



CITY OF ALPINE
EMERGENCY CITY COUNCIL AGENDA ADDENDUM
FOR MAY 5, 2026 MEETING
May 5, 2026 – 5:30 PM

City Council Chambers, 803 W. Holland Avenue, Alpine, Texas 79830

1. NOTICE OF EMERGENCY ADDENDUM -

- A. Pursuant to Section 551.045 of the Texas Government Code: The following item is added to the May 5, 2026 Regular City Council Meeting agenda as an emergency item due to an urgent public necessity.

The emergency nature of this item is based on newly discovered information that was not known at the time of the original agenda posting. Specifically, City staff has determined that a municipal water well previously believed to be experiencing a pump-related issue has sustained a failure requiring the well to be plugged and taken out of service, resulting in a significant reduction in available water production capacity.

This development represents a material change in conditions from those considered at the time of the original posting and the May 1, 2026 emergency meeting. The loss of this well places additional strain on the City’s water distribution system, creating potential risks to system pressure, fire flow capacity, and overall water supply reliability, thereby constituting an imminent threat to public health and safety.

Immediate consideration by the City Council is required in order to receive an updated briefing and to take action on funding mechanisms, including rate adjustments and financing authorization, necessary to respond to the loss of water production capacity and to protect public health and safety.

2. TIME SENSITIVE ITEMS. -

- A. The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item D to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-05, a resolution increasing water utility base rates to support debt service associated with financing the construction of a new municipal water well and related system improvements, which are necessary to address the emergency loss of water production capacity and maintain system reliability. (H. Arredondo, City Manager)

- B. The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item E to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-06, a resolution authorizing the City to apply for and receive loan funds from Communities Unlimited for the purpose of financing the construction of a new municipal water well and related water system improvements, and authorizing the City Manager to execute all necessary documents. (H. Arredondo, City Manager)

- C. The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item E to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-07, a resolution expressing official intent to reimburse certain expenditures related to the construction of a new municipal water well and related water system improvements from the proceeds of future obligations, including utility system revenue bonds; and providing for related matters. (H. Arredondo, City Manager)

CERTIFICATION

I, Geoffrey R. Calderon, do hereby certify that this addendum notice was posted at City Hall, in a convenient and readily accessible place to the general public, and on the City website at www.cityofalpine.com pursuant to Section 551.045, Texas Government Code.

The said notice was posted by 3:00 P.M. on May 5, 2026, and remained so posted for at least one (1) hour preceding the scheduled time of the meeting in accordance with Section 551.045, Texas Government Code.

WITNESS MY HAND AND SEAL
this 5th day of May, 2026.



Geoffrey R. Calderon, TRMC
City Secretary & Chief Governance Officer



CITY COUNCIL AGENDA ITEM REPORT

May 5, 2026

Agenda Item No. 2A

Department: Office of the City Manager

Sponsor: Henry Arredondo, City Manager

Memo Prepared By: Geoffrey R. Calderon, City Secretary

Staff Recommendation: Approve



AGENDA ITEM

The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item D to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-05, a resolution increasing water utility base rates to support debt service associated with financing the construction of a new municipal water well and related system improvements, which are necessary to address the emergency loss of water production capacity and maintain system reliability. (H. Arredondo, City Manager)

EXECUTIVE SUMMARY

Purpose

To consider and approve a resolution increasing water utility base rates to support debt service associated with financing the construction of a new municipal water well and related system improvements.

Background

The City recently identified a failure of a municipal water well, resulting in a significant reduction in available water production capacity. This condition presents an imminent threat to public health and safety, including risks to system pressure, fire flow capability, and overall water supply reliability.

In response, the City is pursuing the development of a new municipal water well and related infrastructure improvements. Preliminary cost estimates for this work range from approximately \$500,000 to \$1,000,000. Based on information provided through the City’s water rate analysis, financing within this range may result in estimated annual debt service obligations between approximately \$53,000 and \$107,859. To support repayment of such financing and maintain the financial stability of the utility system, a base rate increase of at least \$5 has been identified as necessary, with additional adjustments potentially required to provide adequate operational and capital reserves.

Approval of this resolution would authorize the implementation of a water utility base rate increase necessary to support these obligations and ensure the continued reliability of the City’s water system.

SUPPORTING MATERIALS

- 1. 2026-05-05 Increasing Water Utility Base Rate

BUDGET CONSIDERATIONS

Expenditure Required: TBD
Savings Anticipation: N/A
Current Budget FY 2025-2026: N/A
Additional Funding: N/A

APPROVERS

Alexandra Tackett, Deputy City Secretary
Geoffrey R. Calderon, City Secretary

RESOLUTION 2026-05-05

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS INCREASING WATER UTILITY BASE RATES TO SUPPORT DEBT SERVICE ASSOCIATED WITH FINANCING THE CONSTRUCTION OF A NEW MUNICIPAL WATER WELL AND RELATED SYSTEM IMPROVEMENTS; PROVIDING FOR FINDINGS OF PUBLIC NECESSITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Alpine operates and maintains a municipal water system to provide safe and reliable water service to residents and businesses; and

WHEREAS, the City has experienced a failure of a municipal water well resulting in a significant reduction in available water production capacity, creating risks to system pressure, fire flow capability, and overall water supply reliability; and

WHEREAS, the City Council finds that such conditions constitute an imminent threat to public health and safety requiring immediate action; and

WHEREAS, the City is evaluating the construction of a new municipal water well and related system improvements to restore and maintain adequate water supply; and

WHEREAS, the City has received information indicating that financing such improvements may require borrowing between approximately \$500,000 and \$1,000,000, with estimated annual debt service obligations ranging from approximately \$53,000 to \$107,859; and

WHEREAS, rate analysis indicates that an increase in water utility base rates, including at least a \$5 base rate increase, may be necessary to support such debt service and ensure the financial stability of the utility system; and

WHEREAS, the City Council finds that adjusting water utility base rates is necessary to support the financing of critical infrastructure improvements and to protect the public health, safety, and welfare of the community.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS, THAT:

SECTION I.

The City Council hereby approves an increase in water utility base rates as necessary to support debt service associated with financing the construction of a new municipal water well and related system improvements.

SECTION II.

The City Manager and Finance Director are authorized and directed to implement the rate adjustments in accordance with the City's rate schedule and billing practices.

SECTION III.

The City Council finds that this action is necessary to respond to an emergency condition affecting the City's water system and to maintain system reliability and public safety.

SECTION IV.

This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED BY A MAJORITY VOTE OF THE CITY COUNCIL ON THIS THE 5th DAY OF MAY, 2026 BY THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS.

Catherine Eaves, Mayor

Geoffrey R. Calderon, TRMC
City Secretary & Chief Governance Officer

EXHIBIT A

Water Rate Adjustment Summary

- **Estimated loan range: \$500,000 – \$1,000,000**
- **Estimated annual debt service: \$53,000 – \$107,859**
- **Estimated monthly debt service: \$4,494 – \$8,988**
- **Recommended base rate increase: Minimum \$5 per account**
- **Purpose: Support financing of new municipal water well and related infrastructure**

CITY COUNCIL AGENDA ITEM REPORT

May 5, 2026

Agenda Item No. 2B

Department: Office of the City Manager

Sponsor: Henry Arredondo, City Manager

Memo Prepared By: Geoffrey R. Calderon, City Secretary

Staff Recommendation: None



AGENDA ITEM

The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item E to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-06, a resolution authorizing the City to apply for and receive loan funds from Communities Unlimited for the purpose of financing the construction of a new municipal water well and related water system improvements, and authorizing the City Manager to execute all necessary documents. (H. Arredondo, City Manager)

EXECUTIVE SUMMARY

Purpose

To consider and approve a resolution authorizing the City to apply for and receive loan funds from Communities Unlimited for the purpose of financing the construction of a new municipal water well and related water system improvements.

Background

The City has experienced a failure of a municipal water well, resulting in a significant reduction in water production capacity and creating an urgent need to restore system reliability. This condition poses risks to public health and safety and requires immediate action to ensure adequate water supply and system performance.

To address this need, the City is pursuing financing options to support the construction of a new municipal water well and associated infrastructure improvements. Communities Unlimited provides funding opportunities for water and wastewater system improvements and has provided a resolution template and guidance to facilitate the City’s application for loan funding.

Approval of this resolution would authorize the City to apply for and receive loan funds from Communities Unlimited and authorize the City Manager to execute all necessary documents to secure such funding.

SUPPORTING MATERIALS

- 1. 2026-05-06 Loan Funds from Communities water well

BUDGET CONSIDERATIONS

Expenditure Required: TBD
Savings Anticipation: N/A
Current Budget FY 2025-2026: N/A
Additional Funding: N/A

APPROVERS

Alexandra Tackett, Deputy City Secretary
Geoffrey R. Calderon, City Secretary

STATE OF TEXAS

CITY OF ALPINE

COUNTY OF BREWSTER

RESOLUTION 2026-05-06

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS AUTHORIZING THE CITY TO APPLY FOR AND RECEIVE LOAN FUNDS FROM COMMUNITIES UNLIMITED FOR THE PURPOSE OF FINANCING THE CONSTRUCTION OF A NEW MUNICIPAL WATER WELL AND RELATED WATER SYSTEM IMPROVEMENTS; AUTHORIZING THE CITY MANAGER TO EXECUTE ALL NECESSARY DOCUMENTS; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Alpine operates a municipal water system that is essential to public health, safety, and welfare; and

WHEREAS, the City has experienced a failure of a municipal water well resulting in a significant reduction in water production capacity; and

WHEREAS, the City Council finds that immediate action is necessary to address this emergency condition and ensure continued water service reliability; and

WHEREAS, the City is pursuing the construction of a new municipal water well and related water system improvements; and

WHEREAS, Communities Unlimited has made funding available to qualified entities for the acquisition, development, and improvement of water and wastewater systems; and

WHEREAS, the City desires to apply for and receive loan funds from Communities Unlimited to finance such improvements and expedite the City's response to the emergency condition; and

WHEREAS, the City Council finds that securing such financing is necessary and in the best interest of the public.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS, THAT:

SECTION I.

The City of Alpine is hereby authorized to apply for and receive loan funds from Communities Unlimited for the purpose of financing the construction of a new municipal water well and related water system improvements.

SECTION II.

The City Manager is hereby authorized to execute all applications, agreements, and related documents necessary to obtain such funding and to carry out the purposes of this Resolution.

SECTION III.

The City Council finds that this action is necessary to respond to an emergency condition affecting the City's water system and to protect public health and safety.

SECTION IV.

This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED BY A MAJORITY VOTE OF THE CITY COUNCIL ON THIS THE 5th DAY OF MAY, 2026 BY THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS.

Catherine Eaves, Mayor

Geoffrey R. Calderon, TRMC
City Secretary & Chief Governance Officer

CITY COUNCIL AGENDA ITEM REPORT

May 5, 2026

Agenda Item No. 2C

Department: Office of the City Manager

Sponsor: Henry Arredondo, City Manager

Memo Prepared By: Geoffrey R. Calderon, City Secretary

Staff Recommendation: None



AGENDA ITEM

The May 5, 2026 Regular City Council Meeting Agenda is amended to reflect the addition of Item E to the Time Sensitive Items portion of the agenda:

Approve Resolution 2026-05-07, a resolution expressing official intent to reimburse certain expenditures related to the construction of a new municipal water well and related water system improvements from the proceeds of future obligations, including utility system revenue bonds; and providing for related matters. (H. Arredondo, City Manager)

EXECUTIVE SUMMARY

Purpose

To consider and approve a resolution expressing the City’s official intent to reimburse expenditures related to the construction of a new municipal water well and related system improvements from the proceeds of future obligations, including utility system revenue bonds.

Background

The City has experienced a failure of a municipal water well, resulting in a significant reduction in water production capacity and creating an imminent threat to public health and safety. In response, the City is pursuing the construction of a new municipal water well and associated infrastructure improvements.

To expedite project implementation, the City may incur costs prior to securing long-term financing. Federal tax regulations require that the City formally declare its intent to reimburse such expenditures from future bond proceeds in order to preserve the tax-exempt status of those obligations.

This resolution, prepared in coordination with financial advisors and bond counsel, establishes the City’s official intent to reimburse itself for eligible expenditures and identifies a maximum anticipated reimbursement amount of \$1,500,000.

For informational purposes only, a draft utility system revenue bond ordinance is included in the agenda packet to provide context regarding a potential future financing mechanism. The ordinance is not being considered for approval at this meeting.

SUPPORTING MATERIALS

1. 49937898_1_Reimbursement Resolution - Alpine
2. (Draft – Utility System Revenue Bond Ordinance (for discussion and informational purposes only; not for Council Action on May 5th))

BUDGET CONSIDERATIONS

Expenditure Required: TBD
Savings Anticipation: N/A
Current Budget FY 2025-2026: N/A
Additional Funding: N/A

APPROVERS

Alexandra Tackett, Deputy City Secretary
Geoffrey R. Calderon, City Secretary

RESOLUTION EXPRESSING INTENT TO FINANCE EXPENDITURES

WHEREAS, the City of Alpine, Texas (the “City”), a political subdivision of the State of Texas, is authorized to finance its activities by issuing obligations pursuant to the Constitution and general laws of the State, which may include obligations the interest on which is excludable from gross income for federal income tax purposes (“Obligations”), pursuant to Section 103 of the Internal Revenue of 1986, as amended (the “Code”); and

WHEREAS, the City has made, within the last 60 days, and/or will continue to make payments with respect to the project(s) listed on Exhibit A attached hereto (the “Project”); and

WHEREAS, the City reasonably expects to issue Obligations to reimburse itself for the costs associated with the Project; and

WHEREAS, the City desires to reimburse itself for the costs associated with the Project from the proceeds of Obligations to be issued subsequent to the date hereof.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS, THAT:

Section 1. The City hereby declares its intent to reimburse itself for all costs paid within the last 60 days and that will be paid on or subsequent to the date hereof in connection with the Project from the proceeds of Obligations to be issued subsequent to the date hereof.

Section 2. The City reasonably expects that the maximum principal amount of Obligations issued by the City to reimburse costs associated with the Project will not exceed \$1,500,000.

Section 3. This Resolution will be kept in the books and records maintained by the City with respect to the Obligations.

[Signature page follows]

PASSED AND APPROVED this 5th day of May, 2026.

CITY OF ALPINE, TEXAS

Mayor

ATTEST:

City Secretary

EXHIBIT A

The Project

New water supply well and related improvements

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS §

COUNTY OF BREWSTER §

We, the undersigned officers of the City of Alpine, Texas (the “City”), hereby certify as follows:

1. The City Council of the City convened in a special meeting (the “Meeting”) on May 5, 2026, at the regular meeting place, within the City, and the roll was called of the duly constituted officers and members of the City Council, to wit:

Catherine Eaves	Mayor
Richard Portillo	City Councilmember
Eva Martinez	City Councilmember
Robert Rückes	City Councilmember
Lucy Escovedo	City Councilmember
Rick Stephens	City Councilmember

and all of such persons, except _____, were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written

ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ALPINE, TEXAS,
AUTHORIZING THE ISSUANCE AND SALE OF UTILITY SYSTEM REVENUE
BOND, SERIES 2026; AND ENACTING OTHER PROVISIONS RELATING TO THE
SUBJECT

(the “Ordinance”) was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Ordinance be adopted on first reading, and, after due discussion, such motion, carrying with it the adoption of the Ordinance, prevailed and carried by the following vote:

FOR: ___ AGAINST: ___ ABSTAINED: 0

2. That a true, full, and correct copy of the Ordinance is attached to and follows this certificate; that the Ordinance has been duly recorded in the City Council's minutes of the Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from the City Council's minutes of the Meeting pertaining to the adoption of the Ordinance; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the City Council as indicated therein; that each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the date, hour, place, and subject of the Meeting, and that the Ordinance would be introduced and considered for adoption at the Meeting, and each of such officers and members consented, in advance, to the holding of the Meeting for such purpose; that the Meeting was open to the public as required by law; and that public notice of the date, hour, place, and subject of the Meeting was given as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended.

SIGNED this 5th day of May, 2026.

City

Secretary

issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Year (such principal due in such Year for such series or issue of Funded Debt being referred to herein and throughout this Ordinance as “Balloon Debt”), the amount of principal of such Balloon Debt taken into account during any Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

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

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

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

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

“*Average Annual Debt Service Requirements*” means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Years then remaining before Stated Maturity of such First Lien Obligations. For the purposes of this definition, a fractional period of a Year shall be treated as an entire Year. Capitalized interest payments provided from bond proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

“*Bond*” means, the City of Alpine, Texas Utility System Revenue Bond, Series 2026 authorized by this Ordinance and in the amounts and containing the terms set forth herein.

“*Business Day*” means any day which is not a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Paying Agent/Registrar (as identified in Section 4 below) is located are authorized by law or executive order to be closed or a day on which the New York Stock Exchange is closed.

“*Capital Addition*” means a reservoir or an interest therein, storage facilities or an interest therein, a water treatment plant or an interest therein, a wastewater treatment plant or an interest therein, the acquisition of rights or improvements that will increase the capacity and/or water supply of the System or an interest therein, enlargements or extensions of the Issuer’s water distribution system or wastewater collection system, and associated transmission facilities with respect to each and any combination thereof, and which shall become a part of the System.

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

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

“*Debt*” means:

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

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

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall

be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Years.

“*Defeasance Securities*” means a security described in Section 20 of this Ordinance.

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

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

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

“*Designated Financial Officer*” means the Mayor or City Administrator of the Issuer, or such other financial or accounting official of the Issuer so designated by the Issuer.

“*Event of Default*” means an event as described in Section 26 of this Ordinance.

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

“*First Lien Obligation Reserve Requirement*” means the amount or a manner of calculating the amount established by each ordinance authorizing the issuance of First Lien Obligations that are to be secured by a debt service reserve fund to be held and maintained on deposit therein. With respect to the Bond, such amount is the Required Reserve Amount established in Section 11(a) hereof.

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

“*Gross Revenues*” mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System (other than grant monies, customer deposits, and other similar funds that cannot lawfully be used to pay debt service), including the interest income from investment or deposit of money in any fund created by this Ordinance or maintained by the Issuer in connection with the System.

“*Holder*” or “*Holder*s” means the registered owner, whose name appears in the Registration Books, for any First Lien Obligation.

“*Interest and Sinking Fund*” means the special fund maintained by the provisions of Sections 7 and 10 of this Ordinance.

“*Issuer*” means the City of Alpine, Texas, in Brewster County, Texas.

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

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

“*Maximum Rate*” shall be the maximum lawful non-usurious rate permitted by Texas Government Code, Chapter 1204, as amended (“Chapter 1204”). Notwithstanding anything herein to the contrary, in no event shall the aggregate of the interest on the Bond, plus any other amounts paid in connection therewith which are deemed “interest” under the laws of the State of Texas and the United States of America in effect on the applicable date permitting the charging and collecting of the highest non-usurious interest rate on such Bond (hereinafter referred to as “Applicable Law”) ever exceed the maximum amount of interest which could be lawfully charged and paid on such Bond under Applicable Law, and if any amount of interest taken or received by any person shall be in excess of the maximum amount of interest which, under Applicable Law, could lawfully have been collected and paid thereon, then the excess shall be deemed to have been the result of a mathematical error by the City and such person and shall be refunded promptly to the City. All amounts paid or agreed to be paid in connection with the indebtedness evidenced by the Bond which under Applicable Law would be deemed “interest” shall, to the extent permitted by Applicable Law, be amortized, prorated, allocated, and spread throughout the full term of such obligation. Every obligation of the City contained in, or arising by virtue of, this Ordinance is subject to Chapter 1204. Nothing herein or in the Bond authorizes payment of any amount which constitutes “interest” under Chapter 1204 in an amount greater than the limitations set forth in Chapter 1204.

“*Net Earnings*” means the Gross Revenues of the System after deducting the Operating Expenses of the System but not depreciation or other expenditures which, under standard accounting practice, should be charged to capital expenditures.

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

“*Operating Expenses*” means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Issuer, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the First Lien Obligations), and all payments under contracts for materials and services (including water supply contracts) provided to the Issuer that are required to enable the Issuer to render efficient service; provided however, such term shall not include any provision for (i) depreciation, amortization or similar charges, (ii) costs or expenses for new construction or (iii) deposits or transfers of monies to the credit of any fund established for the payment and security of any First Lien Obligations.

“*Ordinance*” means this ordinance finally adopted by the City Council on May 5, 2026.

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

- (1) First Lien Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;

(2) First Lien Obligations deemed paid pursuant to the provisions of Section 20 of this Ordinance or any comparable section of any ordinance authorizing Additional First Lien Obligations;

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

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

“*Paying Agent/Registrar*” means West Texas National Bank, or any successor thereto as provided in this Ordinance.

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

“*Pledged Revenues*” means

(1) the Net Revenues, plus

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

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

“*Record Date*” means Record Date as defined in the Form of Bond in Section 5 of this Ordinance.

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

“*Required Reserve Amount*” means the amount required to be maintained in the 2026 Reserve Fund pursuant to the provisions of Section 11(a) of this Ordinance; provided, however, that if the amount of the Pledged Revenues for the two most recent Fiscal Years for which an executed audit report has been received by the City Council of the City is equal to or greater than 2.00 times the amount of the Maximum Annual Debt Service Requirements, the amount of the 2026 Required Reserve shall be \$0.00; provided, however, that any Reserve Fund Obligation deposited to the credit of the 2026 Reserve Fund shall remain on deposit for the life of the First Lien Obligations secured by said Reserve Fund Obligation.

“*Required Reserve Fund Deposits*” means the deposits and credits, if any, required to be made to the 2026 Reserve Fund pursuant to the provisions of Section 11 of this Ordinance.

“*Reserve Fund Obligation*” means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an outstanding rating on First Lien

Obligations would rate the First Lien Obligations fully insured by a standard policy issued by the issuer of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on the First Lien Obligations would rate the First Lien Obligations in any one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the First Lien Obligations and the interest thereon.

“*Reserve Fund Obligation Payment*” means any subrogation payment the Issuer is obligated to make from Pledged Revenues deposited in the 2026 Reserve Fund with respect to a Reserve Fund Obligation.

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

“*Special Project*” means any water, sewer, wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of Special Project Bonds and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

“*Special Project Bonds*” means special revenue obligations of the Issuer which are not secured by the Pledged Revenues, but which are secured by and payable solely from special contract revenues or payments received from the System, any other legal entity, or any combination thereof, in connection with a Special Project; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such Special Project Bonds.

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

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

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

“*System Fund*” means the special fund created by the provisions of Sections 7 and 8 of this Ordinance.

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

“*Year*” means the regular fiscal year used by the Issuer in connection with the operation of the System, currently September 30 of each year, which may be any twelve consecutive month period established by the Issuer.

Section 2. RECITALS, AMOUNT, DESIGNATION, AND PURPOSE OF THE BOND.

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

(b) The bond of the City of Alpine, Texas (the “Issuer”) is hereby authorized to be issued and delivered in the aggregate principal amount of \$_____ for the public purposes of (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the Issuer’s System, to wit: replace water supply well, and (ii) to pay the costs incurred in connection with the issuance of the Bond (the “Project”).

(c) Each bond issued pursuant to this Ordinance shall be designated: “CITY OF ALPINE, TEXAS, UTILITY SYSTEM REVENUE BOND, SERIES 2026”, and initially there shall be issued, sold, and delivered hereunder one fully registered bond, without interest coupons, dated May 1, 2026, in the entire principal amount of the Bond, numbered R-1, and in the denomination hereinafter stated (the “Initial Bond”), with Bonds issued in replacement thereof being in the denominations and principal amounts hereinafter stated, numbered consecutively from R-2 upward, payable to the respective Holder thereof, or to the registered assignee of said bond (in each case, the “Holder”). The terms “Bonds” as used herein shall mean and include the bond initially issued hereunder (the “Initial Bond”) and all substitute bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

Section 3. MATURITY DATES, PRINCIPAL AMOUNTS, AND INTERST RATES. Interest on the Bond shall accrue from the Delivery Date printed on the Bond and shall be payable May 1 and November 1 of each year, commencing November 1, 2026. The unpaid principal of the Bond shall bear interest, calculated on the basis of basis of a 360-day year of twelve 30-day months, at the rate of ___% per annum The Bond shall finally mature _____, 20__ but shall be payable in annual installments on May 1 in the years and in the principal amounts as set forth in the following schedule:

<u>Payment Date (May 1)</u>	<u>Principal Amount</u>	<u>Payment Date (May 1)</u>	<u>Principal Amount</u>
2027		2035	
2028		2038	
2029		2039	
2030		2040	
2031		2041	
2032		2042	
2033		2043	
2034		2044	

Section 4. CHARACTERISTICS OF THE BOND.

(a) Registration, Transfer and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal trust office of West Texas National Bank in Alpine, Texas (the “Paying Agent/Registrar”), books or records for the registration of the transfer and exchange of the Bond (the “Registration Books”), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Holder of the Bond to which payments with respect to the Bond shall be mailed, as herein provided; but it shall be the duty of the Holder to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar’s standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond. Registration of assignments, transfers and exchanges of a Bond shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 4(c) of this Ordinance, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel any Bond surrendered for exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing exchange of any Bond, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of a substitute Bond in the manner prescribed herein. Pursuant to Chapter 1201, Government Code, as amended, the duty of transfer of a Bond as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bond that initially was issued and delivered pursuant to this Ordinance, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Payment of Bond and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bond, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bond, shall properly and accurately record all payments on the Bond on the Registration Books, and shall keep proper records of all exchanges of a Bond, and all replacements of a Bond, as provided in this Ordinance. However, in the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest 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 the Holder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bond (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bond to be payable only to the Holder thereof, (ii) may be exchanged for another Bond, (iii) may be transferred and assigned, (iv) shall have the characteristics, (v) shall be signed, executed and authenticated, (vi) the principal of and interest on the Bond shall be payable, and (vii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain

duties and responsibilities with respect to the Bond, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Ordinance. The Bond initially issued and delivered pursuant to this Ordinance is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in exchange for any Bond issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) The Issuer covenants with Holder of the Bond that at all times while the Bond is outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bond under this Ordinance, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 20 days written notice to the Paying Agent/Registrar, to be effective not later than 15 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bond, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to the Holder of the Bond, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) 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 Bond of Paying Agent/Registrar substantially in the form provided in this Ordinance, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on the Bond. 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 in this Ordinance, 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 it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

(f) Cancellation of Initial Bond. On the closing date, one initial Bond representing the entire principal amount of the Bond, payable in stated installments to the Lender designated in Section 25 or its designee, executed by manual or facsimile signature of the President of the Board and Secretary of the Board of the Issuer, approved by the Attorney General of Texas, and registered and signed manually, by facsimile, electronically or otherwise by the Comptroller of Public Accounts of the State of Texas, and with the date of delivery inserted thereon by the Paying Agent/Registrar, will be delivered electronically to such Lender or its designee. Section 5. FORM OF BOND. The form of the Bond, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of the Comptroller's Registration Certificate to be attached to the Initial Bond, shall be, respectively, substantially as follows, with such appropriate variations, omissions or insertions as are permitted or required by this Ordinance.

Section 5. FORM OF BOND.

(a) Form of Bond.

NO. R-1	UNITED STATES OF AMERICA STATE OF TEXAS CITY OF ALPINE, TEXAS UTILITY SYSTEM REVENUE BOND SERIES 2026	PRINCIPAL AMOUNT \$ _____
---------	---	---------------------------------

<u>Interest Rate</u>	<u>Delivery Date</u>	<u>Maturity Date</u>
As shown below	May __, 2026	May 1, 20__

REGISTERED OWNER: WEST TEXAS NATIONAL BANK

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE MATURITY DATE specified above, the City of Alpine, in Brewster County, Texas (the “Issuer”), being a political subdivision and municipal corporation of the State of Texas, hereby promises to pay, from the sources described herein, on the Maturity Date specified above, to the registered owner specified above, or registered assigns, the principal amount specified above, and to pay interest thereon from the Delivery Date set forth above, on the balance of said principal amount from time to time remaining unpaid, calculated on the basis of basis of a 360-day year of twelve 30-day months, at the rate of ___% per annum. This Bond shall finally mature May 1, 2044 but shall be payable in annual installments on May 1 in the years and in the principal amounts as set forth in the following schedule:

<u>Payment Date (May 1)</u>	<u>Principal Amount</u>	<u>Payment Date (May 1)</u>	<u>Principal Amount</u>
2027		2035	
2028		2038	
2029		2039	
2030		2040	
2031		2041	
2032		2042	
2033		2043	
2034		2044	

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The Issuer shall pay interest on the unpaid principal balance of this Bond outstanding from time to time on November 1, 2026 and on each May 1 and November 1 thereafter to the date of maturity or prior redemption. The last principal installment of this Bond shall be paid at final maturity to the registered owner thereof as shown on the registration books of West Texas National Bank in Alpine, Texas, which is the “Paying Agent/Registrar” for this Bond. The payment of all other principal installments of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof, without any requirement of physical presentment, on each principal and interest payment date by check or draft, dated as of such principal and interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the

Issuer required by the resolution of the Issuer authorizing the issuance of this Bond (the “Bond Ordinance”) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last day of the month next preceding each such date (the “Record Date”) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, principal and interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

IN ADDITION, INTEREST MAY BE PAID by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

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

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

THIS BOND is one of a series of Bonds dated May 1, 2026, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$_____ for the public purposes of (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the Issuer’s System, to wit: replace water supply well, and (ii) to pay the costs incurred in connection with the issuance of the Bonds (the “Project”).

ON MAY 1, 20__, or on any date thereafter, the Bonds of this series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$1,000), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption.

AT LEAST 20 days prior to the date fixed for any optional redemption of the Bond or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of the Bond at its address as it

appeared on the Registration Books on the day such notice of redemption is mailed; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of this Bond. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bond or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bond or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

THE PAYING AGENT/REGISTRAR shall note in the Payment Record appearing on this Bond all prepayments or payments of principal installments on this Bond when made on their respective redemption or due dates, the date said payment was made and the remaining unpaid principal balance of this Bond and shall then have said entry signed by an authorized official of the Paying Agent/Registrar. The Paying Agent/Registrar shall also record such information in the Bond Registration Books.

THIS BOND is issuable in the form of one fully-registered Bond without coupons in the denomination of \$ _____ or the aggregate remaining outstanding principal balance of the Bond (the "Authorized Denomination"). This Bond may be transferred or exchanged as provided in the Bond Ordinance, only upon the registration books kept for that purpose at the above-mentioned office of the Paying Agent/Registrar upon receipt of a written instrument of transfer or authorization for exchange satisfactory to the Paying Agent/Registrar and duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond of the same maturity and in the same aggregate principal amount shall be issued by the Paying Agent/Registrar to the transferee in exchange therefor as provided in the Bond Resolution, and upon payment of the charges therein prescribed. The Issuer and the Paying Agent/Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal interest due hereon and for all other purposes. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

IN THE EVENT any Paying Agent/Registrar for the Bond is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owner of the Bond.

THIS BOND IS A SPECIAL OBLIGATION of the Issuer payable solely from and equally secured by a first lien on and pledge of the Pledged Revenues of the Issuer's Waterworks and Sewer System. Reference is hereby made to the Bond Ordinance for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one.

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

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

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

THE ISSUER HAS RESERVED THE RIGHT to amend the Bond Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the holder of the Bond.

BY BECOMING the registered owner of this Bond, the holder thereby acknowledges all of the terms and provisions of the Bond Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Bond Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Ordinance constitute a contract between each holder hereof and the Issuer.

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

(signature)
City Secretary

(signature)
Mayor

(SEAL)

(b) Form of Payment Record.

PAYMENT RECORD

Date of Payment	Principal Payment (amount and installment(s) to which payment is applied)	Remaining Principal Balance	Name and Title of Authorized Officer making Entry	Signature of Authorized Officer
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

(d) Form of Assignment.

ASSIGNMENT
(Please print or type clearly)

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

Transferee's Social Security or Taxpayer Identification Number: _____

Transferee's name and address, including zip code: _____

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

Dated: _____.

Signature Guaranteed:

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

NOTICE: The signature above must correspond with the name of the registered owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

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

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this _____.

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 6. PLEDGE OF PLEDGED REVENUES.

(a) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the First Lien Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the First Lien Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the First Lien Obligations, including the establishment

and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued by the Issuer.

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

Section 7. SPECIAL FUNDS. To provide for the payment of the Bond and any Additional First Lien Obligations there are hereby created and established and ordered to maintained at the Issuer's Depository so long as First Lien Obligations are outstanding, the following limited special funds:

(a) Alpine Utility Fund, hereinafter called the "System Fund."

(b) Alpine Utility System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

(c) Alpine Utility System Revenue Bonds 2026 Reserve Fund, hereinafter called the "2026 Reserve Fund."

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

Section 8. SYSTEM FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the System Fund immediately as collected and received. All Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 9. FLOW OF FUNDS.

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

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

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the First Lien Obligations and any Additional First Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2026 Reserve Fund created and established in accordance with the provisions of this Ordinance to maintain the Required Reserve Amount therein, and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the ordinances relating to the issuance of any Additional First Lien Obligations hereafter issued by the Issuer.

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

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

Section 10. INTEREST AND SINKING FUND.

(a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the First Lien Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the First Lien Obligations then coming due and payable.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and the 2026 Reserve Fund (and in any reserve fund created pursuant to Section 11(g) hereof, taking into account any Reserve Fund Obligation held in or for the benefit of any such reserve fund) is equal to the amount required to fully pay and discharge all outstanding First Lien Obligations (principal, premium, if any, and interest) or (ii) the First Lien Obligations are no longer outstanding.

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

Section 11. 2026 RESERVE FUND.

(a) There is hereby created and ordered held at a Depository of the Issuer, for the benefit of the Bond, the 2026 Reserve Fund. The amount required to be deposited to the credit of the 2026 Reserve Fund shall be equal to \$0.00 (the "Required Reserve Amount"). The Required Reserve Amount shall be maintained in the 2026 Reserve Fund at all times after the delivery of the Bonds; provided, however, that if the amount of the Pledged Revenues for the two most recent Fiscal Years for which an executed audit report has been received by the City Council of the City is equal to or greater than 2.00 times the amount of the Maximum Annual Debt Service Requirements, the amount of the 2026 Required Reserve shall be \$0.00; provided further, however, that any Reserve Fund Obligation deposited to the credit of the 2026 Reserve Fund shall remain on deposit for the life of the particular First Lien Obligations secured by said Reserve Fund Obligation. There shall be deposited into the 2026 Reserve Fund any Reserve Fund Obligations so designated by the Issuer. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2026 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bond, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments, and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bond.

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the 2026 Reserve Fund equal the Required Reserve Amount or the portion then required to be on deposit therein, no deposits need be made to the credit of the 2026 Reserve Fund; but, if and when the 2026 Reserve Fund at any time contains less than the Required Reserve Amount then required to be on deposit therein, the

Issuer covenants and agrees that the Issuer shall cure the deficiency in the 2026 Reserve Fund by making Required Reserve Fund Deposits to such fund from the Pledged Revenues in accordance with Section 9 by monthly deposits in amounts equal to not less than 1/60th of the Required Reserve Amount, with any such deficiency payments being made on or before the last day of each month until the Required Reserve Amount has been fully funded or restored. In addition, in the event that a portion of the Required Reserve Amount is represented by a Reserve Fund Obligation, the Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the System Fund in accordance with Section 9, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by Section 10. The Issuer further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount, including by paying Reserve Fund Obligation Payments when due, and any reserve established for the benefit of any issue or series of Additional First Lien Obligations and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Additional First Lien Obligations. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2026 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2026 Reserve Fund shall be retained in the 2026 Reserve Fund until the 2026 Reserve Fund contains the Required Reserve Amount. During such time as the 2026 Reserve Fund contains the Required Reserve Amount or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the Issuer may, at its option, withdraw all surplus funds in the 2026 Reserve Fund and deposit such surplus in the System Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the Issuer in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2026 Reserve Fund that consist of proceeds of the Bond or interest thereon shall be used for purposes for which the Bond was issued or deposited to the Interest and Sinking Fund.

(d) The Issuer may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2026 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bond by any Rating Agency to be lowered and the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the Required Reserve Amount contains a finding that such substitution is cost effective. Notwithstanding any other provision of this Ordinance, if a Reserve Fund Obligation is utilized in connection with the Bonds after the issuance date of the Bond, the Issuer must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General of Texas (if submission is then required by law) for approval.

(e) If the Issuer is required to make a withdrawal from the 2026 Reserve Fund for any of the purposes described in this Section, the Issuer shall promptly notify the issuer of such Reserve Fund Obligation of the necessity for a withdrawal from the 2026 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2026 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the Issuer shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such

reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 11(b) hereof and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the then outstanding First Lien Obligations.

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

Section 12. DEFICIENCIES; EXCESS PLEDGED REVENUES.

(a) Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all First Lien Obligations) to make the required deposits and credits to the Interest and Sinking Fund and the 2026 Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to such funds.

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

Section 13. INVESTMENT OF FUNDS; VALUATION; FUNDS SECURED; TRANSFER OF INVESTMENT INCOME.

(a) Moneys in any fund established pursuant to this Ordinance may, at the option of the Issuer, be invested in Permitted Investments, provided that all such deposits and investments shall have a market value exclusive of accrued interest at all times at least equal to the amount of money credited to such funds, and shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in the 2026 Reserve Fund shall not be invested in securities maturing later than the final maturity of the Bonds. Such investments shall be valued in terms of current market value as of the last day of each Year, except that direct obligations of the United States (State and Local Government Series) in book-entry form shall be continuously valued at their par or face principal amount. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or any Additional First Lien Obligations issued. To the extent not invested, moneys in any fund established pursuant to this Ordinance shall be secured in the manner prescribed by law for securing funds of the Issuer.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the 2026 Reserve Fund or any other reserve fund created in accordance with Section 11(g) hereof, if the 2026 Reserve Fund or such other reserve fund, as the case may be, does not contain the Required Reserve Amount or the First Lien Obligation Reserve Requirement, as the case may be) shall be credited to the System Fund semi-annually and shall constitute Gross Revenues.

Section 14. PAYMENT OF FIRST LIEN OBLIGATIONS. While any of the First Lien Obligations are outstanding, the Issuer shall transfer to the respective paying agent/registrars therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the 2026 Reserve Fund with respect to the Bonds, amounts sufficient to fully pay and discharge promptly the interest on and principal of the First Lien Obligations as shall become due on each interest or principal payment date, or date of redemption of the First Lien Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrars for the First Lien Obligations not later than the business day next preceding the date such payment is due on the First Lien Obligations. The Paying Agent/Registrar shall destroy all paid First Lien Obligations and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 15. ISSUER COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any ordinance authorizing the issuance of First Lien Obligations, including this Ordinance, and in each and every First Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every First Lien Obligation on the dates and in the places and manner prescribed in such ordinances and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and the 2026 Reserve Fund.

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

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

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

materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(e) Operation of System; No Free Service. It will, while any First Lien Obligations are outstanding, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, except to employees of the Issuer and volunteer firefighters, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the Issuer out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 12.

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

(g) Sale or Disposal of Property. While any First Lien Obligations are outstanding, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or release without due consideration in whole or in part contractual rights constituting part of the System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem First Lien Obligations.

(h) Insurance. (1) The Issuer shall insure such parts of the System as would usually be insured by corporations operating like properties, with responsible insurance companies, against loss to the extent insurance is usually carried by corporations operating like properties. To the extent reasonably obtainable, it shall include insurance against the perils of fire, extended coverage and flooding and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the Issuer's attorney gives a written opinion to the effect that the Issuer is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the bondholders and their agents and representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(i) for the redemption prior to maturity of the First Lien Obligations, ratably in the proportion that the outstanding principal of each series of First Lien Obligations bears to the total outstanding principal of all First Lien Obligations, provided that, if on any such occasion the principal of any such series is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(ii) if none of the outstanding First Lien Obligations is subject to redemption, then for the purchase on the open market and retirement of said First Lien Obligations in the same proportion as prescribed in the foregoing clause (i), to the extent practicable; provided, however, that the purchase price for any First Lien Obligation shall not exceed the redemption price of such First Lien Obligation on the first date upon which it becomes subject to redemption; or

(iii) to the extent that the foregoing clauses (i) and (ii) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at a Depository, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (i) and/or (ii) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

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

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

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

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

(k) Records. It will keep proper books of record and account in which full, true and correct entries will be made of all dealings, activities and transactions relating to the System, the Pledged Revenues, and the funds created pursuant to this Ordinance, and all books, documents and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of a Holder of First Lien Obligations.

(l) Audits. After the close of each Year while any First Lien Obligation is outstanding, it will cause an audit to be made of the books and accounts relating to the Authority, including the System and the Pledged Revenues by an Accountant. As soon as practicable after the close of each such Year, and when said audit has been completed and made available to the Issuer, a copy of such audit for the preceding Year shall be mailed to the Municipal Advisory Council of Texas. Such annual audit reports shall be open to the inspection of the Holders of First Lien Obligations and their agents and representatives at all reasonable times.

(m) Rate Covenant. It will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues equal to the greater of amounts sufficient:

- (a) (1) to pay all current Operating Expenses, and (2) to produce Net Revenues for each Year at least equal to 1.15 times the Average Annual Debt Service Requirements of all then outstanding First Lien Obligations, or
- (b) to pay the sum of: (i) all current Operating Expenses, (ii) the Average Annual Debt Service Requirements of all then outstanding First Lien Obligations and Subordinate Lien Obligations, (iii) required deposits to a reserve fund for any First Lien Obligations and Subordinate Lien Obligations then outstanding, and (iv) amounts required to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Year.

Section 16. ISSUANCE OF ADDITIONAL FIRST LIEN OBLIGATIONS.

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

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

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

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

(ii) The Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional First Lien Obligations, the Net Earnings are at least equal to 1.15 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the First Lien Obligations to be outstanding **after the** issuance of the then proposed Additional First Lien Obligations.

(d) If the proceeds of the Additional First Lien Obligations are to be used to construct or acquire a Capital Addition, the following two certificates may be provided in lieu of the certificate required by (c)(ii) above:

(i) The Designated Financial Officer shall have executed a certificate stating that based on the books and records of the Issuer, during either the preceding Year, or any twelve (12) consecutive months out of the fifteen (15) months immediately preceding the date of the then proposed Additional First Lien Obligations, the Net Earnings are at least equal to 1.15 times the Average Annual Debt Service Requirements (computed on a fiscal year basis) of the First Lien Obligations to be outstanding **at the time** of issuance of the Additional First Lien Obligations then being issued; and

(ii) a certificate of an Accountant to the effect that the projected Net Earnings will be, in his or its opinion, for each of the five (5) Years subsequent to the date the Capital Addition becomes commercially operative (as estimated in the engineering report pertaining thereto) equal to at least 1.15 times the Average Annual Debt Service Requirements for First Lien Obligations then outstanding and all Additional First Lien Obligations estimated to be issued, if any, for all improvements to the System and for all Capital Additions then in progress or then being initiated during the period from the date the first series of obligations for the Capital Addition is to be delivered through the fifth Year subsequent to the date the Capital Addition is estimated to become commercially operative.

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

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

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

Section 17. NO ISSUANCE OF OBLIGATIONS SENIOR TO THE FIRST LIEN OBLIGATIONS. That the Issuer covenants and agrees that it will not issue any obligations payable from and secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, senior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the First Lien Obligations, it being the intent of the Issuer that upon the issuance of the Bonds, the Issuer will finance improvements and extensions of the System and refinance obligations issued for the purpose of improving and extending the System with First Lien Obligations.

Section 18. ISSUANCE OF SUBORDINATE OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the First Lien Obligations, as may be authorized by the laws of the State of Texas.

Section 19. ISSUANCE OF SPECIAL PROJECT BONDS. Nothing in this Ordinance shall be construed to deny the Issuer the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project Bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 20. DEFEASANCE OF BOND.

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

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

(c) The term “Defeasance Securities” means any securities and obligations now or hereafter authorized by the laws of the State of Texas that are eligible to refund, retire or otherwise discharge obligations such as the Bonds.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Issuer shall make proper arrangements to provide and pay for such services as required by this Ordinance.

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

Section 21. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

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

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

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

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

(e) Authority for Issuing Replacement Bonds. In accordance with Section 1206.022, Texas Government Code, this Section 21 of this Ordinance shall constitute authority for the issuance of any such replacement Bond without necessity of further action by the governing body of the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

Section 22. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS AND CONTINGENT INSURANCE PROVISION, IF OBTAINED; ENGAGEMENT OF BOND COUNSEL. The Mayor and City Administrator of the Issuer are hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and its investigation, examination, and approval by the Attorney General and registration by the Comptroller. Upon registration of the Initial Bonds said Comptroller (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

Section 23. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS. (a) Covenants. The Issuer covenants to take any action necessary to assure, or refrain from any action that would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed or refinanced by the Bonds (the "Project") are so used, such amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" that is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

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

(4) to refrain from taking any action that would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds that were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) that produces a materially higher yield over the term of the Bonds, other than investment property acquired with -

(A) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued, and in the case of a current refunding bond, for a period of 90 days or less,

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

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

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

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

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the “Excess Earnings,” within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code;

(10) to assure that the proceeds of the Bonds will be used solely for new money projects; and

(11) to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Treasury Regulations promulgated thereunder.

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

(c) Use of Proceeds. For purposes of the foregoing covenants (a)(1) and (a)(2), the Issuer understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of the Bonds, transferred proceeds (if any). It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated that modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated that impose additional requirements applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from

federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the Mayor, City Administrator, or City Secretary to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, that may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

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

(e) Designation as Qualified Tax-Exempt Obligation. The Issuer hereby designates the Bond as a “qualified tax-exempt obligation” as defined in section 265(b)(3) of the Code, conditioned upon the Lender identified in Section 25 hereof certifying that the aggregate initial offering price of the Bond (excluding any accrued interest) is no greater than \$10 million (or such other amount permitted by such section 265 of the Code). Assuming such condition is met, in furtherance of such designation, the Issuer represents, covenants and warrants the following: (a) that during the calendar year in which the Bond is issued, the Issuer (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bond, will result in more than \$10,000,000 of “qualified tax-exempt obligations” being issued; (b) that the Issuer reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bond is issued, by the Issuer (or any subordinate entities) will not exceed \$10,000,000; and, (c) that the Issuer will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bond will not be considered “private activity bond” within the meaning of section 141 of the Code.

Section 24. CONSTRUCTION FUND; INVESTMENT EARNINGS; SECURITY FOR DEPOSITS.

(a) The Issuer hereby creates and establishes and shall maintain on the books of the Issuer a separate fund to be entitled the “Series 2026 Revenue Bond Construction Fund” for use by the Issuer for payment of all lawful costs associated with the acquisition and construction of the Project as hereinbefore provided, and to pay the costs of issuance of the Bonds. Upon payment of all such costs, any moneys remaining on deposit in said Fund shall be transferred to the Interest and Sinking Fund

(b) The Issuer may place proceeds of the Bonds (including investment earnings thereon) and amounts deposited into the Interest and Sinking Fund in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended; provided, however, that the Issuer hereby covenants that the proceeds of the sale of the Bonds will be used as soon as practicable for the purposes for which the Bonds are issued. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other Bond proceeds for the Project; provided that after completion of such purpose, if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is provided, however, that any interest earnings on Bond proceeds that are required to be rebated to the United States of America pursuant to Section 23 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

(c) All deposits authorized or required by this Ordinance shall be secured to the fullest extent required by law for the security of public funds as provided in Chapters 2256 and 2257, Texas Government Code, as amended.

Section 25. SALE OF BOND; FURTHER PROCEDURES.

(a) The Bonds are hereby sold and shall be delivered to West Texas National Bank in Alpine, Texas (the “Lender”), for cash at a price of \$ _____, pursuant to the terms and provisions of a Purchase Agreement which the Mayor (or in the Mayor’s absence, the Mayor Pro-Tem) of the Issuer is hereby authorized to execute and deliver. It is hereby officially found, determined, and declared that the terms of this sale are the most advantageous reasonably obtainable. The initial Bond shall be registered in the name of the Lender.

(b) The Bond may only be transferred to: (i) an affiliate of the Lender; (ii) a “Bank” as defined in Section 3(a)(2) of the Securities Act of 1933 as amended (the “Securities Act”); (iii) an “Accredited Investor” as defined in Regulation D under the Securities Act; or (iv) a “Qualified Institutional Buyer” as defined in Rule 144A under the Securities Act.

(c) The Mayor, Mayor Pro-Tem, City Administrator, and City Secretary of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such documents, certificates and instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the Bond, and the sale of the Bond to the Lender. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 26. DEFAULT AND REMEDIES

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

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

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

(b) Remedies for Default.

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

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the 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.

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

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

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

Section 27. NO CONTINUING DISCLOSURE UNDERTAKING. The Issuer has not made an undertaking in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The Issuer is not, therefore, obligated pursuant to the Rule to provide any on-going disclosure relating to the Issuer or the Bond. Notwithstanding the foregoing, the Issuer agrees to provide to the Lender a copy of the City's most recent annual audited financial statement and a copy of its most recently adopted budget upon written request.

Section 28. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Ordinance subject to the following terms and conditions, to wit:

(a) The Issuer may from time to time, without the consent of any holder of a First Lien Obligation, except as otherwise required by paragraph (b) below, amend or supplement this Ordinance in order to (i) cure any ambiguity, defect or omission in this Ordinance that does not materially adversely affect the interests of the holders of First Lien Obligations, (ii) grant additional rights or security for the benefit of the holders of First Lien Obligations, (iii) add events of default as shall not be inconsistent with the provisions of this Ordinance and that shall not materially adversely affect the interests of the holders of First Lien Obligations, (iv) qualify this Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Ordinance as shall not be inconsistent with the provisions of this Ordinance and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders of First Lien Obligations.

(b) That the owners of First Lien Obligations aggregating in principal amount 51% of the aggregate principal amount of then outstanding First Lien Obligations (for purposes of this sentence only, 100% of the aggregate principal amount of First Lien Obligations which are insured by a bond insurance provider at the time that the Issuer seeks approval of an amendment shall be deemed to be owned by such bond insurance provider) shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of the owners of all of the First Lien Obligations at the time outstanding, nothing herein

contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the First Lien Obligations so as to:

- (1) Make any change in the maturity of any of the outstanding First Lien Obligations;
- (2) Reduce the rate of interest borne by any of the outstanding First Lien Obligations;
- (3) Reduce the amount of the principal payable on the outstanding First Lien Obligations;
- (4) Modify the terms of payment of principal of or interest on the outstanding First Lien Obligations or impose any conditions with respect to such payment;
- (5) Affect the rights of the holders of less than all of the First Lien Obligations then outstanding;
- (6) Change the minimum percentage of the principal amount of First Lien Obligations necessary for consent to such amendment; or
- (7) Amend this subsection (b) of this Section 28.

(c) If at any time the Issuer shall desire to amend this Ordinance under this Section, the Issuer shall send by U.S. mail to each registered owner of the affected First Lien Obligations a copy of the proposed amendment. Such notice shall briefly set forth the nature of the proposed amendment.

(d) Whenever at any time within one year from the date of the mailing of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the First Lien Obligations then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be modified and amended in accordance with such amendatory Ordinance, and the respective rights, duties, and obligations of the Issuer and all holders of such affected First Lien Obligations shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a First Lien Obligation pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the mailing of notice as provided for in this Section, and shall be conclusive and binding upon all future holders of the same First Lien Obligation during such period. Such consent may be revoked at any time after six months from the date of mailing of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected First Lien Obligations then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the First Lien Obligations, the Issuer shall rely solely upon the registration of the ownership of such First Lien Obligation on the registration books kept by the respective paying agent/registrar of such First Lien Obligations.

(h) That the foregoing provisions of this Section notwithstanding, the Issuer by action of the City Council may amend this Ordinance for any one or more of the following purposes:

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

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or in regard to clarifying matters or questions arising under this Ordinance, including, without limitation, those matters described in Section 27(d)(v) hereof, or those matters necessary to obtain a rating on the Bonds or to obtain the approving opinion of the Attorney General of Texas as required by law, as are necessary or desirable and not contrary to or inconsistent with this Ordinance and which shall not adversely affect the interests of the holders of the First Lien Obligations;

(3) To make such amendments to this Ordinance as may be required, in the opinion of nationally-recognized bond counsel selected by the Issuer, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

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

Section 29. SEVERABILITY. If any section, article, paragraph, sentence, clause, phrase or word in this Ordinance, or application thereof to any persons or circumstances is held invalid or unconstitutional by a court of competent jurisdiction, such holding shall not affect the validity of the remaining portion of this Ordinance, despite such invalidity, which remaining portions shall remain in full force and effect.

Section 30. NO PERSONAL LIABILITY. No recourse shall be had for payment of the principal of or interest on any Bond or for any claim based thereon, or on this Ordinance, against any official or employee of the Issuer or any person executing any Bond.

Section 31. OPEN MEETING. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

Section 32. IMMEDIATE EFFECTIVE DATE. This Ordinance shall take effect and be in force immediately upon and after its adoption by the City Council in accordance with the provisions of Section 1201.028, Texas Government Code, and it is accordingly so ordained.

(Execution Page Follows)

APPROVED AND ADOPTED ON THE 5TH DAY OF MAY, 2026

Mayor
City of Alpine, Texas

Attest

City Secretary
City of Alpine, Texas