

ORDINANCE AUTHORIZING THE ISSUANCE OF \$1,075,000 CITY OF
MAGNOLIA, TEXAS, UTILITY SYSTEM REVENUE BONDS, SERIES 1995

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MAGNOLIA:

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1: Findings and Determinations. It is hereby officially found and determined that:

- (a) The City of Magnolia, Texas (the "City"), owns and operates a water, natural gas and sewer system (hereinafter defined as the System).
- (b) The City is authorized by Article 1111 et seq. Vernon's Texas Civil Statutes, as amended, to issue bonds payable from the net revenues such system, and is authorized by Article 1112 to issue such bonds without an election to provide money for acquisitions, extensions, construction, improvement or repair of such system.
- (c) The City Council, by ordinance adopted August 29, 1995, authorized the giving of notice under Article 2368a, Vernon's Texas Civil Statutes, as amended, and Chapter 252, Texas Local Government Code, as amended, of its intention to issue the bonds authorized by this Ordinance, and such notice was published as required by law.
- (d) The City has not received any petition for a referendum concerning the issuance of such bonds.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1: Definitions. In this Ordinance, the following terms shall have the following meanings, unless the context clearly indicates otherwise:

The term "Acts" shall mean Article 717k-6 and Articles 1111 through 1118, Vernon's Texas Civil Statutes, as amended.

The term "Additional Parity Bonds" shall mean the additional parity revenue bonds permitted to be issued by the City pursuant to Section 6.1 of this Ordinance.

The term "Bonds" shall mean the City of Magnolia, Texas, Utility System Revenue Bonds, Series 1995, authorized by this Ordinance.

The term "Business Day" shall mean any day which is not a Saturday, Sunday, a day on which banking institutions in the city where the principal office of the Registrar is located are authorized by law or executive order to close, or a legal holiday.

The term "City" shall mean the City of Magnolia, Texas, and where appropriate, the City Council thereof and any successor to the City as owner of the System.

The term "Code" shall mean the Internal Revenue Code of 1986, as amended.

The term "Comptroller" shall mean the Comptroller of Public Accounts of the State of Texas.

The term "Gross Revenues" shall mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the System and the interest income from the investment or deposit of money in the Revenue Fund, the Interest and Sinking Fund, and the Reserve Fund.

The term "Interest Payment Date", when used in connection with any Bond, shall mean April 1, 1996, and each October 1 and April 1 thereafter.

The term "Issuance Date" shall mean the date on which the Bonds are delivered to and paid for by the United States.

The term "Maintenance and Operation Expenses" shall mean the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the governing body of the City, are necessary to keep the System 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), and all payments under contracts now or hereafter defined as operating expenses by the Legislature of Texas. Depreciation shall never be considered as a Maintenance and Operation Expense.

The term "Net Revenues" shall mean all Gross Revenues remaining after deducting the Maintenance and Operation Expenses.

The term "Ordinance" shall mean this bond ordinance and all amendments hereof and supplements hereto.

The term "Owner" or "Registered Owner", when used with respect to any Bond shall mean the person or entity in whose name such Bond is registered in the Register. Any reference to a

particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then outstanding under this Ordinance, exclusive of Bonds held by the City.

The term "Parity Bonds" shall mean the Bonds, and each series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain outstanding.

The term "Paying Agent" shall mean the Registrar.

The term "Record Date" shall mean, for any Interest Payment Date, the fifteenth (15th) calendar day of the month next preceding each Interest Payment Date.

The term "Register" shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

The term "Registrar" shall mean Bank One, Texas, N.A., Houston, Texas, and its successors in that capacity.

The term "Special Project" shall mean, to the extent permitted by law, any water, natural gas, or sewer system property, improvement or facility declared by the City not to be part of the System and substantially all of the costs of acquisition, construction, and installation of which is paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes or Net Revenues of the System, and for which all maintenance and operation expenses are payable from sources other than revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

The term "System" shall mean all properties, facilities, improvements, equipment, interests, and rights constituting the water, natural gas, and sewer system of the City, including all future extensions, replacements, betterments, additions, and improvements to the System. The System shall not include any Special Project.

Section 2.2: Interpretations. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Parity Bonds and the validity of the lien on and pledge of the Net Revenues to secure the payment of the Parity Bonds.

ARTICLE III

TERMS OF THE BONDS

Section 3.1: Authorization and Authorized Amount. The Bonds shall be issued pursuant to the Acts in fully registered form, without coupons, in the amount of \$1,075,000 for improvements to the City's water, natural gas, and sewer system.

Section 3.2: Designation, Date, and Interest Payment Dates. The Bonds shall be designated as "City of Magnolia, Texas, Utility System Revenue Bonds, Series 1995," and shall be dated October 1, 1995. The Bonds shall bear interest payable on each Interest Payment Date at the rates set out in Section 3.3 of this Ordinance from the later of the Issuance Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, calculated on the basis of a 360 day year of twelve 30 day months.

Section 3.3: Initial Bonds; Numbers and Denomination. The Bonds shall be initially issued bearing the numbers and in the principal amounts set forth in the following schedule, bearing interest at the rate of 5.125%, and may be transferred and exchanged as set out in this Ordinance. The Bonds shall mature in accordance with this Ordinance, on October 1 in each of the years and in the amounts set out in such schedule. Bonds delivered on transfer of or in exchange for other Bonds shall be numbered in order of their authentication by the Registrar, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Bond or Bonds in lieu of which they are delivered.

<u>Bond Number</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>
R- 1	\$10,000	1998
R- 2	10,000	1999
R- 3	10,000	2000
R- 4	10,000	2001
R- 5	10,000	2002
R- 6	10,000	2003
R- 7	15,000	2004
R- 8	15,000	2005
R- 9	15,000	2006
R-10	15,000	2007
R-11	15,000	2008
R-12	15,000	2009
R-13	20,000	2010
R-14	20,000	2011
R-15	20,000	2012

R-16	20,000	2013
R-17	20,000	2014
R-18	25,000	2015
R-19	25,000	2016
R-20	25,000	2017
R-21	25,000	2018
R-22	30,000	2019
R-23	30,000	2020
R-24	30,000	2021
R-25	30,000	2022
R-26	35,000	2023
R-27	35,000	2024
R-28	35,000	2025
R-29	40,000	2026
R-30	40,000	2027
R-31	45,000	2028
R-32	45,000	2029
R-33	50,000	2030
R-34	50,000	2031
R-35	55,000	2032
R-36	55,000	2033
R-37	60,000	2034
R-38	60,000	2035

Section 3.4: Execution of Bonds; Seal. The Bonds shall be signed on behalf of the City by the Mayor and countersigned by the City Secretary, by their manual, lithographed, or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds. If any officer of the City whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 3.5.: Approval By Attorney General; Registration by Comptroller. The Bonds to be initially issued shall be delivered to the Attorney General of Texas for examination and approval and shall be registered by the Comptroller. The manually executed registration certificate of the Comptroller substantially in the form provided in Article IV of this Ordinance shall be affixed or attached to the Bonds to be initially issued.

Section 3.6: Authentication. Except for the Bonds to be initially issued, which need not be authenticated, only such Bonds as shall bear thereon a certificate of authentication substantially in the form provided in Article IV of this Ordinance, manually executed by an authorized representative of the Registrar, shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose. Such duly executed certificate of authentication shall be conclusive evidence that the Bond so authenticated was delivered by the Registrar hereunder.

Section 3.7. Payment of Principal and Interest. The Registrar is hereby appointed as the registrar and paying agent for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at the principal office of the Registrar. The interest on each Bond shall be payable by check payable on the Interest Payment Date, mailed by the Registrar on or before each Interest Payment Date to the Owner of record as of the Record Date, to the address of such Owner as shown on the Register, or by such other method, acceptable to the Registrar.

If the date for the payment of principal or interest on any Bond is not a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date such payment was due.

Section 3.8. Successor Registrars. The City covenants that at all times while any Bonds are outstanding it will provide a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to act as Registrar for the Bonds. The City reserves the right to change the Registrar for the Bonds on not less than 60 days written notice to the Registrar, so long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Bonds. Promptly upon the appointment of any successor Registrar, the previous Registrar shall deliver the Register or a copy thereof to the new Registrar, and the new Registrar shall notify each Owner, by United States mail, first class postage prepaid, of such change and of the address of the new Registrar. Each Registrar hereunder, by acting in that capacity, shall be deemed to have agreed to the provisions of this Section.

Section 3.9. Special Record Date. If interest on any Bond is not paid on any Interest Payment Date and continues unpaid for thirty (30) days thereafter, the Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each Owner or record of an affected Bond as of the close of business on the day prior to the mailing of such notice.

Section 3.10. Ownership; Unclaimed Principal and Interest. Subject to the further provisions of this Section, the City, the Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of the principal of or interest on such Bond, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this Section 3.10 shall be valid and effectual and shall discharge the liability of the City and the Registrar upon such Bond to the extent of the sums paid.

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

Section 3.11. Registration, Transfer, and Exchange. So long as any Bonds remain outstanding, the Registrar shall keep the Register at its principal office and, subject to such reasonable regulations as it may prescribe, the Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the principal office of the Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered Owner or his authorized representative in form satisfactory to the Registrar. Upon due presentation of any Bond in proper form for transfer, the Registrar shall authenticate and deliver in exchange therefor, within three (3) Business Days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal office of the Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 3.11. Each Bond delivered in accordance with this Section 3.11 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

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

Section 3.12. Cancellation of Bonds. All Bonds paid or redeemed in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and destroyed upon the making of proper records regarding such payment or redemption. The Registrar shall furnish the City with appropriate certificates of destruction of such Bonds.

Section 3.13. Mutilated, Lost, or Stolen Bonds. Upon the presentation and surrender to the Registrar of a mutilated Bond, the Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. The City or the Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Registrar.

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

- (1) furnished to the City and the Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (2) furnished such security or indemnity as may be required by the Registrar and the City to save them harmless; provided, however, that no such security or indemnity shall be required from the United States of America;
- (3) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and
- (4) met any other reasonable requirements of the City and the Registrar.

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

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

Each replacement Bond delivered in accordance with this Section 3.13 shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.13: Redemption. The Bonds are not optional for redemption prior to maturity.

ARTICLE IV

FORM OF BONDS AND CERTIFICATES

Section 4.1: Forms. The form of the Bonds, including the form of the Registrar's Authentication Certificate, the form of Assignment, and the form of Registration Certificate of the Comptroller, which shall be attached or affixed to the Bonds initially issued, shall be, respectively, substantially as follows, with such additions, deletions and variations as may be necessary or desirable and not prohibited by this Ordinance:

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF MONTGOMERY

NUMBER
R-_____
REGISTERED

AMOUNT
\$_____
REGISTERED

CITY OF MAGNOLIA, TEXAS
UTILITY SYSTEM REVENUE BOND
SERIES 1995

INTEREST RATE: 5.125% MATURITY DATE: ISSUANCE DATE: CUSIP:

REGISTERED OWNER: THE UNITED STATES OF AMERICA

PRINCIPAL AMOUNT: DOLLARS

The City of Magnolia, Texas, a municipal corporation duly incorporated under the laws of the State of Texas (herein the "City") for value received, promises to pay, but solely from certain Net Revenues as hereinafter provided, to the Registered Owner identified above or registered assigns, on the Maturity Date specified above, upon presentation and surrender of this Bond at the principal office of Bank One, Texas, N.A., Houston, Texas (the "Registrar"), the principal amount identified above, in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due the United States of America, and to pay, solely from such Net Revenues, interest thereon at the rate shown above, calculated on the basis of a 360 day year of twelve 30 day months, from the later of the Issuance Date shown above, or the most recent interest payment date to which interest has been paid or duly provided for. The date of this Bond is October 1, 1995, but interest hereon shall accrue from the Issuance Date. Interest on this Bond is payable by check payable on April 1 and October 1, beginning on April 1, 1996, mailed to the registered owner as shown on the books of registration kept by the Registrar as of the fifteenth (15th) calendar day of the month next preceding each interest payment date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH PROVISIONS SHALL HAVE THE SAME FORCE AND EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed, printed, or lithographed hereon and has caused this Bond to be executed by the manual or facsimile signatures of the Mayor and City Secretary.

(AUTHENTICATION
CERTIFICATE)

(SEAL)

CITY OF MAGNOLIA, TEXAS

XXXXXXXXXX

Mayor

COUNTERSIGNED:

XXXXXXXXXX

City Secretary

(Back Panel of Bond)

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS aggregating \$1,075,000, issued for the purposes of improving and extending the City's water, natural gas, and sewer system, under and in strict conformity with the Constitution and laws of the State of Texas, particularly Articles 1111 to 1118, both inclusive, Vernon's Texas Civil Statutes, as amended, and an ordinance adopted by the City Council of the City on September 26, 1995 (the "Ordinance").

THIS BOND AND THE SERIES OF WHICH IT IS A PART are special obligations of the City that are payable from and are equally and ratably secured by a first lien on the revenues of the City's water, natural gas, and sewer system remaining after deduction of the operation and maintenance expenses of that system (the "Net Revenues"), as defined and provided in the Ordinance, which Net Revenues are required to be set aside and pledged to the payment of the Bonds, and all additional bonds issued on a parity therewith, in the Interest and Sinking Fund and the Reserve Fund maintained for the payment of all such Bonds, all as more fully described and provided for in the Ordinance. This Bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and do not constitute an indebtedness or general obligation of the City. The owner hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, subject to the terms and conditions of the Ordinance.

THE BONDS ARE EXCHANGEABLE at the principal office of the Registrar for bonds in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE CITY HAS RESERVED THE RIGHT to issue additional parity revenue bonds, subject to the restrictions contained in the Ordinance, which may be equally and ratably payable from, and secured by a first lien on and pledge of, the Net Revenues in the same manner and to the same extent as this Bond and the series of which it is a part.

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

FORM OF REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO. _____

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

WITNESS MY SIGNATURE AND SEAL this _____.

(SEAL)

XXXXXXXXXXXX

Comptroller of Public Accounts
of the State of Texas

FORM OF AUTHENTICATION CERTIFICATE

AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond
has been delivered pursuant to the Bond
Ordinance described in the text of this
Bond.

Bank One, Texas, N.A.

By _____
Authorized Signature
Date of Authentication _____

FORM OF ASSIGNMENT

ASSIGNMENT

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

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

(Please insert Social Security or Taxpayer Identification Number of Transferee)
the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to transfer said Bond on the books kept for registration thereof, with full power of
substitution in the premises.

DATED: _____

Signature Guaranteed: _____

NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Registered Owner

NOTICE: The signature above must correspond to the name of the registered owner as shown on the face of this Bond in every particular, without any alteration, enlargement or change whatsoever.

Section 4.2. Legal Opinion; Cusip Numbers. The approving opinion of Vinson & Elkins L.L.P., Houston, Texas, and CUSIP Numbers may be printed on the Bonds, but errors or omissions in the printing of such opinion or such numbers shall have no effect on the validity of the Bonds.

ARTICLE V

SECURITY AND SOURCE OF PAYMENT FOR ALL PARITY BONDS

Section 5.1: Pledge and Source of Payment. The City hereby covenants and agrees that all Gross Revenues of the System shall be deposited and paid into the special funds heretofore established, and shall be applied in the manner set out herein, to provide for the payment of all Maintenance and Operation Expenses and to provide for the payment of principal, interest and any redemption premium of the Parity Bonds and all expenses of paying same. The Parity Bonds shall constitute special obligations of the City that shall be payable solely from, and shall be equally and ratably secured by a first lien on, the Net Revenues, as collected and received by the City, from the operation and ownership of the System, which Net Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Parity Bonds in the Interest and Sinking Fund and Reserve Fund as hereinafter provided, and the Parity Bonds shall be in all respects on a parity with and of equal dignity with one another. The owners of the Parity Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation.

Section 5.2: Rates and Charges. So long as any Parity Bonds remain outstanding, the City shall fix, charge and collect rates and charges for the use and services of the System which are calculated to be fully sufficient to produce Net Earnings of the System (as herein defined) in each fiscal year at least equal to 125% of the principal and interest requirements scheduled to occur in such fiscal year on all Parity Bonds then outstanding; but in no event shall Net Revenues ever be less than the amount required to maintain the Interest and Sinking Fund and the Reserve Fund as hereinafter provided, and, to the extent that funds for such purpose are not otherwise available, to

pay all other outstanding obligations payable from the Net Revenues of the System as and when the same become due.

For purposes of this Section, the term "Net Earnings" shall mean all Net Revenues of the System, except that in calculating Net Earnings there shall not be deducted as Maintenance and Operation Expenses any charge, disbursement or expenditure for extensions, repairs or otherwise which, under standard accounting practice, constitutes a capital expenditure.

The City will not grant or permit any free service from the System except for public buildings and institutions operated by the City.

Section 5.3: Special Funds. The following special funds are hereby established and created, and such funds shall be maintained and accounted for as hereinafter provided, so long as any Parity Bonds remain outstanding:

- (a) Utility System Revenue Fund (the "Revenue Fund");
- (b) Utility System Revenue Bonds Interest and Sinking Fund (the "Interest and Sinking Fund"); and
- (c) Utility System Revenue Bonds Reserve Fund (the "Reserve Fund").

The Revenue Fund shall be maintained as a separate account on the books of the City. The Interest and Sinking Fund and the Reserve Fund shall be maintained at an official depository bank of the City separate and apart from all other funds and accounts of the City and shall constitute trust funds which shall be held in trust for the benefit of the Owners of the Parity Bonds and the proceeds of which (except for interest income, which shall be transferred to the Revenue Fund) shall be and are hereby pledged to the payment of the Parity Bonds. All of the Funds named above shall be used solely as provided herein so long as any Parity Bonds remain outstanding.

Section 5.4: Flow of Funds. All Gross Revenues of the System shall be deposited as collected into the Revenue Fund. Money from time to time on deposit to the credit of the Revenue Fund shall be applied as follows in the following order of priority:

- (a) First, to pay Maintenance and Operation Expenses.
- (b) Second, to make all deposits into the Interest and Sinking Fund required by this Ordinance, and any ordinance authorizing the issuance of Additional Parity Bonds.
- (c) Third, to make all deposits into the Reserve Fund required by this Ordinance, and any ordinance authorizing the issuance of Additional Parity Bonds.

- (d) Fourth, for any lawful purpose.

Whenever the total amounts on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the sum of the aggregate principal amount of all outstanding Parity Bonds plus the aggregate amount of all interest accrued and to accrue thereon, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund.

Section 5.5: Interest and Sinking Fund. On or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, there shall be transferred into the Interest and Sinking Fund from the Revenue Fund

- (i) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the interest scheduled to become due on the Parity Bonds on the next interest payment date; and
- (ii) such amounts, in approximately equal monthly installments, as will be sufficient to accumulate the amount required to pay the next maturing principal of the Parity Bonds, including the principal amounts of, and any redemption premium on, any Parity Bonds payable as a result of the exercise or operation of any optional or mandatory redemption provision contained in any ordinance authorizing the issuance of Parity Bonds.

Money deposited to the credit of the Interest and Sinking Fund shall be used solely for the purpose of paying principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and any redemption premium on the Parity Bonds, plus all bank charges and other costs and expenses relating to such payment. On or before each principal and/or interest payment date on the Parity Bonds, the City shall transfer from the Interest and Sinking Fund to the paying agents an amount equal to the principal, interest and any redemption premium payable on the Parity Bonds on such date, together with an amount equal to all bank charges and other costs and expenses relating to such payment. The paying agents shall totally destroy all paid Parity Bonds and shall provide the City with an appropriate certificate of destruction.

Section 5.6: Reserve Fund. Unless the Reserve Fund is fully funded, on or before the last Business Day of each month so long as any Parity Bonds remain outstanding, after making all required payments and provision for payment of Maintenance and Operation Expenses, and after making the transfers into the Interest and Sinking Fund required in the preceding Section, there shall be transferred into the Reserve Fund from the Revenue Fund an amount at least equal to 1/120th of the average annual principal and interest requirements on the Parity Bonds, so that the Reserve Fund

shall contain, in no more than 10 years after the issuance of each such issue of Parity Bonds, money and investments in an aggregate amount at least equal to the average annual principal and interest requirements on all Parity Bonds then outstanding. After such amount has accumulated in the Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the Reserve Fund, and any excess amounts may be transferred to the Revenue Fund. But if and whenever the balance in the Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to 1/120th of the average annual principal and interest requirements on the Parity Bonds until the Reserve Fund has been restored to such amount. The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Parity Bonds to mature or be redeemed.

Section 5.7: Deficiencies in Funds. If in any month there shall not be deposited into any Fund maintained pursuant to this Article the full amounts required herein, amounts equivalent to such deficiency shall be set apart and paid into such Fund or Funds from the first available and unallocated money in the Revenue Fund, and such payment shall be in addition to the amounts otherwise required to be paid into such Funds during the succeeding month or months. To the extent necessary, the rates and charges for the System shall be increased to make up for any such deficiencies.

Section 5.8: Investment of Funds; Transfer of Investment Income. (a) Money in the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund may, at the option of the City, be invested in time deposits or certificates of deposit of commercial banks secured in the manner required by law for public funds and insured by the Federal Deposit Insurance Corporation to the maximum extent permitted by law, or be invested in direct obligations of, or obligations fully guaranteed by, the United States of America; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times, and provided further that in no event shall such deposits or investments of money in the Reserve Fund mature later than the final maturity date of the Parity Bonds. Any obligation in which money is so invested shall be kept and held in the official depository bank of the City at which the Fund is maintained from which the investment was made. All such investments shall be promptly sold when necessary to prevent any default in connection with the Parity Bonds.

(b) All interest and income derived from such deposits and investments shall be transferred or credited as received to the Revenue Fund, and shall constitute Gross Revenues of the System.

Section 5.9: Security for Uninvested Funds. So long as any Parity Bonds remain outstanding, all uninvested money on deposit in, or credited to, the Revenue Fund, the Interest and Sinking Fund and the Reserve Fund shall be secured by the pledge of security, as provided by Texas law.

ARTICLE VI

ADDITIONAL BONDS

Section 6.1: Additional Parity Bonds. The City reserves the right to issue, for any lawful purpose (including the refunding of any previously issued Parity Bonds or any other bonds or obligations of the City issued in connection with or payable from the revenues of the System), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Net Revenues of the System, on a parity with the Bonds, and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

- (a) The Additional Parity Bonds mature on, and interest is payable on, the same days of the year as the Bonds;
- (b) The Interest and Sinking Fund and the Reserve Fund each contains the amount of money then required to be on deposit therein;
- (c) For either the preceding fiscal year or any consecutive 12-month period out of the 18 month period immediately preceding the month in which the ordinance authorizing such Additional Parity Bonds is adopted (the "Base Period"), either:
 - (1) Net Earnings of the System (as hereinbelow defined) were equal to at least 125% of the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of the series of Additional Parity Bonds then proposed to be issued, as certified by the City's Director of Finance or by an independent certified public accountant or firm of independent certified public accountants; or
 - (2) Net Earnings of the System, as adjusted to give effect to any rate increase for the System that has been in effect for at least 60 days prior to the adoption of the ordinance authorizing the issuance of the series of Additional Parity Bonds then proposed to be issued, to the same extent as if such rate increase had been in effect for the entire Base Period, would have been at least equal to the amount required in paragraph (1) above, as certified by an independent consulting engineer or independent firm of consulting engineers;

provided, however, that this requirement shall not apply to the issuance of any series of Additional Parity Bonds for refunding purposes that will have

the result of reducing the average annual principal and interest requirements on Parity Bonds; and

- (d) Provision is made in the ordinance authorizing the Additional Parity Bonds then proposed to be issued for (1) additional payments into the Interest and Sinking Fund sufficient to provide for any increased principal and interest requirements on the Parity Bonds resulting from the issuance of the Additional Parity Bonds and (2) payments into the Reserve Fund so that such Fund will, in not later than 120 months from the date of issuance of such Additional Parity Bonds, contain a balance not less than the average annual principal and interest requirements on all Parity Bonds that will be outstanding after the issuance of such series of Additional Parity Bonds.

For purposes of Section 6.1(c), the term "Net Earnings of the System" shall mean all of the Net Revenues of the System, except that in calculating Net Earnings there shall not be deducted as Maintenance and Operation Expenses any charge, disbursement or expenditure for extensions, repairs or otherwise which, under standard accounting practice, constitutes a capital expenditure.

Section 6.2: Subordinate Lien Bonds. The City reserves the right to issue, for any lawful purpose, bonds, notes or other obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Parity Bonds. Such subordinate lien obligations may be further secured by any other source of payment lawfully available for such purposes.

Section 6.3: Special Project Bonds. The City reserves the right to issue revenue bonds secured by liens on and pledges of revenues and proceeds derived from Special Projects.

ARTICLE VII

COVENANTS AND PROVISIONS RELATING TO ALL PARITY BONDS

Section 7.1: Punctual Payment of Parity Bonds. The City will punctually pay or cause to be paid the interest on and principal of all Parity Bonds according to the terms thereof and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any ordinance authorizing the issuance of Additional Parity Bonds.

Section 7.2: Maintenance of System. So long as any Parity Bonds remain outstanding, the City covenants that it will at all times maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in

accordance with sound business principles. In operating and maintaining the System, the City will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative, or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

Section 7.3: Sale or Encumbrance of System. So long as any Parity Bonds remain outstanding, the City will not sell, dispose of or, except as permitted in Article VI, further encumber the System; provided, however, that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the City contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 7.4: Insurance. The City further covenants and agrees that it will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. The cost of all such insurance together with any additional insurance, shall be a part of the Maintenance and Operation Expenses. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed, or to make other capital improvements to the System, or to redeem Parity Bonds.

Section 7.5: Accounts, Records, and Audits. So long as any Parity Bonds remain outstanding, the City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the operation of the System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the System or the Gross Revenues or the Net Revenues thereof. The City shall after the close of each of its fiscal years cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants. Each year promptly after such audit report is prepared, the City shall furnish a copy thereof without cost to the Municipal Advisory Council of Texas, the major municipal rating agencies and any owners of Parity Bonds who shall request same. All expenses incurred in preparing such audits shall be Maintenance and Operation Expenses.

Section 7.6: Competition. To the extent it legally may, the City will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

Section 7.7: Pledge and Encumbrance of Net Revenues. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Parity Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of the

Parity Bonds, the Net Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Parity Bonds.

Section 7.8: Bondowners' Remedies. This Ordinance shall constitute a contract between the City and the Owners of the Parity Bonds from time to time outstanding and this Ordinance shall be and remain irrevocable until the Parity Bonds and the interest thereon shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the principal of or interest on any of the Parity Bonds or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Parity Bonds may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Parity Bonds may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all duties required to be performed by the City under this Ordinance, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues and Net Revenues in the manner required in this Ordinance.

Section 7.9: Discharge by Deposit. The City may discharge its obligation to the Owners of any or all of the Parity Bonds to pay principal, interest and redemption premium (if any) thereon in any manner then permitted by law, including by depositing with any paying agent for such Parity Bonds or with the State Treasurer of the State of Texas either: (i) cash in an amount equal to the principal amount and redemption premium, if any, of such Parity Bonds plus interest thereon to the date of maturity or redemption, or (ii) pursuant to an escrow or trust agreement, cash and/or direct obligations of the United States of America, in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount and redemption premium, if any, of such Parity Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of such Parity Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in the ordinance authorizing such Parity Bonds. Upon such deposit, such Parity Bonds shall no longer be regarded to be outstanding or unpaid.

Section 7.10: No Recourse Against City Officials. No recourse shall be had for the payment of principal of or interest on any Parity Bonds or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Parity Bonds.

ARTICLE VIII

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF BONDS

Section 8.1: Sale. The Bonds are hereby sold and shall be delivered to the United States of America at a price of par, subject to the approval of the Attorney General of Texas and Vinson & Elkins L.L.P., bond counsel, and such price is hereby found and determined to be the most advantageous reasonably obtainable by the City. The Mayor and other appropriate officers, agents and representatives of the City are hereby authorized to do any and all things necessary or desirable to provide for the issuance and delivery of the Bonds.

Section 8.2: Tax Exemption. (a) General Tax Covenant. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Code, and applicable regulations. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the owners thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Section; provided, however, that the City shall not be required to comply with any particular requirement of this Section if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section.

(b) Use of Proceeds. The City covenants and agrees that its use of the Net Proceeds of the Bonds will at all times satisfy the following requirements:

(i) The City will limit the amount of original or investment proceeds of the Bonds to be used (other than use as a member of the general public) in the trade or business of any person other than a governmental unit to an amount aggregating no more than ten percent of the Net Proceeds of the Bonds ("private-use proceeds"). For purposes of this Section, the term "person" includes any individual, corporation, partnership, unincorporated association, or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, any activity other than an activity carried on by a governmental unit. Any use of proceeds of the Bonds in any manner contrary to the guidelines set forth in Revenue Procedure 93-19, including any revisions or

amendments thereto, shall constitute the use of such proceeds in the trade or business of one who is not a governmental unit;

(ii) The City will not permit more than five percent of the Net Proceeds of the Bonds and to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds. Further, the amount of private-use proceeds of the Bonds in excess of five percent of the Net Proceeds of the Bonds ("excess private-use proceeds") did not and will not exceed the proceeds of the Bonds expended for the governmental purpose of the Bonds to which such excess private-use proceeds relate;

(iii) The City will not permit an amount of proceeds of the Bonds exceeding the lesser of (a) \$5,000,000 or (b) five percent of the Net Proceeds of the Bonds to be used, directly or indirectly, to finance loans to persons other than governmental units.

When used in this Section, the term Net Proceeds of the Bonds shall mean the proceeds from the sale of the Bonds, including investment earnings on such proceeds, less accrued interest.

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

(d) Bonds Are Not Hedge Bonds. The City covenants and agrees that not more than 50 percent of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the City reasonably expects that at least 85 percent of the spendable proceeds of the Bonds will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date the Bonds are issued.

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

(f) Arbitrage Rebate. The City expects to qualify for an exception to the requirements of the Code relating to rebate to the United States, because the City will use at least 95% of the Net Proceeds of the Bonds for local governmental activities of the City and expects that the total of all tax-exempt bonds (excluding "private activity" bonds) issued by or attributable to the City during calendar year 1995 will not exceed \$5,000,000. If the City does not qualify for such exception, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other obligations of the City or moneys which do not represent gross proceeds of any obligations of the City, (ii) calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds and within sixty days following retirement of the Bonds, all amounts required to be rebated to the federal government.

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

(h) Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Section shall survive the defeasance and discharge of the Bonds.

Section 8.3: Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of section 265(b) of the Code. In connection therewith, the City represents (a) that the aggregate amount of tax-exempt obligations issued by the City during calendar year 1995, including the Bonds, which have been designated as "qualified tax-exempt obligations" under section 265(b)(3) of the Code does not exceed \$10,000,000, and (b) that the reasonably anticipated amount of tax-exempt obligations which will be issued by the City during calendar year 1995, including the Bonds, will not exceed \$10,000,000. For purposes of this Section 8.3, the term "tax-exempt obligation" does not include "private activity bonds" within the meaning of section 141 of the Code, other than "qualified 501(c)(3) bonds" within the meaning of section 145 of the Code. In addition, for purposes of this Section 8.3, the City includes all governmental units which are aggregated with the City under the Code.

Section 8.4: Use of Proceeds. Proceeds from the sale of the Bonds shall, promptly upon receipt by the City, be used for the purposes set out in Section 3.1 and to pay costs of issuance, with any remainder being transferred to the Interest and Sinking Fund.

ARTICLE IX

MISCELLANEOUS

Section 9.1: Further Proceedings. The Mayor, the City Manager, the City Secretary, and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 9.2: Severability. If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 9.3: Open Meeting. It is hereby officially found and determined that the meeting at which this Ordinance was adopted was open to the public, and that public notice of the time, place and purpose of said meeting was given, all as required by the Texas Open Meetings Act.

Section 9.4: Paying Agent/Registrar Agreement. The form of agreement setting forth the duties of the Registrar is hereby approved, and an appropriate official of the City is hereby authorized to execute such agreement for and on behalf of the City.

Section 9.5: No Personal Liability. No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Ordinance, against any official or employee of the City or any person executing any Bonds.

Section 9.6: Parties Interested. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Registrar, the Insurer, and the Owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance shall be for the sole and exclusive benefit of the City, the Registrar, the Insurer, and the Owners of the Bonds.

Section 9.7: Repealer. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

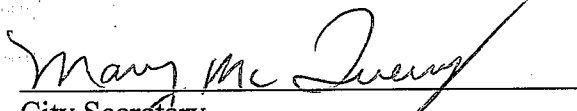
Section 9.8: Effective Date. This Ordinance shall become effective immediately upon passage by this City Council and signature of the Mayor.

PASSED AND APPROVED this 31st day of October, 1995.



Mayor
CITY OF MAGNOLIA, TEXAS

ATTEST:



City Secretary
CITY OF MAGNOLIA, TEXAS

(SEAL)