ORDINANCE NO. ____

ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2005A, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $15,000,000; AND ORDAINING OTHER MATTERS RELATED THERETO, INCLUDING IMMEDIATE EFFECTIVENESS

WHEREAS, the City of College Station, Texas (the "City" or the "Issuer") has heretofore issued the following described outstanding bonds (collectively, the "Previously Issued Parity Bonds"), to-wit:

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 1995, in the original principal amount of $6,000,000, and presently outstanding in the principal amount of $3,300,000 (the "Series 1995 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 1996, in the original principal amount of $10,110,000, and presently outstanding in the principal amount of $5,770,000 (the "Series 1996 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 1998, in the original principal amount of $2,700,000, and presently outstanding in the principal amount of $2,035,000 (the "Series 1998 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2000, in the original principal amount of $10,500,000, and presently outstanding in the principal amount of $8,655,000 (the "Series 2000 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2001, in the original principal amount of $23,500,000, and presently outstanding in the principal amount of $20,660,000 (the "Series 2001 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2002, in the original principal amount of $18,215,000, and presently outstanding in the principal amount of $16,545,000 (the "Series 2002 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2003, in the original principal amount of $11,610,000, and presently outstanding in the principal amount of $9,615,000 (the "Series 2003 Bonds");

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2003A, in the original principal amount of $4,850,000, and presently outstanding in the principal amount of $4,665,000 (the "Series 2003A Bonds"); and

CITY OF COLLEGE STATION, TEXAS UTILITY SYSTEM REVENUE BONDS, SERIES 2005, in the original principal amount of $8,035,000, and presently outstanding in the principal amount of $8,035,000 (the "Series 2005 Bonds");

WHEREAS, all of the Previously Issued Parity Bonds are secured by a pledge of the net revenues from the operation of the City's combined waterworks system, sewer system, and electric light and power system, and are on a parity with each other (and any Parity Bonds, hereinafter defined, which are hereafter authorized, issued, and delivered); and

WHEREAS, the City Council has determined to authorize the refunding of all or a portion of the outstanding obligations of the City described in Schedule I attached to this ordinance (the "Refundable Bonds") to achieve a debt service savings with respect to Refundable Bonds; and

WHEREAS, because of fluctuating conditions in the municipal bond market, the City Council has determined to delegate to the City Manager the authority to effect the sale of the bonds hereinafter authorized for the purpose of providing for the refunding of all or a portion of the Refundable Bonds described in Schedule I, subject to the parameters hereinafter described; and

WHEREAS, the bonds hereinafter authorized are to be issued and delivered pursuant to the laws of the State of Texas, including specifically Chapter 1207, Texas Government Code, for the purposes set forth above; and

WHEREAS, the bonds hereinafter authorized are on a parity with the outstanding Previously Issued Parity Bonds;

THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLLEGE STATION, TEXAS:

Section 1. **BONDS AUTHORIZED**. That there shall be authorized to be issued, sold, and delivered hereunder fully registered bonds, without interest coupons (the "Bonds"), numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of the Bonds or any portion or portions thereof, in the denomination of $5,000 or any integral multiple thereof (an "Authorized Denomination"), maturing not later than February 1, 2025, payable serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Purchase Agreement. The Bonds are hereby authorized to be issued for the purpose of refunding all or a portion of the Refundable Bonds, and to pay the costs of issuing the Bonds. The Bonds authorized by this Ordinance to be issued, sold and delivered may not be sold in an aggregate principal amount in excess of $15,000,000.

Section 2. **SALE OF BONDS**. (a) That the Bonds will be sold through a negotiated sale pursuant to the procedures set forth herein. _____ is hereby designated to be the senior managing underwriter for the Bonds. The City Manager, acting for and on behalf of the City, is authorized to enter into and carry out the Purchase Agreement with the Underwriters, in substantially the form attached hereto and made a part hereof for all purposes, with such changes as may be necessary to effect the sale of the Bonds to the Underwriters. The Bonds shall be sold to the Underwriters at such price, and subject to such terms and conditions as set forth in the Purchase Agreement, as shall be determined by the City Manager pursuant to subsection (b) below. The

authority of the City Manager to execute the Purchase Agreement shall expire if the Purchase Agreement has not been executed by the City and by the Underwriters (acting through their duly designated representative) by 5:00 p.m., Friday, September 30, 2005. Any finding or determination made by the City Manager relating to the issuance and sale of the Bonds and the execution of the Purchase Agreement in connection therewith shall have the same force and effect as a finding or determination made by the City Council.

(b) As authorized by Chapter 1207, the City Manager is hereby authorized, appointed, and designated to act on behalf of the City in selling and delivering the Bonds and carrying out the other procedures specified in this Ordinance, including determining and fixing the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the aggregate principal amount of the Bonds, the date of delivery of the Bonds, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount of Bonds to mature in each of such years, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the City, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of the Bonds, and the refunding of the Refunded Bonds, including, without limitation, obtaining a municipal bond insurance policy in support of the Bonds, all of which shall be specified in the Purchase Agreement; provided, that (i) the price to be paid for the Bonds shall not less than 95% of the aggregate original principal amount thereof, plus accrued interest thereon from the date of their delivery, and (ii) none of the Bonds shall bear interest at a rate greater than 10% per annum.

(c) The City Manager and the Finance and Strategic Planning Director of the City are authorized and directed to provide for and oversee the preparation of a final official statement in connection with the issuance of the Bonds, and to approve such final official statement and deem the preliminary official statement prepared in connection with the sale of the Bonds final in compliance with the Rule and to provide it to the Underwriters of the Bonds in compliance with the Rule. The use of the preliminary official statement prepared in connection with the sale of the Bonds is hereby approved.

Section 3. **REDEMPTION OF THE BONDS**. (a) To the extent so provided for in the Purchase Agreement, the Bonds may be subject to redemption prior to their scheduled maturities. Should the Purchase Agreement provide for the redemption of the Bonds prior to their scheduled maturities at the option of the City, if less than all of the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository. Should the Purchase Agreement provide for the mandatory sinking fund redemption of Bonds, the terms and conditions governing any such mandatory sinking fund redemption and the payment of sinking fund redemption payments relating thereto shall be as set forth in the Purchase Agreement.

(b) At least thirty (30) days prior to the date any such Bonds are to be redeemed, a written notice of redemption shall be given by the Paying Agent/Registrar to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class, postage prepaid, addressed to each such registered owner at the address thereof as shown on the Registration Books (hereinafter defined). By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, and shall not bear interest after the date fixed for their redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Bonds or any portion thereof. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in this Ordinance.

(c) (i) In addition to the manner of providing notice of redemption of Bonds as set forth above, the Paying Agent/Registrar shall give notice of redemption of Bonds by either United States mail, first-class postage prepaid, or electronic mail, at least 30 days prior to a redemption date to each NRMSIR and the SID. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to each NRMSIR and the SID shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the owner of any Bond who has not sent the Bonds in for redemption 60 days after the redemption date.

(ii) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Ordinance, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called of for redemption, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bond may be redeemed including a contact person and telephone number.

(iii) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

Section 4. **INTEREST**. That the Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BOND to their respective dates of maturity at the rates set forth in the Purchase Agreement. Interest on the

Bonds shall be payable on the dates as set forth in the Purchase Agreement, until the maturity or prior redemption of the Bonds.

Section 5. **PAYING AGENT/REGISTRAR; BOOK-ENTRY ONLY SYSTEM**. (a) That the City shall keep or cause to be kept at the designated corporate trust office in Dallas, Texas (the "Designated Trust Office") of JPMorgan Chase Bank, National Association, or such other bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform duties of and services of paying agent and registrar, named in accordance with the provisions of (g) of this Section hereof (the "Paying Agent/Registrar"), books or records of the registration and transfer of the Bonds (the "Registration Books"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the City and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the registered owner and record in the Registration Books the address of such registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided. The Paying Agent/Registrar shall provide to the City, by electronic means or otherwise, within fifteen (15) Business Days of the delivery of the Bonds to the Purchaser (hereinafter defined), and thereafter no less often than once every three (3) months, a true and correct copy of the Registration Books, which copy shall be maintained at the City by the Finance and Strategic Planning Director of the City or the designee thereof. The Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any entity other than the City. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond for transfer of registration and cancellation to the Paying Agent/Registrar at its Designated Trust Office during normal business hours, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute bond or bonds shall be issued in exchange therefor in the manner herein provided. As of the date this Ordinance is approved by the City, the Designated Trust Office of the Paying Agent/Registrar is its Dallas, Texas corporate trust office .

(b) The entity in whose name any Bond shall be registered in the Registration Books at any time shall be treated as the absolute owner thereof for all purposes of this Ordinance, whether such Bond shall be overdue, and the City and the Paying Agent/Registrar shall not be affected by any notice to the contrary unless otherwise required by law; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, and to act as its agent to exchange or replace Bonds, all as provided in this Ordinance. The Paying Agent/Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the

Bonds, and of all exchanges of such bonds, and all replacements of such bonds, as provided in this Ordinance.

(d) Each Bond may be exchanged for fully registered bonds in the manner set forth herein. Each Bond issued and delivered pursuant to this Ordinance, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender thereof at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the form prescribed in the FORM OF BOND, in an Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, at the request of the registered owner a substitute bond or bonds having the same maturity date, bearing interest at the same rate, in an Authorized Denomination, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each bond issued in exchange therefor shall have the same principal maturity date and bear interest at the same rate as the bond for which it is being exchanged. Each substitute bond shall bear a letter and/or number to distinguish it from each other bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered bond delivered in exchange for or replacement of any bond or portion thereof as permitted or required by any provision of this Ordinance shall constitute one of the Bonds for all purposes of this Ordinance, and may again be exchanged or replaced. On each substitute bond issued in exchange for or replacement of any bond or bonds issued under this Ordinance there shall be printed thereon a Paying Agent/Registrar's Authentication Certificate, in the form set forth in the FORM OF BOND (the "Authentication Certificate"). An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such bond, manually sign and date the Authentication Certificate, and no such bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed and dated. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the City Council or any other body or person so as to accomplish the foregoing exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute bonds in the manner prescribed herein, pursuant to Chapter 1206, Texas Government Code, and particularly Subchapter B thereof. The duty of such exchange or replacement of bonds as described in the preceding sentence is hereby imposed upon the Paying Agent/Registrar, and upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which originally were delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts. Neither the City nor the Paying Agent/Registrar shall be required (1) to make any transfer or exchange during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or

exchange any Bond after it is selected for redemption, in whole or in part when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the owner of the uncalled principal balance of a Bond.

(e) All Bonds issued in exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such bonds to be payable only to the registered owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BOND.

(f) The City shall pay all of the Paying Agent/Registrar's reasonable and customary fees and charges for making transfers, conversions and exchanges of the Bonds in accordance with an agreement between the City and the Paying Agent/Registrar, but the registered owner of any Bond requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. In addition, the City hereby covenants with the registered owners of the Bonds that it will pay the reasonable standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due.

(g) The City covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar, to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 60 days written notice to the Paying Agent/Registrar. 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 City covenants that promptly it will appoint a competent and legally qualified national or state banking institution, which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, subject to supervision or examination by federal or state authority, and whose qualifications substantially are similar to the previous Paying Agent/Registrar, 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 Bonds, to the City and to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, 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.

Section 6. **FORMS**. That the form of all Bonds, including the form of the Authentication Certificate, the form of Assignment, and the form of the Comptroller's Registration Certificate to accompany the Bonds on the initial delivery thereof, shall be, respectively, substantially in the form set forth in Exhibit A to this Ordinance, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance. The printer of the Bonds is hereby authorized to print on the Bonds (i) the form of bond counsel's opinion relating to the Bonds, and (ii) an appropriate statement of insurance furnished by a municipal bond insurance company providing municipal bond insurance, if any, covering all or any part of the Bonds.

Section 7. **DEFINITIONS**. That, as used in this Ordinance, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Additional Bonds" means the additional parity obligations which the City reserves the right to issue in the future, as provided in Section 13 of this Ordinance.

"Bond" or "Bonds" means one or more, as the case may be, of the Bonds authorized to be issued by this Ordinance.

"Bond Fund" means the fund provided for in the ordinances authorizing the issuance of the Previously Issued Parity Bonds.

"City" and "Issuer" mean the City of College Station, Texas, or where appropriate, the City Council.

"City Council" means the governing body of the City.

"Code" means the Internal Revenue Code of 1986, as amended.

"Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

"Escrow Agreement" means the Escrow Agreement between the City and the escrow agent named therein, executed and delivered in connection with the refunding of the Refunded Bonds.

"MAC" means the Municipal Advisory Council of Texas.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" means the gross revenues of the Systems less the reasonable expenses of operation and maintenance of the Systems, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the plant or utility in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Parity Bonds shall be deducted in determining the "Net Revenues".

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Parity Bonds" means collectively the Previously Issued Parity Bonds, the Bonds, and any Additional Bonds.

"Parity Bonds Ordinances" means collectively the ordinances authorizing the Parity Bonds.

"Previously Issued Parity Bonds" means the outstanding Series 1995 Bonds, Series 1996 Bonds, Series 1998 Bonds, Series 2000 Bonds, Series 2001 Bonds, Series 2002 Bonds, Series 2003 Bonds, Series 2003A Bonds and Series 2005 Bonds.

"Purchase Agreement" means the bond purchase contract between the City and the Underwriters pertaining to the purchase of the Bonds by the Underwriters.

"Refundable Bonds" means those bonds identified in Schedule I attached to this Ordinance that are eligible to be refunded in accordance with Section 22 of this Ordinance.

"Refunded Bonds" means those Refundable Bonds selected by the City Manager to be refunded with the proceeds of the Bonds, as identified in the Purchase Agreement.

"Reserve Minimum" is defined in Section 13(e) hereof.

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

"SEC" means the United States Securities and Exchange Commission.

"Series 1995 Bonds", "Series 1996 Bonds", "Series 1998 Bonds", "Series 2000 Bonds", "Series 2001 Bonds", "Series 2002 Bonds", "Series 2003 Bonds", "Series 2003A Bonds", and "Series 2005 Bonds" each has the meaning given said term in the preamble to this Ordinance.

"SID" means any person designated by the State of Texas or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Systems" means the City's entire existing waterworks system, sewer system, and electric light and power system, including all present and future extensions, enlargements, additions, replacements, and improvements thereto.

"Systems Fund" means that fund described in Section 10 hereof.

"Underwriters" means the investment banking firm or syndicate of investment banking firms which contract to purchase the Bonds in accordance with the terms and conditions of the Purchase Agreement.

"Year" or "fiscal year" means the regular fiscal year used by the City in connection with the operation of the Systems, which may be any 12 consecutive months period established by the City Council.

Section 8. **PLEDGE**. (a) That the principal of the Parity Bonds, redemption premium, if any, and any interest payable thereon, are and shall be secured by and payable from an irrevocable first lien on and pledge of the Net Revenues, and the Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds created by the Parity Bonds Ordinances. The Parity Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the Systems. The owners of the Parity Bonds shall never have the right to demand payment of such obligations out of any funds raised or to be raised by taxation, or from any source whatsoever other than the Net Revenues. This Ordinance shall not be construed as requiring the City to expend any funds which are derived from sources other than the operation of the Systems, but nothing herein shall be construed as preventing the City from doing so.

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 9. **RATES**. That the City covenants and agrees with the holders of the Parity Bonds that it will: (a) fix and maintain rates and collect charges for the facilities and services afforded by the Systems which will provide revenues sufficient at all times: (1) to pay all operation, maintenance, depreciation, replacement, and betterment charges of the Systems; (2) to establish and maintain the Bond Fund; (3) to generate in each year Net Revenues equal to 1.25 times the maximum annual requirements for the payment of the principal of and interest on the Parity Bonds at the time outstanding (although amounts shall be paid into the Bond Fund only in accordance with Section 10 hereof); and (4) to pay all indebtedness outstanding against the Systems, other than the Parity Bonds, as and when the same become due; and (b) deposit as collected all revenues derived from the operation of the Systems into the Systems Fund.

Section 10. **FLOW OF FUNDS**. That there has been created and established on the books of the City, and accounted for separate and apart from all other funds of the City, a special Systems Fund. All gross revenues received from operation of the Systems are and shall be deposited into and credited to the Systems Fund immediately upon receipt. The necessary and reasonable expenses of operation and maintenance of the Systems shall first be paid from the Systems Fund. The City shall then make substantially equal monthly payments into the Bond Fund (commencing with respect to the Bonds and any Additional Bonds on the date of delivery to the initial purchaser thereof) during each year in which any of the Parity Bonds are outstanding in an aggregate amount equal to 100% of the amounts required to meet the interest and principal payments (including any sinking fund payments) falling due on or before the next maturity date of the Parity Bonds. The City shall, at least five days prior to each February 1 and August 1, deposit into the Bond Fund any additional Net Revenues available in the Systems Fund which may be necessary to pay in full the interest on and principal (including any sinking fund payments), if any, coming due on the Parity Bonds such February 1 or August 1. In no event shall any amount in excess of the amounts stated above be placed in the Bond Fund for the payment of the interest on or principal of the Parity Bonds, and any amount so placed may be withdrawn by the City and replaced in the Systems Fund. Any funds remaining in the Systems Fund, after provision for the reasonable cost of operating and maintaining the Systems, and after paying the amounts required to be paid into the Bond Fund, may be used for any lawful purpose.

Section 11. **INVESTMENTS**. That money in any Fund established by the Parity Bonds Ordinances may, at the option of the City, be placed or invested in any investments then permitted by Texas law and permitted in the Parity Bonds Ordinances.

Section 12. **FUNDS SECURED**. That money in all Funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

Section 13. **ADDITIONAL BONDS**. That in addition to inferior lien obligations, the City expressly reserves the right hereafter to issue additional parity bonds and other evidences of indebtedness now or hereafter authorized by the Legislature of Texas (collectively, the "Additional Bonds"), and the Additional Bonds, when issued, may be secured by and payable from a first lien on and pledge of the Net Revenues in the same manner and to the same extent as the outstanding Parity Bonds but subject to the remaining provisions hereof, and the Previously Issued Parity Bonds, the Bonds, and the Additional Bonds may be in all respects of equal dignity. It is provided, however, that no Additional Bonds shall be issued unless:

(a) As long as any of the Previously Issued Parity Bonds are outstanding and unpaid, all material conditions set forth in the Parity Bonds Ordinances are satisfied;

(b) As long as any of the Previously Issued Parity Bonds are outstanding, the "net earnings" (defined below) of the Systems for the fiscal year next preceding the month in which the ordinance authorizing such Additional Bonds is adopted, were equal to each of the provisions following in items (c)(i) and (ii) below, determined independently and certified by an independent firm of certified public accountants, based upon an annual audit of the books of the Systems;

(c) An independent firm of certified public accountants, based upon an annual audit of the books of the Systems, certified that the net earnings of the Systems for the previous fiscal year or for any 12 consecutive month period ending not more than 90 days prior to the date of the adoption of the ordinance authorizing such Additional Bonds or other evidence of indebtedness were equal to each of the following determined independently:

(i) at least 1.40 times the average annual requirements for the payment of principal and interest on the then outstanding Parity Bonds and other evidences of indebtedness payable from the revenues of the Systems and on said Additional Bonds or other evidences of indebtedness, when issued, sold, and delivered; and

(ii) at least 1.25 times the maximum annual requirement for the payment of the principal of and interest on the Parity Bonds then outstanding and on such Additional Bonds, when issued, sold, and delivered;

provided, however, should the certificate of the accountant certify that the net earnings of the Systems for the period covered thereby were, in either case, less than required above, and a change in the rates and charges for the services afforded by the Systems became effective at least 60 days prior to the scheduled date of adoption of the ordinance authorizing such Additional Bonds, then such Additional Bonds may nevertheless be issued if an independent engineer or engineering firm having a favorable reputation with respect to such matters certifies that, had such change in rates and charges been effective for the entire period covered by the accountant's certificate would have met the tests specified in (i) and (ii) above.

The term "net earnings" as used in this Section shall mean all of the Net Revenues, exclusive of income received specifically for capital items, after deduction of the reasonable expenses of operation and maintenance of the Systems excluding expenditures which under standard accounting practice should be charged to capital expenditures or depreciation;

(d) Such Additional Bonds or other evidences of indebtedness are made to mature on February 1 in each of the years in which they are scheduled to mature; and

(e) The entire issue of such Additional Bonds is insured in a manner similar to the Previously Issued Parity Bonds by an insurance company or association of companies whose insured obligations are rated by either Moody's Investors Service or Standard & Poor's Ratings Services in the same or a higher rating category than the insured obligations of the City (at the time such Additional Bonds are to be issued) or the City shall establish a reserve fund for such Additional Bonds by any method or combination of methods that the City deems reasonable and appropriate provided that (i) the amount of such reserve fund (or coverage of any surety bond in lieu thereof) shall at least equal the maximum annual debt service requirements of such Additional Bonds, not to exceed the maximum then permitted by applicable regulations, procedures, or published rulings of the Internal Revenue Service (the "Reserve Minimum"); (ii) if any cash reserve fund is funded by making transfers of Net Revenues in the Systems Fund, such transfers shall be made each month in an amount reasonably sufficient to reach the Reserve Minimum within a period of not more than five years after such Additional Bonds are sold and delivered; and (iii)

such reserve fund shall be for the equal benefit of the owner of (x) such Additional Bonds, (y) any Parity Bonds theretofore issued which are not insured in manner similar to the Previously Issued Parity Bonds, and (z) any Additional Bonds thereafter issued which are not so insured.

Section 14. **GENERAL COVENANTS**. That the City further covenants, warrants, and agrees that in accordance with and to the extent required or permitted by law while the Parity Bonds are outstanding and unpaid:

(a) PERFORMANCE. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each Parity Bonds Ordinance, and in each and every Parity Bond; it will promptly pay or cause to be paid the principal of and interest on every Parity Bond, on the dates and in the places and manner prescribed in the Parity Bonds Ordinances; and it will, at the times and in the manner prescribed, deposit, or cause to be deposited, the amounts required to be deposited into the Bond and the Reserve Fund, if any; and any holder of the Parity Bonds may require the City, its officials and employees, to carry out, respect, or enforce the covenants and obligations of the Parity Bonds Ordinances by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the City, its officials and employees.

(b) CITY'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 create and issue the Parity Bonds; all action on its part for the creation and issuance of said obligations has been duly and effectively taken; and said obligations in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) TITLE. It has or will obtain lawful title to the lands, buildings, structures, and facilities constituting the Systems; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the holders and owners of the Parity Bonds against the claims and demands of all persons whomsoever; it is lawfully qualified to pledge the Net Revenues to the payment of the Parity Bonds in the manner prescribed herein; and it 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 Systems; 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 City.

(e) OPERATION OF SYSTEMS; NO FREE SERVICE. It shall continuously and efficiently operate the Systems and maintain the Systems in good condition, repair, and working order, all at reasonable cost. No free service of the Systems shall be allowed, and should the City or any of its agencies or instrumentalities, lessees, or concessionaires make use of the services and facilities of the Systems, payment monthly of the standard retail price of the services provided shall be made by the City or any of its agencies or instrumentalities, lessees, or concessionaires out of funds from sources other than the revenues of the Systems.

(f) FURTHER ENCUMBRANCE. It shall not additionally encumber the Net Revenues in any manner, except as permitted in the Parity Bonds Ordinances in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Parity Bonds Ordinances; but the right of the City to issue obligations payable from a subordinate lien on the surplus Net Revenues is specifically recognized and retained.

(g) SALE OR DISPOSAL OF PROPERTY. It shall not sell, convey, mortgage, encumber, lease, or in any manner transfer title to, or dedicate to other use, or otherwise dispose of the Systems, or any significant or substantial part thereof; provided, however, that when the City deems it necessary to dispose of any other property to other use, it may do so either when it has made arrangements to replace the same or provide substitutes therefor, or it is determined by resolution of the City Council that no such replacement or substitute is necessary.

(h) INSURANCE. It agrees to maintain insurance on the Systems, for the benefit of the holders or owners of the Parity Bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business in the same area.

(i) RECORDS AND AUDITS. It shall keep proper books, records, and accounts, separate from all other books, records, and accounts, in which complete and correct entries shall be made of all transactions relating to the Systems. Upon written request made not more than 60 days following the close of the fiscal year, the City shall furnish to any holder of any Parity Bonds complete financial statements of the Systems in reasonable detail covering such fiscal year, certified by the City's auditor. Any holders of 25% in principal amount of the Parity Bonds at the time outstanding shall have the right at all reasonable times to inspect the Systems and all records, accounts, and data of the City relating thereto.

(j) GOVERNMENTAL AGENCIES. It 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 Systems, and 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 Systems.

(k) NO COMPETITION. It will not operate, or grant any franchise or, to the extent it legally may, permit the acquisition, construction, or operation of, any facilities which would be in competition with the Systems, and to the extent that it legally may, the City will prohibit any such competing facilities.

Section 15. **AMENDMENT OF ORDINANCE**. (a) That the holders of the Parity Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the holders of all of the Parity Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Parity Bonds so as to:

(i) Make any change in the maturity of the outstanding Parity Bonds;

(ii) Reduce the rate of interest borne by any of the outstanding Parity Bonds;

(iii) Reduce the amount of the principal payable on the outstanding Parity Bonds;

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

(v) Affect the rights of the holders of less than all of the Parity Bonds; or

(vi) Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.

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

(c) When at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other service of written notice, the City shall receive an instrument or instruments, executed by the holders of at least 51% in aggregate principal amount of all Parity Bonds, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties, and obligations under this Ordinance of the City and all the holders of Parity Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the holder of a Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Parity Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar and the City, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the Parity Bonds as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purpose of this Section the fact of the holding of Parity Bonds issued in registered form without coupons and the amounts and numbers of such Parity Bonds and the date of their holding same shall be proved by the Registration Books of the Paying Agent/Registrar. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

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

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

(ii) 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, 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 Parity Bonds;

(iii) To modify any of the provisions of this Ordinance in any other respect whatever, provided that (A) such modification shall be, and be expressed to be, effective only after all Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding, and (B) such modification shall be specifically referred to in the text of all Additional Bonds issued after the date of the adoption of such modification.

Section 16. **DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS**. (a) That 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 of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond,

the applicant for a replacement bond shall furnish to the City 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 applicant shall furnish to the City 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 applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof expect 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) Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the 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 City 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) In accordance with Chapter 1206, Texas Government Code, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the City Council 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 5(d) of this Ordinance for Bonds issued in exchange for other Bonds.

Section 17. **BOOK-ENTRY ONLY SYSTEM**. That it is intended that the Bonds initially be registered so as to participate in a securities depository system (the "DTC System") with The Depository Trust Company, New York, New York, or any successor entity thereto ("DTC"), as set forth herein. The definitive Bonds shall be issued in the form of a separate single definitive Bond for each maturity. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including a "Letter of Representation" (the "Representation Letter").

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a "Depository Participant") or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an "Indirect Participant"). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, or (ii) the delivery to any Depository Participant or any Indirect Participant or any other person, other than a registered owner of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Paying Agent/Registrar, DTC, and Depository Participants of the availability within a reasonable period of time through DTC of certificated certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever names the registered owners of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

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

Section 18. **DEFEASANCE OF THE BONDS**. (a) **Defeased Bonds.** That any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond"), 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 similar 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 City 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 Net Revenues, 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 subsection 18(a)(i) or (ii) 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) **Investment in Defeasance Securities.** Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City 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 City, or deposited as directed in writing by the City. 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 subsections (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 City or deposited as directed in writing by the City.

(c) **Paying Agent/Registrar Services.** 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 City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(d) **Selection of Bonds for Defeasance.** In the event that the City 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 19. **TAX COVENANTS**. That the Issuer covenants to refrain from any action which would adversely affect, or to take any action to assure, 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:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (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 are so used, that 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;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) 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" which is "related" and not "disproportionate", within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which 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;

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

(e) 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;

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

(1) proceeds of the Bonds invested for a reasonable temporary period of thirty days or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(3) 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;

(g) 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) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) 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.

The Issuer understands that the term "proceeds" included "disposition proceeds" as defined in the Treasury Regulations and, in the case of a refunding bond, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Bonds. 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 which 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 which impose additional requirements which are 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 the foregoing, the Mayor, the City Manager, the Finance and Strategic Planning Director of the City and any Assistant City Manager may execute any certificates or other reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. In order to facilitate compliance with the above clause (h), a "Rebate Fund" is hereby established by the City for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the registered owners of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 20. **DISPOSITION OF PROJECT.** That the City covenants that the property financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this Section, the portion of the property comprising personal property and disposed of in the

ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this Section, the City shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 21. **CONTINUING DISCLOSURE UNDERTAKING**. (a) **Annual Reports.** (i) That the City shall provide annually to each NRMSIR and any SID, within six months after the end of each Year ending in or after 2005, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by Section 2(c) of this Ordinance, being the information described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide unaudited financial statements by the required time and will provide audited financial statements for the applicable Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

(ii) If the City changes its Year, it will notify each NRMSIR and any SID of the change (and of the date of the new Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section. The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to rights of holders of the Bonds;
8. Bond calls;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds; and
11. Rating changes.

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (a) of this Section by the time required by such subsection. Any filing under this Section may be made solely by transmitting such filing to the MAC as provided at http://www.disclosureusa.org, unless the SEC has withdrawn the interpretive advice stated in its letter to the MAC dated September 7, 2004.

(c) **Limitations, Disclaimers, and Amendments.** (i) The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with this Ordinance or applicable law that causes Bonds no longer to be outstanding.

(ii) The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

(iv) No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance. Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

(v) The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any

amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (a) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 22. **REFUNDING THE REFUNDED BONDS.** That the City hereby finds that the issuance of the Bonds for the purpose of refunding the Refunded Bonds to realize a net present value savings is a public purpose. As a condition to the issuance of the Bonds, the refunding of the aggregate principal amount of the Refunded Bonds must produce (i) a net present value savings, calculated in accordance with GASB Statement No. 7, of at least 5.00%, and (ii) a positive gross savings. The City Manager may elect not to refund any or all of the Refundable Bonds listed in Schedule I, but in no event shall the Bonds be issued if the refunding of the aggregate principal amount of the obligations selected for refunding does not result in the minimum savings threshold established in this Section being realized. On or before the date of delivery of the Bonds the Finance and Strategic Planning Director of the City shall execute and deliver to the City Council a certificate stating that the savings thresholds herein established have been realized. This certificate shall specifically state both the net present value savings and the gross savings realized by the City as a result of refunding the Refunded Bonds. In addition, the City hereby determines that, subject to the execution of the Purchase Agreement with the Underwriters and the delivery of the Bonds, the Refunded Bonds shall be called for redemption on the redemption date or dates set forth in Schedule I, at the applicable redemption price to the date fixed for redemption as provided in Schedule I. The City Manager or the designee thereof shall take such actions as are necessary to cause the required notice of redemption to be given in accordance with the terms of each ordinance for the Refunded Bonds called for redemption. The determination of the City Manager relating to the issuance and sale of Bonds to refund Refunded Bonds in such principal amount as provided in the Purchase Agreement shall have the same force and effect as if such determination were made by the City Council. The City Manager and the City Secretary are hereby authorized to execute and deliver the Escrow Agreement, in substantially the form attached to this Ordinance, should the Purchase Agreement be executed and the Bonds are sold.

Section 23. **BOND INSURANCE**. That the City Manager is hereby authorized in connection with the sale of the Bonds to obtain a municipal bond insurance policy with respect to

the payment of debt service on the Bonds. Should such a policy be obtained, the conditions of the company issuing such policy (the "Insurer") set forth in a commitment issued by the Insurer shall be incorporated into and be deemed part of this Ordinance. A legend provided by the Insurer for inclusion on the Bonds is hereby authorized to be printed on the Bonds. The City hereby finds that the municipal bond insurance policy to be issued by the Insurer satisfies the condition set forth in Section 13(e) hereof that the Bonds are insured in a manner similar to the Previously Issued Parity Bonds if the Insurer is rated "AAA" or its equivalent.

Section 24. **APPROVAL AND REGISTRATION OF BONDS**. That the Finance and Strategic Planning Director of the City is hereby authorized to have control of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act therefor) shall manually sign the Comptroller's Registration Certificate. The Bonds thus registered shall remain in the custody of the City Manager (or the designee thereof) until delivered to the Underwriters.

Section 25. **FURTHER PROCEDURES**. That the Mayor, the City Secretary, the City Manager, the Finance and Strategic Planning Director of the City, any Assistant City Manager, and all other officers, employees, and agents of the City, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, and the sale and delivery of the Bonds and fixing all details in connection therewith.

Section 26. **USE OF PROCEEDS.** That the proceeds from the sale of the Bonds shall be used in the manner described in the letter of instructions executed by or on behalf of the City. The foregoing notwithstanding, proceeds representing accrued interest on the Bonds shall be deposited to the credit of the Bond Fund and proceeds representing premium on the Bonds shall be used in a manner consistent with the provisions of Section 1201.041(d), Texas Government Code.

Section 27. **PREAMBLE**. That the preamble to this Ordinance is incorporated by reference and made a part hereof for all purposes.

Section 28. **MISCELLANEOUS PROVISIONS**. (a) **Titles Not Restrictive**. That the titles assigned to the various sections of this Ordinance are for convenience only and shall not be considered restrictive of the subject matter of any section or of any part of this Ordinance.

(b) **Rules of Construction**. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Ordinance is adopted by the City and any future amendments thereto or successor provisions

thereof. Any reference to "FORM OF BOND" shall refer to the form of the Bonds set forth in Exhibit A to this Ordinance. Any reference to the payment of principal in this Ordinance shall be deemed to include the payment of any mandatory sinking fund redemption payments as may be described herein.

(c) **Inconsistent Provisions**. All ordinances, orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed and declared to be inapplicable, and the provisions of this Ordinance shall be and remain controlling as to the matters prescribed herein.

(d) **Severability**. If any word, phrase, clause, paragraph, sentence, part, portion, or provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance shall nevertheless be valid and the City hereby declares that this Ordinance would have been enacted without such invalid word, phrase, clause, paragraph, sentence, part, portion, or provisions.

(e) **Governing Law**. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas.

(f) **Open Meeting**. The City officially finds and determines that the meeting at which this Ordinance is adopted was open to the public; and that public notice of the time, place, and purpose of such meeting was given, all as required by Chapter 551, Texas Government Code.

(g) **Immediate Effect**. In accordance with the provisions of Section 1201.028, Texas Government Code, this Ordinance shall be effective immediately upon its adoption by the City Council.

PASSED AND APPROVED this June 23, 2005.

City Secretary, City of College Station, Texas

Mayor, City of College Station, Texas

(CITY SEAL)

APPROVED:

McCall, Parkhurst & Horton L.L.P.
Bond Counsel

SCHEDULE I

LIST OF REFUNDABLE BONDS

[Attach schedule provided by First Southwest Company]

Exhibit A
to
Ordinance

FORM OF BOND:

NO. R- $_____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF BRAZOS
CITY OF COLLEGE STATION, TEXAS
UTILITY SYSTEM REVENUE
REFUNDING BOND
SERIES 2005A

MATURITY DATE	INTEREST RATE	ORIGINAL ISSUE DATE	CUSIP

ON THE MATURITY DATE SPECIFIED ABOVE, THE CITY OF COLLEGE STATION, IN BRAZOS COUNTY, TEXAS (the "City"), hereby promises to pay to _____, or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of

_____

and to pay interest thereon, from the original issue date of this Bond specified above, to the date of its scheduled maturity or the date of its redemption prior to scheduled maturity, at the rate of interest per annum specified above, with said interest being payable on February 1, 2006, and semiannually on each August 1 and February 1 thereafter, except that if the Paying Agent/Registrar's Authentication Certificate appearing on the face of this Bond is dated later than February 1, 2006, such interest is payable semiannually on each August 1 and February 1 following such date.

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 principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity, or upon the date fixed for its redemption prior to maturity, at the designated corporate trust office in Dallas, Texas (the "Designated Trust Office"), of JPMorgan Chase Bank, National Association, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof as shown by the "Registration Books" kept by the Paying Agent/Registrar at the close of business on the Record

Date (hereinafter defined) by check drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check 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 appears on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described, or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date ("Record Date") for the interest payable on any interest payment date means the 15th day of the preceding month. 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 City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", 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 registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. The City covenants with the registered owner of this Bond that no later than each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due, in the manner set forth in the ordinance authorizing the issuance of the bonds (the "Ordinance").

IF THE DATE for the 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 are authorized by law or executive order to close in the city where the Designated Trust Office of the Paying Agent/Registrar is located, then the date for such payment shall be the next succeeding day which 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. Notwithstanding the foregoing, during any period in which ownership of the bonds of this Series is determined only by a book entry at a securities depository therefor, any payment to the securities depository, or its nominee or registered assigns, shall be made in accordance with existing arrangements between the City and the securities depository.

THIS BOND is one of a Series of bonds of like tenor and effect except as to denomination, number, maturity, interest rate and right of prior redemption, dated as of the Original Issue Date stated above, issued in the aggregate principal amount of $_____ for the purpose of refunding the Refunded Bonds (as defined in the Ordinance). All Bonds of this Series are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of $5,000 (an "Authorized Denomination").

THE BONDS of this Series scheduled to mature on and after February 1, 20__ may be redeemed prior to their scheduled maturities, in whole, or in part in principal amounts of $5,000 or any integral multiple thereof, at the option of the City, on February 1, 20__, or on any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts therewith to be redeemed and shall direct the Paying Agent/Registrar

to call by lot Bonds, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption; provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the City and the securities depository.

AT LEAST 30 days prior to the date fixed for any such redemption, a written notice of such redemption shall be given by the Paying Agent/Registrar to the registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first-class, postage prepaid, addressed to each such registered owner at his address shown on the Registration Books of the Paying Agent/Registrar. By the date fixed for any such redemption due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for this Bond or the portion hereof which is to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion hereof which is to be so redeemed, thereby automatically shall be redeemed prior to its scheduled maturity, and shall not bear interest after the date fixed for its redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of this Bond or any portion hereof. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

AS PROVIDED IN THE ORDINANCE, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar at its Designated Trust Office for cancellation, all in accordance with the form and procedures set forth in the Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any Authorized Denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The City shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for transferring, converting

and exchanging any Bond or portion thereof; provided, however, that any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such transfer, conversion and exchange. In any circumstance, neither the City nor the Paying Agent/Registrar shall be required (1) to make any transfer or exchange during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

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

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

THE CITY has reserved the right, subject to the restrictions stated, and adopted by reference, in the Ordinance, to issue additional parity revenue bonds which also may be made payable from, and secured by a first lien on and pledge of, the "Net Revenues" of the City's combined waterworks system, sewer system, and electric light and power system (as defined and described in the Ordinance) on a parity with the Previously Issued Parity Bonds (as defined in the Ordinance) and the Bonds.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation, or from any source whatsoever other than the aforesaid Net Revenues.

IT IS HEREBY certified 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; that this Bond is a special obligation; and that the principal of and interest on this Bond together with outstanding parity revenue bonds are payable from, and secured by a first lien on and pledge of, the Net Revenues.

IN TESTIMONY WHEREOF, the City Council has caused the seal of the City to be duly impressed or placed in facsimile hereon, and this Bond to be signed with the imprinted facsimile signature of the Mayor and countersigned by the facsimile signature of the City Secretary.

xxxxxxxx	xxxxxxxx
City Secretary,	Mayor,
City of College Station, Texas	City of College Station, Texas

(SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the proceedings adopted by the City as described in the text of this Bond; and that this Bond has been issued in exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated_____

_____
Paying Agent/Registrar

By:_____
Authorized Representative

(FORM OF COMPTROLLER'S CERTIFICATE ATTACHED TO
THE BONDS UPON INITIAL DELIVERY THEREOF ONLY)

OFFICE OF COMPTROLLER :

REGISTER NO._____

STATE OF TEXAS :

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

Witness my signature and seal this

xxxxxxxx
Comptroller of Public Accounts of
the State of Texas

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____

Please insert Social Security or Taxpayer Identification Number of Transferee

_____

/_____/

_____

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

_____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____ attorney to

register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:_____

Signature Guaranteed:

_____

NOTICE: Signatures 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.

Exhibit B
to
Ordinance

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 21 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified below (and included in the Appendix or under the headings of the Official Statement referred to):

1. The "Audit Report" for the most recently concluded fiscal year.

2. The information included in the Official Statement under the following captions, but for the most recently concluded fiscal year: Tables 1 through 8 and Appendix B.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 described above, as such principles may be changed from time to time to comply with state law or regulation.