of the general type described in **Exhibit B** hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the System, when and if available. Financial statements to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit B** hereto and (2) audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided.

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

(c) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any documents available to the public on the MSRB's Internet Web site or filed with the SEC

#### Section 15.02 Material Event Notices.

(a) The City will cause the Board to notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment-related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds;
- (vii) modifications to rights of Owners;
- (viii) Bond calls;
- (ix) defeasance;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) The City will cause the Board to notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Section 15.02 of this Ordinance by the time required by such Section.

Section 15.03 Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 15.04 Limitations, Disclaimers and Amendments.

(a) The City, acting through the Board, shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City will cause the Board in any event to give notice of any deposit made in accordance with Article XIII that causes Bonds no longer to be outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds under the Rule, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City, acting through the Board, undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City’s or the Board’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. Neither the Board nor the City makes any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD OR THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM

ANY BREACH BY THE BOARD OR THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

(c) No default by the Board or the City in observing or performing its obligations under this Article shall comprise a breach of or default under the Ordinance for purposes of any other provisions of this Ordinance.

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

(e) The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Board, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 15.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

## ARTICLE XVI

### SPECIAL PROVISIONS RELATING TO THE NORTH AMERICAN DEVELOPMENT BANK

Section 16.01 Purchaser's Conditions to Closing. The Purchaser's obligation to purchase and pay for the Bonds shall be subject to the condition that on the Closing Date the Purchaser shall receive a complete transcript of proceedings relating to the authorization, issuance, sale and delivery of the Bonds. Such transcript of proceedings shall include, without limitation, the following:

(a) Certification from the EPWU on behalf of the City that the City has complied with all statutory requirements with respect to the issuance of the Bonds;

- (b) Certified copy of the current Charter of the City;
- (c) Certified copies of this Ordinance and any resolutions, ordinances, or other Board or City documents establishing System rates and regulating the use of the System;
- (d) Specimen Bond, along with physical delivery of the Bonds being purchased by NADB on the Closing Date;
- (e) The approving opinions of the Attorney General of the State of Texas with respect to the Bonds and the registration certificates of the State Comptroller of Public Accounts with respect to the Bonds; and
- (f) An executed copy of the Paying Agent/Registrar Agreement in a form reasonably satisfactory to the Purchaser.

A pro forma version of such transcript shall be made available to counsel for the Purchaser at least one (1) Business Day prior to the Closing Date.

Section 16.02 Special Covenants. In the event the Bonds are sold to the North American Development Bank ("NADB") and while the Bonds are held by NADB, the City hereby covenants and agrees as follows:

- (a) While the Bonds are Outstanding, the City and the Board shall continuously and efficiently operate the System and maintain its facilities in good working condition, at reasonable costs.
- (b) The City will be responsible for covering all costs in excess of the proceeds of Bonds necessary to complete construction of the Project.
- (c) The City will perform all construction management activities related to the Project.
- (d) The City shall operate the Project in compliance with all the laws, rules, regulations, orders and directives applicable to the Project or the City, enacted by any legislative, executive, administrative or judicial body having lawful jurisdiction.
- (e) The City shall submit the following reports to NADB:
  - (i) Within six (6) months following the end of each Fiscal Year, a certificate confirming the debt service coverage ratio referenced in Section 10.03 hereof for the fiscal year ending;
  - (ii) Within thirty (30) days following the end of each Fiscal Year, its annual budget;
  - (iii) Within six (6) months after the end of each Fiscal Year, a copy of the its audited financial statements prepared in accordance with generally accepted accounting principles for public sector entities;

(iv) Within forty-five (45) days following the end of each fiscal quarter of the System's Fiscal Year, the System's quarterly unaudited financial statements;

(v) Promptly after the occurrence of an event which is material to the financial condition or operating effectiveness of the Project, notice of such event and its expected impacted on the Project; and

(vi) Notice of any material litigation or proceeding filed against or involving the System as well as any anomaly or circumstance which may compromise the operation of the Project.

Section 16.03 Disbursement of Proceeds from Construction Fund.

(a) Immediately following the delivery of the Bonds, the proceeds of sale (less accrued interest, if any, and amounts to pay costs of issuance) shall be deposited in the Construction Fund in accordance with Section 9.01 hereof. The EPWU may make withdrawals from the Construction Fund as necessary to fund Project costs.

(b) Within 30 days following the Closing Date, the EPWU shall submit to the NADB a proposed withdrawal schedule (as updated from time to time, the "Withdrawal Schedule") which sets forth the estimated amounts and dates of the various withdrawals of funds from the Construction Fund. The EPWU may update the Withdrawal Schedule at any time and shall provide a copy of any such updated Withdrawal Schedule to the NADB. If any anticipated withdrawal exceeds the scheduled amounts set forth in the Withdrawal Schedule, a notification shall be sent by the EPWU to the NADB prior to the withdrawal, with a brief explanation of why it will exceed the scheduled amount. NADB will notify the EPWU within three (3) Business Days of receipt of such notice of any concerns or issues. The EPWU will respond to the NADB concerns or issues within five (5) Business Days.

(c) Within five (5) Business Days after the end of each month (**beginning with the month of \_\_\_\_\_ 20\_\_**) during construction of the Project, the EPWU will submit to NADB a report and supporting documentation for all invoices paid from the Construction Fund. NADB has up to 15 days from receipt of such report and documentation to review the expenditures from the Construction Fund. In the event that NADB believes that certain expenditures were made for non-Project purposes, or monthly withdrawals have exceeded those scheduled without prior notification, the NADB will give notice to the EPWU within such 15 Business Day period.

(d) Within 15 Business Days of receipt of any notice from the NADB referenced in subparagraph (c) above regarding expenditures made for non-Project purposes, the EPWU will attempt to clarify and resolve any expenditures deemed not permitted by NADB. In the event that any alleged non-Project expenditures cannot be resolved to the NADB's reasonable satisfaction within such 15 Business Day period (or such other period as may be mutually agreed to by the EPWU and the NADB), then the EPWU shall reimburse the Construction Fund for any amounts deemed by the NADB to have been paid for non-Project expenses.

Section 16.04 Events of Default and Remedies.

(a) While the Bonds are held by the NADB, events of default with respect to the Bonds (“Events of Default”) are hereby defined as the following:

(i) Failure to make payment when due of the principal of or interest on the Bonds; or

(ii) Failure of the City to obtain and perform any covenant, representation, warranty, condition or agreement under this Ordinance in any material respect, or a representation provides to be incorrect or false in any material respect; or

(iii) The validity of this Ordinance, or any material provision of this Ordinance, shall be contested by the City, the State of Texas, the United States of America or any governmental authority thereof, or any part of this Ordinance shall be for any reason by invalid, ineffective or unenforceable; or

(iv) Bankruptcy, suspension of payment, or reorganization of the City, or any proceeding is instituted by the City under bankruptcy, suspension of payment, insolvency or other law for relief of debtors and any such proceeding shall continue undismissed, or any such proceeding is instituted against the City, or an order of judgment of decree approving or ordering any of the foregoing shall be entered and continued unstayed and in effect; or

(v) Significant adverse changes in the legal and financial position of the City that endanger its capacity to fulfill its obligations; or

(vi) Any change in the Home Rule charter of the City that could prevent it from performing its obligations; or

(vii) Failure to create, maintain and replenish the Reserve Fund; or

(viii) Failure to reimburse the Construction Fund for those expenditures deemed not permitted by NADB in accordance to Section 16.03 (d).

(b) Upon occurrence and continuance of an Event of Default, the NADB may exercise any or all of the following remedies:

(i) Refuse to advance any funds to the Board; and/or

(ii) Exercise the remedies provided to enforce the lien on and pledge of the Net Revenues of the System; and/or

(iii) Exercise such other rights and remedies as may be available at law or equity.

(c) The NADB may waive any Event of Default. Such waiver shall not release the City from any of its obligations under the terms of this Ordinance.

(d) This Ordinance shall be governed by, and construed in accordance with the laws of the State of Texas, United States, without references to conflict of laws principles.

(e) The City and the NADB shall submit to the jurisdiction of the United States federal district court, for any action or proceeding arising out of, or relating to, the Bonds, hereby waiving any other jurisdiction to which they may be entitled by reason of their present or future address.

## ARTICLE XVII

### MISCELLANEOUS

#### Section 17.01 Amendment to Ordinance.

(a) Amendments Without Consent. This Ordinance and the rights and obligations of the City and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Previously Issued Senior Lien Bonds, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City contained in this Ordinance, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City in this Ordinance;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Ordinance, upon receipt by the City of an opinion of nationally recognized bond counsel, that the same is needed for such purpose, and will more clearly express the intent of this Ordinance;

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Previously Issued Senior Lien Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the outstanding Previously Issued Senior Lien Bonds; or

(v) To make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of outstanding Previously Issued Senior Lien Bonds.

Notice of any such amendment may be published by the City in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory resolution and the failure to

publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory resolution.

(b) Amendments With Consent. Subject to the other provisions of this Ordinance, the owners of outstanding Bonds aggregating a majority in outstanding principal amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds, the amendment of the terms and conditions in this Ordinance or in the Bonds so as to:

- (i) Make any change in the maturity of the outstanding Bonds;
- (ii) Reduce the rate of interest borne by outstanding Bonds;
- (iii) Reduce the amount of the principal payable on outstanding Bonds;
- (iv) Modify the terms of payment of principal of or interest on the outstanding Bonds, or impose any conditions with respect to such payment;
- (v) Affect the rights of the owners of less than all Bonds then outstanding; or
- (vi) Change the minimum percentage of the outstanding principal amount of Bonds necessary for consent to such amendment.

(c) Notice. If at any time the City shall desire to amend this Ordinance other than pursuant to subsection (a) of this Section, the City shall cause written notice of the proposed amendment to be given by certified mail to each registered owner of the Bonds affected at the address shown on the Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with the City Clerk for inspection by all owners of Bonds.

(d) Consent Irrevocable. Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of eighteen (18) months from the date of mailing of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after eighteen (18) months from the date of mailing by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the City, but such revocation shall not be effective if the owners of a majority in outstanding principal amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(e) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Paying Agent/Registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

Section 17.02 Further Procedures. The Mayor, the City Clerk, the Alternate City Clerk, the City Manager of the City, the President/Chief Executive Officer of the System, the Vice President of the System and/or the Chief Financial Officer of the System 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, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Mayor, the City Clerk, the Alternate City Clerk, the City Manager of the City, the President/Chief Executive Officer of the System, the Vice President of the System and/or the Chief Financial Officer of the System and the City's 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 Certificates 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 17.03 No Municipal Bond Insurance. The Bonds shall be sold without municipal bond insurance.

Section 17.04 Inconsistent Provisions. All ordinances, orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters contained herein.

Section 17.05 Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 17.06 Effectiveness. This Ordinance shall take effect and be in force from and after its passage and approval.

*[Remainder of page left blank intentionally.]*

APPROVED AND ADOPTED this July 13, 2010.

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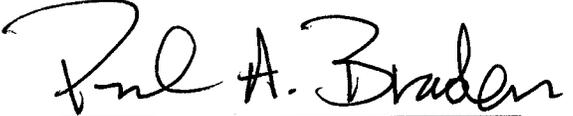
John F. Cook  
Mayor, City of El Paso, Texas

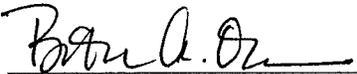
ATTEST:

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Richarda Duffy Momsen  
City Clerk, City of El Paso, Texas

**Approved as to Form:**

  
Paul A. Braden  
Bond Counsel

  
Bertha A. Ontiveros  
Assistant City Attorney

**Approved as to Content:**

  
Marcela Navarrete  
Chief Financial Officer  
El Paso Water Utilities

**EXHIBIT A**

**Purchaser's Resolution**

*(See attachment.)*

## **EXHIBIT B**

### **DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION**

The following information is referred to in Article XV of this Ordinance.

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified below:

Financial information and operating data customarily prepared by the City and publicly available include (i) financial statements of the City for the most recently concluded fiscal year, (ii) current monthly water rates, (iii) current monthly sewer rates, (iv) water and sewer revenue debt service requirements, (v) condensed statement of operations for the System, (vi) a list of current investments and (vii) customer count for the System.

#### **Accounting Principles**

The accounting principles referred to in such Section are the generally accepted accounting principles as applicable to governmental units as prescribed by The Government Accounting Standards Board.



***Water & Sewer Revenue Bonds, Series 2010A  
(Taxable Build America Bonds)***

**FirstSouthwest**   
A PlainsCapital Company.

**July 13, 2010**



**Paisano Waterline Replacement Phase I-IV -Racetrack to Schuster**

# Paisano Waterline Replacement Phase I-IV

- Existing 36-inch Pre-stressed Concrete Cylinder Pipe (PCCP)- Replace with 48-inch steel or ductile iron pipe
- 15 Main Breaks-Last two breaks in 10/2009 & 03/2010-\$91,000.00 to repair

| PHASE   | LIMITS                                                                              | DESIGN & CONSTRUCTION ESTIMATE |
|---------|-------------------------------------------------------------------------------------|--------------------------------|
| I       | Racetrack to Executive                                                              | \$5.3 M                        |
| II      | Executive to American Canal                                                         | \$9.7 M                        |
| III –IV | American Canal to Schuster<br>(Limits of each phase to be determined during design) | \$15 M                         |
|         | <b>TOTAL COST</b>                                                                   | <b>\$30 M</b>                  |

## Action Items

- Approve financing terms proposed by NADBank to purchase Waterworks & Sewer System Revenue Bonds, which will be treated as Build America Bonds (BAB's), to finance approximately \$15 million in construction projects.

# Summary of Financing

- Build America Bonds receive a direct payment from the U.S. Treasury equal to 35% of the annual interest payments for bonds sold at taxable interest rates
- The 35% credit payments results in lower net interest cost than sale of bonds in the public market at tax-exempt interest rates
- NADBank offers an interest rate lower than market taxable interest rates; therefore, the net interest cost is even lower
- Total debt service savings compared to issuing tax-exempt bonds in the open market are expected to be approximately \$1.3 million over the life of the bonds

# Series 2010A Projected Debt Service

NAD Bank - Taxable BAB's (Rate Locked July 12, 2010.)

(Rates could be subject to a one-time reset in the next 30 days if market conditions improve.)

| 1-Mar | Principal            | Interest*           | Total                | 35% BAB<br>Tax Credit<br>on Interest | Net<br>Total         |
|-------|----------------------|---------------------|----------------------|--------------------------------------|----------------------|
| 2010  |                      |                     |                      |                                      |                      |
| 2011  |                      | \$ 396,425          | \$ 396,425           | \$ (138,749)                         | \$ 257,676           |
| 2012  |                      | 717,150             | 717,150              | (251,003)                            | 466,148              |
| 2013  | 540,000              | 717,150             | 1,257,150            | (251,003)                            | 1,006,148            |
| 2014  | 565,000              | 691,333             | 1,256,333            | (241,966)                            | 1,014,366            |
| 2015  | 595,000              | 664,320             | 1,259,320            | (232,512)                            | 1,026,808            |
| 2016  | 625,000              | 635,873             | 1,260,873            | (222,556)                            | 1,038,317            |
| 2017  | 655,000              | 605,992             | 1,260,992            | (212,097)                            | 1,048,895            |
| 2018  | 685,000              | 574,676             | 1,259,676            | (201,137)                            | 1,058,540            |
| 2019  | 720,000              | 541,926             | 1,261,926            | (189,674)                            | 1,072,252            |
| 2020  | 755,000              | 507,503             | 1,262,503            | (177,626)                            | 1,084,877            |
| 2021  | 790,000              | 471,407             | 1,261,407            | (164,992)                            | 1,096,414            |
| 2022  | 830,000              | 433,637             | 1,263,637            | (151,773)                            | 1,111,864            |
| 2023  | 870,000              | 393,954             | 1,263,954            | (137,884)                            | 1,126,070            |
| 2024  | 910,000              | 352,360             | 1,262,360            | (123,326)                            | 1,139,034            |
| 2025  | 955,000              | 308,853             | 1,263,853            | (108,098)                            | 1,155,754            |
| 2026  | 1,000,000            | 263,194             | 1,263,194            | (92,118)                             | 1,171,076            |
| 2027  | 1,050,000            | 215,384             | 1,265,384            | (75,384)                             | 1,190,000            |
| 2028  | 1,100,000            | 165,184             | 1,265,184            | (57,814)                             | 1,207,369            |
| 2029  | 1,150,000            | 112,593             | 1,262,593            | (39,407)                             | 1,223,185            |
| 2030  | 1,205,000            | 57,611              | 1,262,611            | (20,164)                             | 1,242,447            |
|       | <u>\$ 15,000,000</u> | <u>\$ 8,826,523</u> | <u>\$ 23,826,523</u> | <u>\$ (3,089,283)</u>                | <u>\$ 20,737,240</u> |

\* Taxable Interest calculated at 4.781%. Net TIC after Tax Credit: 3.11%.

# Debt Service Comparison

| <u>Fiscal Year</u>  | <u>NAD Bank<br/>BAB's</u> | <u>Tax Exempt<br/>Issue</u> |
|---------------------|---------------------------|-----------------------------|
| 2010                |                           |                             |
| 2011                | \$ 257,676                | \$ 351,654                  |
| 2012                | 466,148                   | 527,481                     |
| 2013                | 1,006,148                 | 1,167,481                   |
| 2014                | 1,014,366                 | 1,164,681                   |
| 2015                | 1,026,808                 | 1,166,681                   |
| 2016                | 1,038,317                 | 1,167,550                   |
| 2017                | 1,048,895                 | 1,169,700                   |
| 2018                | 1,058,540                 | 1,173,700                   |
| 2019                | 1,072,252                 | 1,171,044                   |
| 2020                | 1,084,877                 | 1,175,900                   |
| 2021                | 1,096,414                 | 1,173,775                   |
| 2022                | 1,111,864                 | 1,175,775                   |
| 2023                | 1,126,070                 | 1,175,688                   |
| 2024                | 1,139,034                 | 1,179,513                   |
| 2025                | 1,155,754                 | 1,175,950                   |
| 2026                | 1,171,076                 | 1,180,106                   |
| 2027                | 1,190,000                 | 1,181,506                   |
| 2028                | 1,207,369                 | 1,181,306                   |
| 2029                | 1,223,185                 | 1,183,200                   |
| 2030                | 1,242,447                 | 1,183,238                   |
|                     | <u>\$ 20,737,240</u>      | <u>\$ 22,025,929</u>        |
| True Interest Cost: | 3.110%                    | 3.730%                      |

# Anticipated Schedule of Events

| May-10 |    |    |    |    |    |    |
|--------|----|----|----|----|----|----|
| S      | M  | T  | W  | T  | F  | S  |
|        |    |    |    |    |    | 1  |
| 2      | 3  | 4  | 5  | 6  | 7  | 8  |
| 9      | 10 | 11 | 12 | 13 | 14 | 15 |
| 16     | 17 | 18 | 19 | 20 | 21 | 22 |
| 23     | 24 | 25 | 26 | 27 | 28 | 29 |
| 30     | 31 |    |    |    |    |    |

| Jun-10 |    |    |    |    |    |    |
|--------|----|----|----|----|----|----|
| S      | M  | T  | W  | T  | F  | S  |
|        |    | 1  | 2  | 3  | 4  | 5  |
| 6      | 7  | 8  | 9  | 10 | 11 | 12 |
| 13     | 14 | 15 | 16 | 17 | 18 | 19 |
| 20     | 21 | 22 | 23 | 24 | 25 | 26 |
| 27     | 28 | 29 | 30 |    |    |    |
|        |    |    |    |    |    |    |

| Jul-10 |    |    |    |    |    |    |
|--------|----|----|----|----|----|----|
| S      | M  | T  | W  | T  | F  | S  |
|        |    |    |    | 1  | 2  | 3  |
| 4      | 5  | 6  | 7  | 8  | 9  | 10 |
| 11     | 12 | 13 | 14 | 15 | 16 | 17 |
| 18     | 19 | 20 | 21 | 22 | 23 | 24 |
| 25     | 26 | 27 | 28 | 29 | 30 | 31 |
|        |    |    |    |    |    |    |

| Aug-10 |    |    |    |    |    |    |
|--------|----|----|----|----|----|----|
| S      | M  | T  | W  | T  | F  | S  |
| 1      | 2  | 3  | 4  | 5  | 6  | 7  |
| 8      | 9  | 10 | 11 | 12 | 13 | 14 |
| 15     | 16 | 17 | 18 | 19 | 20 | 21 |
| 22     | 23 | 24 | 25 | 26 | 27 | 28 |
| 29     | 30 | 31 |    |    |    |    |
|        |    |    |    |    |    |    |

| Complete<br>By   | Day              | Event                                                        |
|------------------|------------------|--------------------------------------------------------------|
| <b>13-Jul-10</b> | <b>Tuesday</b>   | <b>City Council Approves Bond Issue</b>                      |
| <b>21-Jul-10</b> | <b>Wednesday</b> | <b>Advertise for Construction Bids</b>                       |
| <b>10-Aug-10</b> | <b>Tuesday</b>   | <b>Open Construction Bids</b>                                |
| <b>12-Aug-10</b> | <b>Thursday</b>  | <b>Closing, delivery of bonds, and disbursement of funds</b> |
| <b>25-Aug-10</b> | <b>Wednesday</b> | <b>Award Construction Bid</b>                                |

Denotes Specific Dates