

after the date of the Additional Bonds. The Reserve Fund shall be used to pay principal of or interest on the Bonds, the Previously Issued Senior Lien Bonds and any Additional Bonds falling due at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose.

JUNIOR LIEN INTEREST AND SINKING FUND AND JUNIOR LIEN RESERVE FUND . . . After making the foregoing deposits required under the Ordinance and the ordinances authorizing the issuance of the Previously Issued Senior Lien Bonds, moneys shall be transferred from the Revenue Fund to the Junior Lien Interest and Sinking Fund and to the Junior Lien Reserve Fund, in the amounts and at the times required under the ordinances authorizing the issuance of the Junior Lien Bonds.

NOTE PAYMENT FUND . . . After making the foregoing deposits required under the Ordinance, the ordinances authorizing the Previously Issued Senior Lien Bonds and the Junior Lien Bonds, moneys shall be transferred from the Revenue Fund to the Note Payment Fund in the amounts and at the times to pay debt service on the Subordinate Lien Obligations.

PAYMENTS TO THE CITY . . . At the end of each month there shall be paid to the City Treasurer from any money which may remain in the Revenue Fund after all of the payments referred to above have been made, and any prior deficiencies have been remedied, such amounts as will result in there having been paid to the City during each fiscal year, 10% of the total amount received by the PSB from the sale of water during the fiscal year. The sums so received by the City may be expended for any lawful purpose.

To the extent permitted by the provisions of previous bond ordinances, an amount equal to five percent (5%) of the net proceeds from the sale of lands of the System shall be paid as received to the general fund of the City and used for any lawful purpose.

WATERWORKS AND SEWER SYSTEM IMPROVEMENT FUND (THE "IMPROVEMENT FUND") . . . All money remaining in the Revenue Fund at the end of each month after all of the above payments have been made and all deficiencies remedied shall be transferred to the Improvement Fund. Money in this Fund shall be used for the following purposes:

- (i) to pay the cost of any special or extraordinary repairs or replacements to or of the properties comprising the System, properly payable under the laws of the State of Texas, necessitated by reason of some emergency; and
- (ii) to the extent permitted by law, for the making of extensions, improvements and betterments of the System.

INVESTMENT OF FUNDS . . . Money in the Interest and Sinking Fund, the Reserve Fund and the Improvement Fund may be invested and secured in the manner required by State or federal law, as appropriate.

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

BOOKS AND RECORDS . . . The PSB covenants that complete and proper books of record and account will be kept and that the Owners of any of the Bonds, or any duly authorized agent or agents of such holders, shall have the right to inspect such records at all reasonable times. The Board further agrees that it will, within sixty days following the close of each fiscal year, cause an audit of the books and accounts to be made by an independent firm of certified public accountants and that such audit will be available for inspection by the Owners of any of the Bonds.

ADDITIONAL PARITY BONDS . . . The City may issue "Additional Bonds" if the following conditions are met:

- (i) the City is not then in default as to any covenant, condition or obligation prescribed by an ordinance authorizing the issuance of any bonds payable from and secured by a first lien on and pledge of the Net Revenues;
- (ii) the Additional Bonds are made to mature on March 1 in each of the years in which they are scheduled to mature;
- (iii) the net earnings of the System for any consecutive period of 12 months of the 15 months next preceding the month of the date of the Additional Bonds then to be issued, or for the City's completed fiscal year next preceding the date of such Additional Bonds are equal to at least 1.25 times the maximum annual principal and interest requirements of all bonds to be outstanding after the issuance of the Additional Bonds, as such net earnings are shown by a report by a certified public accountant; and
- (iv) the amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount not less than the average annual requirements for the payment of principal of and interest on the Bonds, the Previously Issued Senior Lien Bonds, and the Additional Bonds, such additional amount to be accumulated in equal monthly installments during a period not to exceed five years and one month.

SOURCE: OFFICIAL STATEMENT 30
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15