

**MASTER ORDINANCE ESTABLISHING THE
CITY OF SAN MARCOS, TEXAS
WATERWORKS AND WASTEWATER SYSTEM REVENUE FINANCING PROGRAM**

Adopted April 15, 2025

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ORDINANCE NO. 2006-4100

**MASTER ORDINANCE ESTABLISHING THE
CITY OF SAN MARCOS, TEXAS
WATERWORKS AND WASTEWATER SYSTEM REVENUE FINANCING PROGRAM**

THE STATE OF TEXAS '
COUNTY OF HAYS '
CITY OF SAN MARCOS '

WHEREAS, the City of San Marcos (the "City") has previously issued and has outstanding the following obligations payable from and secured by the net revenues of the City's waterworks and sewer system:

City of San Marcos, Texas Waterworks and Wastewater System Revenue Bonds, Series 2015 (the "Series 2015 Bonds");

City of San Marcos, Texas Waterworks and Wastewater System Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds");

City of San Marcos, Texas Waterworks and Wastewater System Revenue Refunding Bonds, Series 2017B (the "Series 2017B Bonds"); and

WHEREAS, the Series 2015 Bonds, the Series 2017A Bonds and the Series 2017B Bonds are collectively referred to herein as the "Prior Obligations;" and

WHEREAS, the ordinances authorizing the Prior Obligations reserve the right of the City to issue obligations with a lien inferior to the lien on the Net Revenues securing the Prior Obligations as authorized by the laws of the State; and

WHEREAS, in order to reduce costs, increase borrowing capacity and provide the City with greater financial flexibility, the City desires to establish a new Waterworks and Wastewater System financing program (the "Waterworks And Wastewater System Revenue Financing Program" or the "Financing Program") pursuant to which the City may issue obligations, including bonds, notes and other public securities and execute credit agreements, secured by and payable from a pledge of and lien on all or part of the Security which lien on the Net Revenues of the Waterworks and Wastewater System is junior to the Prior Obligations; and

WHEREAS, Chapter 1502, Texas Government Code, as amended (the "Enabling Act"), authorizes the City to issue obligations secured by and payable from a pledge of and lien on all or part of the Security, as hereinafter defined, which lien on the Net Revenues of the Waterworks and Wastewater System, both as hereinafter defined, is junior to the lien securing the Prior Obligations and which obligations may be issued in multiple series and issues from time to time for one or more purposes authorized by law including to: (i) pay all or part of the costs of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings,

structures, facilities or related infrastructure for a Waterworks and Wastewater System; (ii) create debt service reserve accounts; (iii) pay interest on obligations for the period authorized by State law; (iv) refund or cancel outstanding obligations; and (vi) pay the City's costs of issuance; and

WHEREAS, the Debt, as hereinafter defined, issued pursuant to this Master Ordinance shall be secured by a lien upon the Net Revenues of the Waterworks and Wastewater System, which lien shall be junior to the lien created thereon to secure the Prior Obligations and the City shall covenant herein not to issue other obligations payable from Net Revenues with a lien superior to the lien created by this Master Ordinance; and

WHEREAS, simultaneously with the adoption of this Master Ordinance, the City is adopting the First Supplement authorizing the initial series of obligations to be issued pursuant to the Financing Program in an aggregate principal amount of \$_____; and

WHEREAS, the terms used in this Master Ordinance, including this preamble, and not otherwise defined shall have the meaning given in Exhibit "A" to this Master Ordinance attached hereto and made a part hereof.

NOW THEREFORE, BE IT ORDAINED BY THE CITY OF SAN MARCOS, TEXAS THAT:

Section 1. ESTABLISHMENT OF FINANCING PROGRAM AND ISSUANCE OF PARITY DEBT. As authorized by the Enabling Act and other applicable provisions of State law, the Waterworks and Wastewater System Revenue Financing Program is hereby established for the purpose of providing a new financing structure for the issuance of Debt by the City secured by and payable from a pledge of and lien on all or part of the Security subject to the provisions of the ordinances authorizing the Prior Obligations. This Master Ordinance is intended to establish a master financing program under which Parity Debt of the Financing Program can be incurred. Each issue or series of Parity Debt shall be issued pursuant to a Supplement and no Parity Debt shall be issued unless the City has complied with this Master Ordinance. The City covenants that it will not issue obligations payable from Net Revenues with a lien superior to the lien created by this Master Ordinance.

Each Supplement shall provide for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of each issue or series of Parity Debt and any other matters related to Parity Debt not inconsistent with this Master Ordinance.

Section 2. SECURITY AND PLEDGE. (a) Pledge. Subject to the provisions of the ordinances authorizing the Prior Obligations, Parity Debt shall be secured by and payable solely from a lien on and pledge of the following (collectively, the "Security"): (i) all Pledged Revenues; (ii) all amounts in the System Account and the Interest and Sinking Account; (iii) any additional account or subaccount that is subsequently established and so designated as being included within the Security pursuant to Section 3(f) hereof; (iv) all of the proceeds of the foregoing, including, without limitation, investments thereof; and (v) any applicable Credit Agreement to the extent set forth in such Credit Agreement. With respect to any applicable series of Parity Debt, the term "Security" shall also include all amounts in any reserve account or subaccount applicable to such

Parity Debt pursuant to Section 3(e) hereof, including any reserve fund surety policy or other Credit Agreement entered into for the benefit of such account or subaccount. The City hereby assigns and pledges the Security to the payment of the Annual Debt Service Requirements on Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, and the Security is further pledged to the establishment and maintenance of any accounts or subaccounts which may be provided to secure the repayment of Parity Debt including the obligations due under and in connection with any Credit Agreement, to the extent set forth therein and in the related Supplement, in accordance with this Master Ordinance and any Supplement.

(b) Credit Agreements. Pursuant to Chapter 1371, Texas Government Code, as amended, the City may execute and deliver one or more Credit Agreements (i) to additionally secure Parity Debt or an issue or series or part of any issue or series of Parity Debt or (ii) in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing or redemption of Parity Debt or an issue or series or part of an issue or series of Parity Debt or interest on an issue or series or part of an issue or series of Parity Debt without regard to whether a Credit Agreement was contemplated, authorized or executed in relation to the initial issuance, sale or delivery of Parity Debt. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute: (i) Parity Debt secured by a pledge of the Security on parity with all Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt or (iii) partially on a parity with Parity Debt and partially as Subordinated Debt.

(c) Perfection. Chapter 1208, Texas Government Code, applies to the issuance of Parity Debt and the pledge of the Security granted by the City under this Section and in any applicable Supplement, and such pledge is therefore valid, effective, and perfected. If State law is amended at any time while Parity Debt is outstanding and unpaid such that the pledge of the Security granted by the City under this Section and in any applicable Supplement is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve for the owners of Parity Debt the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under State 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 3. ACCOUNTS. (a) Creation or Affirmation of Funds. The City hereby establishes and/or affirms the creation of the following funds or accounts:

- (i) the System Revenue Fund or Account (the "System Account");
- (ii) the Waterworks and Wastewater System Interest and Sinking Account (the "Interest and Sinking Account"); and
- (iii) the Waterworks and Wastewater System Bond Proceeds Account (the "Bond Proceeds Account").

(b) System Account. Subject to the provisions of Section 4 of this Master Ordinance, moneys in the System Account may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

(c) Interest and Sinking Account. Moneys in the Interest and Sinking Account shall be used to pay amounts due on or with respect to Parity Debt, including the principal of, premium, if any, and interest on Parity Debt as the same become due and payable (whether at Stated Maturity or upon prior redemption), and the City shall maintain such account as long as Parity Debt is Outstanding.

(d) Bond Proceeds Account. Proceeds from the issuance of Parity Debt shall be deposited from time to time upon the issuance of such Parity Debt as provided by the applicable Supplement into the Bond Proceeds Account, or any subaccount thereof created with respect to such Parity Debt. Such proceeds and the interest thereon shall remain in the Bond Proceeds Account or applicable subaccount thereof until expended to accomplish the purposes for which such Parity Debt was issued or until otherwise utilized as provided in the applicable Supplement. Amounts in the Bond Proceeds Account do not constitute Security.

(e) Reserve Accounts or Subaccounts. The City may establish a reserve account and/or any other account or subaccount pursuant to the provisions of the applicable Supplement for the purpose of paying or securing a particular issue or series of Parity Debt or any specific group of issues or series of Parity Debt and the amounts, once deposited into said accounts or subaccounts, shall no longer constitute Security for all Parity Debt but shall be held solely for the benefit of the owners of the particular issue or series or group of issues or series of Parity Debt for which such account or subaccount was established. Each such account or subaccount shall be designated in such manner as is necessary to identify the Parity Debt it secures and to distinguish such account or subaccount from any other accounts created for the benefit of any other Parity Debt. Any such reserve accounts or subaccounts shall be established in the Supplement related to such series or issue of Parity Debt. The City may, in its discretion, provide in the applicable Supplement for a surety bond, insurance policy or other Credit Agreement, to the extent then authorized by State law, to be held for the benefit of such a reserve account or subaccount.

(f) Other Accounts. The City reserves the right to establish, in connection with the issuance of Parity Debt or for other purposes, one or more additional accounts or subaccounts for such other purposes as the City may determine from time to time. The City may, at its option, declare in the action establishing the account or subaccount that the amounts in such additional account or subaccount will be either included within or excluded from the Security.

Section 4. FLOW OF FUNDS. All Gross Revenues shall be deposited in the System Account immediately upon receipt by the City. All Gross Revenues are hereby and shall be appropriated, deposited, and transferred from the System Account to the other accounts and subaccounts to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute, including, but not limited to, Chapter 1502, Texas Government Code, as amended, to be a first charge

on and claim against the Gross Revenues, including any reserve amount based upon the budgeted amount of Maintenance and Operating Expenses for the current Fiscal Year as determined by the Chief Financial Officer, which amount shall be retained in the System Account;

SECOND: to the payment of amounts required to be deposited and credited to all funds and accounts to meet all financial obligations of the City relating to the Prior Obligations;

THIRD: to the payment of amounts required to be deposited and credited to the Interest and Sinking Account to meet all financial obligations of the City relating to the Financing Program, including payments due on or with respect to the payment of Parity Debt as the same mature or come due;

FOURTH: pro rata, on the basis that the Outstanding Principal Amount of each particular issue or series of Parity Debt secured by a reserve account bears to the aggregate Outstanding Principal Amount of all such issues or series of such Parity Debt secured by any reserve account, to the payment of the amounts required to be deposited and credited to each reserve account created and established to maintain a reserve in accordance with the provisions of any Supplement relating to the issuance of any Parity Debt;

FIFTH: any amounts to be deposited into any other fund, account or subaccount to the extent required pursuant to the provisions of any Supplement relating to the issuance of Parity Debt;

SIXTH: to the extent required by any resolution or other instrument adopted or approved by the City pursuant to which Subordinated Debt is issued, the amount necessary to meet all financial obligations on such Subordinated Debt and to accumulate or restore any required reserves to ensure payment of such principal, premium, and interest shall be deposited to any account or subaccount created for such purpose; and

SEVENTH: all remaining Pledged Revenues shall be retained in the System Account and may be used for any lawful purpose authorized pursuant to the Enabling Act and other State law.

Section 5. RATE COVENANT. For the benefit of the Holders of the Parity Debt and in addition to all provisions and covenants in the laws of the State and in this Master Ordinance and any Supplement, the City hereby expressly stipulates and agrees, while any of the Parity Debt is Outstanding, to establish and maintain rates and charges for facilities and services afforded by the Waterworks and Wastewater System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

1. to pay Maintenance and Operating Expenses;

2. to pay and meet all financial obligations related to the Prior Obligations;
3. to produce Pledged Revenues at least equal to the greater of 1.25 times the average Annual Debt Service Requirements or 1.10 times the maximum Annual Debt Service Requirements;
4. to produce Pledged Revenues in amounts sufficient to enable the City to make the deposits and credits, if any, from Pledged Revenues to the accounts and subaccounts required by this Master Ordinance and any Supplement including to fund or replenish any reserve account required by a Supplement, including the payment of any Reserve Fund Obligation then due.
5. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the City expects will be utilized to pay all or part of the principal of and/or interest on any obligations) sufficient to meet all financial obligations for Subordinate Debt issued by the City; and
6. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Security.

Should the annual audit report reflect that the Security for the Fiscal Year covered thereby is less than necessary to meet the requirements of this Section, the City Council will review the operations of the Waterworks and Wastewater System and the rates and charges for services provided, and the City Council will make the necessary adjustments or revisions, if any, in order that the Security for the succeeding year will be sufficient to satisfy the foregoing coverage requirements.

Section 6. GENERAL REPRESENTATIONS AND COVENANTS. The City further represents, covenants and agrees that while Parity Debt or interest thereon is Outstanding:

(a) Payment of Parity Debt. The City will duly and punctually pay solely from the Security, (i) the Annual Debt Service Requirements on, and other payments with respect to, each and every Parity Debt on the dates and at the places, as such Parity Debt accrues or matures, or becomes subject to mandatory redemption prior to maturity and such payments will be made in the manner provided in said Parity Debt and the Supplement governing its issuance, according to the true intent and meaning thereof and (ii) the fees and expenses related to Parity Debt, including the fees and expenses of the Paying Agent and any registrar, trustee, remarketing agent, tender agent, or credit provider.

(b) Performance. The City will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Master Ordinance and in each Supplement, and in each and every Parity Debt or evidence thereof and will take such action as is reasonably possible to perform each and every duty with respect to the Parity Debt.

(c) Redemption. The City will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Parity Debt which by its terms is mandatorily required to be redeemed prior to maturity, when and as required.

(d) Determination of Annual Debt Service Requirements. For all purposes of this Master Ordinance, the judgment of the Chief Financial Officer shall be deemed final in the determination of the Annual Debt Service Requirements of the Financing Program.

(e) Lawful Authority. The City is lawfully authorized to pledge the Security herein pledged in the manner prescribed herein and has lawfully exercised such right.

(f) Preservation of Lien. Subject to the conditions set forth in subsection (g) of this Section and in Section 7 of this Master Ordinance, the City (i) will not do or suffer any act or thing whereby the pledge of the Security might or could be impaired and (ii) will take all actions to the extent necessary to ensure that the City does not do or suffer any act or thing whereby the pledge of the Security might or could be impaired.

(g) No Additional Encumbrance. The City shall not incur additional Debt secured by the Security in any manner, except as permitted by this Master Ordinance in connection with Parity Debt, unless said Debt is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Ordinance and any Supplement. Any Debt incurred by the City without satisfying the conditions for the issuance of Parity Debt, as set forth in this Master Ordinance, is hereby declared to be Subordinated Debt junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Master Ordinance and any Supplement whether such status is noted or not.

(h) Investments and Security. Moneys in all accounts and subaccounts established pursuant to this Master Ordinance and any Supplement will be held uninvested or invested and secured in the manner prescribed by State law for such funds and in accordance with the applicable Supplement and written policies adopted by the City. The investments of each account and subaccount shall be made under conditions that will timely provide money sufficient to satisfy the City's obligations hereunder and under any Supplement. Money in all accounts and subaccounts established pursuant to this Master Ordinance and any Supplement may be combined for investment purposes, as directed by the City. Such treatment does not constitute a commingling of the money in such accounts and subaccounts and the City shall keep or cause to be kept full and complete records indicating the money, investments and securities credited to each such account and subaccount. Any profits or losses from investments shall be credited or charged, respectively, on a pro rata basis among the accounts and other sources of money from which such investment was made.

(i) Records; Annual Audit. The City will keep proper books of record and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Waterworks and Wastewater System. Each year while any Parity Debt is Outstanding, the City covenants that as soon as practicable beginning with the end of the first Fiscal Year in which Parity Debt is issued, it will prepare or cause to be prepared a financial report of the Waterworks and Wastewater System for such Fiscal Year in accordance with generally accepted accounting principles, certified by a Certified Public Accountant. The City shall promptly furnish such audited financial report to the municipal bond rating agencies then maintaining a rating on Parity Debt and to any owner of Parity Debt who shall request the same in writing and shall file or make available

such audited financial report as required by each Supplement. In addition, a copy of each such audited financial report shall be retained on file in the City's finance office and open to the inspection of the owners of Parity Debt, and their respective agents and representatives, at all reasonable times during regular business hours, for at least 365 days following the preparation thereof.

(j) Inspection of Records. The City will permit any owner or owners of twenty-five percent (25%) or more of the then Outstanding Principal Amount of Parity Debt at all reasonable times to inspect all records, accounts, and data of the City relating to the Waterworks and Wastewater System and the Financing Program, except such records as federal or State law may designate as privileged and exempt from disclosure.

(k) Title. The City has or will obtain lawful title to the lands, buildings, structures and facilities constituting the Waterworks and Wastewater System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of any Owner of the Parity Debt, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Debt in the manner prescribed herein, and has lawfully exercised such rights.

(l) Liens. The City 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 Waterworks and Wastewater System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(m) Operation of Waterworks and Wastewater System. The City will, while the Parity Debt is Outstanding and unpaid, continuously and efficiently operate the Waterworks and Wastewater System, and shall maintain the Waterworks and Wastewater System in good condition, repair and working order, all at reasonable cost. Except as may be authorized by law, the City shall not provide any free service from the Waterworks and Wastewater System.

(n) Sale or Disposal of Property. While the Parity Debt is Outstanding and unpaid, the City will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the Waterworks and Wastewater System, or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by an Authorized Representative that no such replacement or substitute is necessary; and, provided further, that the City retains the right to sell, convey, mortgage, encumber, lease or

otherwise dispose of any significant or substantial part of the Waterworks and Wastewater System if (i) the Authorized Representative delivers a certificate to the City Council to the effect that, following such action by the City, the Waterworks and Wastewater System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while the Parity Debt is to be Outstanding to comply with the obligations of the City contained in this Master Ordinance, (ii) the City Council makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for insured Parity Debt, the Net Revenues for the Fiscal Year prior to such sell, conveyance, mortgage, encumbrance, lease or disposal of any significant or substantial part of the Waterworks and Wastewater System are at least equal to 1.30 times the average Annual Debt Service requirements or for uninsured Parity Debt, each Rating Agency then maintaining a rating on such Parity Debt delivers a letter to the City to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition of a significant or substantial part of the Waterworks and Wastewater System will not cause the Rating Agency to withdraw or lower the rating then in effect. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the Waterworks and Wastewater System or to purchase or redeem Parity Debt.

(o) Insurance. (1) The City shall cause to be insured such parts of the Waterworks and Wastewater System as would usually be insured by municipal corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by municipal corporations operating like properties, including, to the extent reasonably obtainable at reasonable cost, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney of the City gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Owners and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. Subject to the provisions of the Ordinances authorizing the Prior Obligations, the proceeds of insurance covering such property are hereby pledged as security for the Parity Debt and, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the Waterworks and Wastewater System shall be used promptly as follows:

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

(ii) if none of the Outstanding Parity Debt is subject to redemption, then for the purchase on the open market and retirement of said Parity Debt in the same

proportion as prescribed in the foregoing clause (i), to the extent practicable; provided that the purchase price for any Parity Debt shall not exceed the redemption price of such Parity Debt on the first date upon which it becomes subject to redemption; or

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

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

(3) The payment of premiums for all insurance policies required under the provisions hereof and the costs associated with the maintenance of any self-insurance program shall be considered Maintenance and Operating Expenses. Nothing in this Master Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the Waterworks and Wastewater System, but nothing herein shall be construed as preventing the City from doing so.

(p) Governmental Agencies. The City 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 Waterworks and Wastewater System, and which have been obtained from any governmental agency; and the City 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 Waterworks and Wastewater System.

(q) Disaggregation of Waterworks and Wastewater System. The City retains the right to disaggregate the Waterworks and Wastewater System into one or more independent resulting systems if (i) the Authorized Representative delivers a certificate to the City Council to the effect that, following such action by the City, the remaining System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Debt is to be Outstanding to comply with the obligations of the City contained in this Master Ordinance and any Supplement; (ii) the City Council makes a finding and determination to the same effect as the certificate of the Authorized Representative set forth in (i) above and (iii) for insured Parity Debt the Net Revenues for the Fiscal Year after disaggregation will be equal to at least 1.35 times the average Annual Debt Service Requirements or for uninsured Parity Debt, each Rating Agency then maintaining a rating on any Parity Debt delivers a letter to the City to the effect that such disaggregation will not cause the Rating Agency to withdraw or lower the rating then in effect.

Section 7. ISSUANCE OF PARITY DEBT.

(a) General. The City reserves and shall have the right and power to issue or incur Parity Debt for any purpose authorized by State law, including the refunding of Parity Debt, Prior Obligations, Subordinated Debt, or other obligations of the City issued to finance the costs of a project authorized to be financed under the Financing Program, pursuant to the provisions of this Master Ordinance and Supplements to be hereafter authorized. The City hereby covenants and agrees to comply with all constitutional and statutory requirements of State law and, to the extent applicable, federal law governing the issuance of Parity Debt.

(b) Parity Debt. Provided that the City is in compliance with the requirements of any then applicable provisions of State law, the City may from time to time incur, assume, guarantee, or otherwise become liable in respect of Parity Debt if, in the applicable Supplement, the City finds that, upon the issuance of such Parity Debt, the Security will be sufficient to meet the financial obligations relating to the Financing Program, including Security in amounts sufficient to satisfy the Annual Debt Service Requirements of the Financing Program. In addition, the City shall not issue or incur such Parity Debt unless (i) an Authorized Representative shall deliver to the City an Officer's Certificate stating that, to the best of his or her knowledge, the City, has not failed to comply with the covenants contained in this Master Ordinance and any Supplement, to any material extent, and are not in default, to any material extent, in the performance and observance of any of the terms, provisions, and conditions hereof, thereof or under any Credit Agreement that constitutes Parity Debt and (ii) the Chief Financial Officer signs and delivers to the City a written certificate to the effect that, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Parity Debt, the Net Earnings were, in the opinion thereof, at least equal to the sum of 1.30 times the average Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Debt to be outstanding after the issuance of the then proposed Parity Debt and 1.10 times the average annual debt service requirement (computed in the same manner as for Parity Debt) of the Subordinate Debt to be outstanding after the issuance of the then proposed Parity Debt.

In making a determination of Net Earnings for any of the purposes described in this Section, the Chief Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the Waterworks and Wastewater System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the Waterworks and Wastewater System for the period of time covered by said Chief Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Chief Financial Officer's certificate or opinion.

As used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the Waterworks and Wastewater System after deducting the Maintenance and Operating Expenses of the Waterworks and Wastewater System but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(c) Credit Agreements. To the extent permitted by law, the City may execute and deliver one or more Credit Agreements (i) upon the delivery to the City of the Chief Financial Officer's Certificate to the effect that the Credit Agreement is in the best interest of the City and (ii) compliance with the requirements of subsection (b) or (c) of this section, as the case may be, if the

Credit Agreement is to constitute Parity Debt. Each Credit Agreement shall be approved by the City, to the extent required by law, either pursuant to a Supplement or by other action. Credit Agreements and the obligations thereunder may, pursuant to their terms, constitute (i) Parity Debt secured by a pledge of the Security on parity with other Parity Debt, (ii) Subordinated Debt secured by a pledge of the Security subordinate to Parity Debt, or (iii) partially Parity Debt and partially Subordinated Debt.

(d) Non-Recourse Debt and Subordinated Debt. Non-Recourse Debt and Subordinated Debt may be incurred by the City in accordance with State law.

Section 8. WAIVER OF CERTAIN COVENANTS. The City may omit in any particular instance to comply with any covenant or condition set forth in Sections 6 and 7 hereof if before or after the time for such compliance the Holders of the same percentage in Outstanding Principal Amount, the consent of which would be required to amend the applicable provisions to permit such noncompliance, shall either waive such compliance in the particular instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived and, until such waiver shall become effective, the obligations of the City and the duties of the City in respect of any such covenant or condition shall remain in full force and effect. For the purpose of this Section, the City may determine in each Supplement the treatment of who may act as an "owner", "Holder", or "Bondholder" and other matters relating to such Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

Section 9. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the City contained in this Master Ordinance and any Supplement shall be deemed to be covenants, stipulations, obligations, and agreements of the Financing Program, the Waterworks and Wastewater System and the City to the full extent authorized or permitted by State law. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council or agent or employee of the City in his or her individual capacity and neither the members of the City Council, nor any officer, employee, or agent of the City shall be liable personally on Parity Debt when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10. SPECIAL OBLIGATIONS; ABSOLUTE OBLIGATION TO PAY PARITY DEBT. All Parity Debt and the interest thereon shall constitute special obligations of the City payable from the Security and the owners of Parity Debt shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than those specified in this Master Ordinance or any Supplement. The obligation of the City to pay or cause to be paid the amounts payable under this Master Ordinance and each Supplement out of the Security shall be absolute, irrevocable, complete, and unconditional, and the amount, manner, and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever, regardless of any right of setoff, recoupment, or counterclaim that the City might otherwise have against any owner or any other party and regardless of any contingency, force majeure, event, or

cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during, or after the issuance of Parity Debt while any Parity Debt is outstanding.

Section 11. DEFAULTS AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this Master Ordinance is hereby declared to be an Event of Default:

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

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

(b) Remedies for Default.

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

(ii) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Debt then outstanding.

(c) Remedies Not Exclusive.

(i) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Debt or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Master Ordinance, the right to accelerate the Debt shall not be available as a remedy under this Master Ordinance.

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

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

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

Section 12. DEFEASANCE OF PARITY DEBT. Each Supplement authorizing Parity Debt may provide by its respective terms the circumstances and conditions under which such Parity Debt may be considered Defeased Debt.

Section 13. AMENDMENT OF MASTER ORDINANCE. (a) Amendment Without Consent. This Master Ordinance and the rights and obligations of the City and of the owners of the Outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the Outstanding Parity Debt, solely for any one or more of the following purposes:

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

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

(iii) To supplement the Security for the Outstanding Parity Debt in accordance with the Constitutional Provision and State law;

(iv) To make such other changes in the provisions hereof as the City may deem necessary or desirable and which shall not, in the judgment of the City, materially adversely affect the interests of the owners of Outstanding Parity Debt;

(v) To make any changes or amendments requested by the State Attorney General's Office as a condition to the approval of a series or issue of Parity Debt, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Parity Debt; or

(vi) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a

rating, which changes or amendments do not, in the judgment of the City, materially adversely affect the interests of the owners of the Outstanding Parity Debt.

(b) Amendments With Consent. Subject to the provisions of Section 13(g) of this Master Ordinance, the owners of Outstanding Parity Debt aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Master Ordinance which may be deemed necessary or desirable by the City; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Parity Debt (unless such amendment shall be determined by the City to affect only the owners of certain Parity Debt, in which case such amendment shall not be made without the approval of the owners so affected), the amendment of the terms and conditions in this Master Ordinance so as to:

- (i) Grant to the owners of any Outstanding Parity Debt a priority over the owners of any other Outstanding Parity Debt; or
- (ii) Materially adversely affect the rights of the owners of less than all Parity Debt then Outstanding; or
- (iii) Change the minimum percentage of the Outstanding Principal Amount necessary for consent to such amendment; or
- (iv) Make any change in the maturity of any Outstanding Parity Debt; or
- (v) Reduce the rate of interest borne by any Outstanding Parity Debt; or
- (vi) Reduce the amount of the principal payable on any Outstanding Parity Debt; or
- (vii) Modify the terms of payment of the amounts required to meet any financial obligations of the City relating to the Financing Program, including payments due on or with respect to the payment of any Outstanding Parity Debt, or impose any conditions with respect to such; or
- (viii) Amend this subsection (b) of this Section.

(c) Notice. If at any time the City shall desire to amend this Master Ordinance pursuant to subsection (b) of this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal) or in the State (including, but not limited to, The Texas Bond Reporter), once during each calendar week for at least two successive calendar weeks or disseminated by electronic means customarily used to convey notices of redemption. 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 each Registrar for any Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the City gives or causes to be given such notice in writing, by certified mail, to each

owner of Parity Debt. A copy of such notice shall be provided in writing to each national rating agency maintaining a rating on any Parity Debt.

(d) Receipt of Consents. With respect to any amendment undertaken pursuant to subsection (b) above, whenever at any time the City shall receive an instrument or instruments executed by all of the owners or the owners of a majority in Outstanding Principal Amount, as appropriate, 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 as aforesaid, the City may adopt the amendatory resolution in substantially the same form.

(e) Effect of Amendments. Upon the adoption by the City of any resolution to amend this Master Ordinance pursuant to the provisions of this Section, this Master Ordinance shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the City and all the owners of then Outstanding Parity Debt and all future Parity Debt shall thereafter be determined, exercised, and enforced under this Master Ordinance, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Parity Debt pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section or the date of such consent, whichever is later, and shall be conclusive and binding upon all future owners of the same Parity Debt during such period. Such consent may be revoked at any time after the applicable period of time that a consent is irrevocable by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar for such Parity Debt and the City, but such revocation shall not be effective if the owners of the requisite amount of the Outstanding Principal Amount, prior to the attempted revocation, consented to and approved the amendment. Notwithstanding the foregoing, any consent given by an owner at the time of and in connection with the initial sale or incurrence of an issue or series Parity Debt by the City shall be irrevocable.

(g) Ownership. For the purpose of this Section, the City may determine in each Supplement the treatment of who may act as an "owner", "Holder", or "Bondholder" and other matters relating to all Parity Debt, including designating any municipal bond insurance company providing an insurance policy on the payment of Parity Debt or the provider under a Credit Agreement as the sole owner of such Parity Debt.

(h) Amendments of Supplements. Each Supplement shall contain provisions governing the ability of the City to amend such Supplement; provided, however, that no amendment may be made to any Supplement for the purpose of granting to the owners of Outstanding Parity Debt under such Supplement a priority over the owners of any other Outstanding Parity Debt.

Section 14. REPEAL OF CONFLICTING ORDINANCES AND RESOLUTIONS. This Master Ordinance shall become effective immediately and all resolutions and all parts of any ordinances and resolutions which are in conflict or inconsistent with this Master Ordinance are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section 15. PARTIAL INVALIDITY. If any one or more of the covenants or agreements or portions thereof provided in this Master Ordinance on the part of the City should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Master Ordinance and the invalidity thereof shall in no way affect the validity of the other provisions of this Master Ordinance, but the Holders shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

Section 16. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 17. FURTHER PROCEDURES. Each Authorized Representative and the other officers, employees, and agents of the City, 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 intent, the terms, and the provisions of this Master Ordinance, including with respect to the initial issuance of Parity Debt, approving any technical changes or corrections to this Master Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated by this Master Ordinance, (ii) obtain a rating from any of the national bond rating agencies or satisfy requirements of a municipal bond insurer insuring such Parity Debt or a provider under a Credit Agreement related to such Parity Debt, or (iii) obtain the approval of such Parity Debt by the State's Attorney General's Office.

Section 18. RULES OF INTERPRETATION. For purposes of this Master Ordinance, except as otherwise expressly provided or the context otherwise requires:

(a) The words "herein," "hereof" and "hereunder" and other similar words refer to this Master Ordinance as a whole and not to any particular Article, Section, or other subdivision.

(b) The definitions in a Section are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms that are not defined in this Master Ordinance have the meanings assigned to them in accordance with then applicable accounting principles.

(d) Any pronouns used in this Master Ordinance include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Master Ordinance have the meanings attributed to them where defined.

(f) The captions or headings are for convenience only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or sections hereof.

(g) Any references to Section numbers are to Sections of this Master Ordinance unless stated otherwise.

IN ACCORDANCE WITH SECTION 1201.028, Texas Government Code, finally passed, approved and effective on this 15th day of April, 2025.

Mayor
City of San Marcos, Texas

ATTEST:

City Secretary
City of San Marcos, Texas

APPROVED AS TO LEGALITY:

City Attorney
City of San Marcos, Texas

[SEAL]

[Signature Page]

EXHIBIT "A"

DEFINITIONS

As used in this Master Ordinance the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Annual Debt Service Requirements" means, for any Fiscal Year, (i) the principal of, premium, if any, and interest on all Parity Debt coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the City on such Parity Debt, or be payable in respect of any required purchase of such Parity Debt by the City) plus (ii) all payments required to be made by the City under each Credit Agreement constituting Parity Debt (net of any credits as provided in (7) below) in such Fiscal Year, and minus (iii) all amounts on deposit to the credit of the Interest and Sinking Account from original proceeds from the sale of Parity Debt or from any other lawfully available source (other than moneys that would constitute Pledged Revenues in the subject annual period) and, for such purposes, any one or more of the following rules shall apply at the election of the City; provided, however, that this definition shall never be applied in a manner which results in Annual Debt Service Requirements for any Fiscal Year being an amount that is less than the aggregate amount actually required to be paid in such Fiscal Year with respect to Outstanding Parity Debt:

(1) Committed Take Out. If the City has entered into a Credit Agreement constituting Parity Debt and constituting a binding commitment within normal commercial practice, from any bank, savings and loan association, insurance company, or similar institution to discharge any of its Funded Debt at its Stated Maturity (or, if due on demand, at any date on which demand may be made) or to purchase any of its Funded Debt at any date on which such debt is subject to required purchase, all pursuant to arrangements whereby the City's obligation to repay the amounts advanced for such discharge or purchase constitutes Funded Debt, then the portion of the Funded Debt committed to be discharged or purchased shall be excluded from such calculation and the principal of and interest on the Funded Debt incurred for such discharge or purchase that would be due in the Fiscal Year for which the calculation is being made, if incurred at the Stated Maturity or purchase date of the Funded Debt to be discharged or purchased, shall be added to such calculation, and the remaining provisions of this definition shall be applied to such added Funded Debt;

(2) Balloon Debt. If the principal, including the accretion of interest resulting from original issue discount or compounding of interest (collectively, "Principal"), of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the City) in any Fiscal Year either is equal to at least 25% of the total Principal of such Funded Debt or exceeds by more than 50% the greatest amount of Principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such Principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein as "Balloon Debt"), the amount of Principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the Principal of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an

assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(3) Consent Sinking Fund. In the case of Balloon Debt (as defined in clause (2) above), if an Authorized Representative shall deliver to the City an Officer's Certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such Officer's Certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other payments due on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (3) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (3) shall not apply where the City has elected to apply the rule set forth in clause (2) above;

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

(5) Variable Rate. As to any Parity Debt that bears interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement, at the election of the City, the interest rate for such Parity Debt shall be determined to be either (i) an interest rate equal to the average rate borne by such Parity Debt (or by comparable debt in the event that such Parity Debt has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, (ii) if the Parity Debt bears interest at tax-exempt rates, an interest rate equal to the 24 month average of the Bond Market Association Bond Index (as most recently published in The Bond Buyer), unless such index is no longer published in The Bond Buyer, in which case the index to be used in its place shall be that index which the City determines most closely replicates such index as set forth in a certificate of an Authorized Representative, (iii) if the Parity Debt bears interest at taxable rates, an interest rate equal to the rate of the 30 day London Interbank Offered Rate, (iv) that interest rate which, in the judgment of the Chief Financial Officer, based, to the extent possible, upon an accepted market index which corresponds with the provisions of the subject Parity Debt, is the average rate anticipated to be in effect with respect to such Parity Debt or (v) that interest rate which, in the judgment of the Chief Financial Officer, based upon the interest rate methodology in the applicable Credit Agreement if calculating payments under a Credit Agreement in accordance with paragraph 7 of this definition, is the average rate anticipated to be in effect;

(6) Short-Term Obligations. Notwithstanding anything in the foregoing to the contrary, with respect to any Parity Debt issued as Short-Term Obligations, the debt service on such Parity Debt shall be calculated assuming that such Parity Debt will be refunded and refinanced to mature over a 20-year period with level principal requirements and bearing interest at then current market rates; provided, however, that to the extent permitted by law, if in the judgment of the Chief Financial Officer, as set forth in an Officer's Certificate delivered to the City, the result of the foregoing calculation is inconsistent with the reasonable expectations of the City, the interest on such Parity Debt shall be calculated in the manner provided in clause (5) of this definition and the maturity schedule shall be calculated in the manner provided in clause (2) of this definition; and

(7) Credit Agreement Payments. If the City has entered into a Credit Agreement in connection with an issue of Parity Debt, payments due under any such Credit Agreement (other than payments for fees and expenses) from either the City or the provider of a Credit Agreement shall be included in such calculation, except to the extent that the payments are already taken into account under clauses (1) through (6) above and any payments otherwise included under clauses (1) through (6) above which are to be replaced by payments under such a Credit Agreement, from either the City or the provider under a Credit Agreement, shall be excluded from such calculation.

"Authorized Representative" means the City Manager, Assistant City Manager and Chief Finance Officer or such other individuals so designated by the City to perform the duties of an Authorized Representative under this Master Ordinance.

"Bond Proceeds Account" has the meaning assigned to that term in Section 3(d) hereof.

"Certified Public Accountant" means a certified public accountant or firm or corporation of certified public accountants, selected by the City, which in the case of an individual is not a member of the City Council or an employee of the City, and in the case of a firm or corporation does not have a partner, director, officer, or employee who is a member of the City or a director, officer, or employee of the City.

"Chief Financial Officer" means the Finance Director of the City or such other officer or employee of the City or such other individual so designated by the City to perform the duties of Chief Financial Officer under this Master Ordinance.

"City" means the City of San Marcos, Texas.

"Code" means the Internal Revenue Code of 1986, as amended, and the rulings, regulations, and procedures (including temporary, proposed, and final regulations and procedures) promulgated thereunder.

"Credit Agreement" means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Debt, purchase or sale agreements, interest rate swap, cap and/or floor agreement or commitment, or other contract or agreement authorized, recognized, and

approved by the City as a Credit Agreement in connection with the authorization, issuance, sale, resale, security, exchange, payment, purchase, remarketing, or redemption of Debt, the interest on Debt, or both.

"Debt" means all indebtedness of the City payable from all or part of the Security that is also:

(1) indebtedness incurred or assumed by the City for borrowed money (including all obligations arising under Credit Agreements) and all other financial obligations of the City that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet;

(2) all other indebtedness (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise; and

(3) all indebtedness secured by any mortgage, lien, charge, encumbrance, pledge, or other security interest upon property owned by the City whether or not the City has assumed or become liable for the payment thereof.

For the purpose of determining the "Debt" of the City, only outstanding Debt shall be included. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the City in prior Fiscal Years.

"Defeased Debt" means any Parity Debt and the interest thereon deemed to be paid, retired, and no longer Outstanding pursuant to the provisions of the applicable Supplement authorizing such Parity Debt; and thus, no longer secured by, payable from, or entitled to the benefits of the Security.

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

"Financing Program" means the "City of San Marcos, Texas Waterworks and Wastewater System Revenue Financing Program".

"Fiscal Year" means the twelve-month accounting period used by the City in connection with the operation of the Waterworks and Wastewater System, currently ending on September 30

of each year, which may be any twelve consecutive month period established by the City, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Parity Debt created, assumed, or guaranteed by the City that matures by its terms (in the absence of the exercise of any earlier right of demand), or is renewable at the option of the City to a date, more than one year after the original creation, assumption, or guarantee of such Debt by the City.

"Gross Revenues" and "Gross Revenues of the City's Waterworks and Wastewater System" mean all revenues, income and receipts of every nature derived or received by the City from the operation and ownership of the Waterworks and Wastewater System including the interest income from investment or deposit of money in any account or subaccount created by this Master Ordinance or maintained by the City in connection with the Waterworks and Wastewater System (Except any account or subaccount not pledged as Security under this Master Ordinance or any Supplement) and any other revenues hereafter pledged to the payment of all Parity Debt. Any interest income related to any reserve account shall operate as provided in the applicable Supplement.

"Holder" or "Bondholder" or "owner" means the (i) registered owner of any Parity Debt registered as to ownership, (ii) holder of any Parity Debt payable to bearer or (iii) obligee (other than the City) pursuant to any Credit Agreement.

"Interest and Sinking Account" has the meaning assigned to that term in Section 3(c) hereof.

"Master Ordinance" means this "Master Ordinance Establishing the City of San Marcos, Texas Waterworks and Wastewater System Revenue Financing Program" as may be supplemented or amended from time to time as authorized by the City and this Master Ordinance.

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

"Maintenance and Operating Expenses" means the reasonable and necessary expenses of operation and maintenance of the Waterworks and Wastewater System as required by Section 1502.056, Texas Government Code, as amended, or other applicable State law 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 Chief Financial Officer, are necessary to keep the Waterworks and Wastewater 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 conditions which would otherwise impair the Parity Debt), and all payments under contracts now or hereafter defined as operating expenses by State law. Depreciation shall never be considered as a Maintenance and Operating Expense.

"Net Revenues" and "Net Revenues of the City's Waterworks and Wastewater System" mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"Non-Recourse Debt" means any debt secured by a lien (other than a lien on the Security), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to the Security.

"Officer's Certificate" means a certificate signed by an Authorized Representative.

"Opinion of Counsel" means a written opinion of counsel which shall be acceptable to the City.

"Outstanding" when used with respect to Parity Debt means, as of the date of determination, all Parity Debt theretofore delivered under this Master Ordinance or any Supplement, except:

(1) Parity Debt theretofore cancelled and delivered to the City or delivered to the Paying Agent or the Registrar for cancellation;

(2) Parity Debt deemed to be Defeased Debt;

(3) Parity Debt upon transfer of or in exchange for and in lieu of which other Parity Debt has been authenticated and delivered pursuant to this Master Ordinance or any Supplement; and

(4) Parity Debt under which the obligations of the City have been released, discharged, or extinguished in accordance with the terms thereof;

provided, however, that unless the same is acquired for purposes of cancellation, Parity Debt owned by the City and Parity Debt purchased with funds advanced pursuant to a Credit Agreement shall be deemed to be Outstanding as though it was owned by any other owner.

"Outstanding Principal Amount" means, as of any record date established by a Registrar in connection with a proposed amendment of this Master Ordinance or any Supplement, with respect to all Parity Debt or to a series of Parity Debt that is in the form of bonds, notes, or other similar instruments that have a stated principal amount, the outstanding and unpaid principal amount of such Parity Debt on which interest is paid on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted, or compounded interest only at maturity and, with respect to Credit Agreements shall total the amount, if any, then due under such Credit Agreement if it was to be terminated as of the date of calculation of Outstanding Principal Amount.

"Parity Debt" means all Debt of the City which may be issued or assumed in accordance with the terms of this Master Ordinance and a Supplement, subject to the provisions of the ordinances securing the Prior Obligations, secured by a lien on and pledge of the Security.

"Paying Agent" means each entity designated in a Supplement as the place of payment of a series or issue of Parity Debt.

"Pledged Revenues" means (1) the Net Revenues plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Parity Debt, and excluding those revenues excluded from Gross Revenues.

"Prior Obligations" has the meaning assigned to that term in the preamble to this Master Ordinance.

"Registrar" means the entity designated in a Supplement as the Registrar of a series or issue of Parity Debt.

AReserve Account Obligation@ means a surety bond or insurance policy deposited in any reserve account established pursuant to a Supplement whereby the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument.

"Security" has the meaning assigned to that term in Section 2(a) hereof.

"Special Project" means, to the extent permitted by law, any waterworks, sanitary sewer, wastewater reuse, municipal drainage system or other similar system property, improvement or facility declared by the City not to be part of the Waterworks and Wastewater System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from ad valorem taxes, Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"State" means the State of Texas.

"Stated Maturity" when used with respect to any Parity Debt or any installment of interest thereon means any date specified in the instrument evidencing or authorizing such Parity Debt or such installment of interest as a fixed date on which the principal of such Parity Debt or any installment thereof or the fixed date on which such installment of interest is due and payable.

"Subordinated Debt" means any Debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt then outstanding or subsequently issued.

"Supplement" means a resolution supplemental to, and authorized and executed pursuant to the terms of, this Master Ordinance as may be supplemented or amended from time to time as authorized by the City and such Supplement.

"System Account" has the meaning assigned to that term in Section 3(b) hereof.

"Term of Issue" means with respect to any Balloon Debt a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or the maximum maturity date in the case of commercial paper or (ii) twenty-five years.

"Waterworks and Wastewater System" or "System" means as currently comprised, the City's combined waterworks and sewer system, which includes all properties, facilities, plants, improvements, equipment, interests and rights currently owned, operated and maintained by the City for the supply, treatment, and transmission and distribution of treated potable water and collection and treatment of wastewater, and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, whether situated within or without the limits of the City, and all water (in any form) owned by the City; provided, however, that the City expressly retains the right to (i) sale or disaggregate the Waterworks and Wastewater System as set forth in Section 6(q) of this Master Ordinance and (ii) incorporate any other Waterworks and Wastewater System (other than telecommunications system) as provided by the laws of the State as a part of the Waterworks and Wastewater System. The Waterworks and Wastewater System shall not include any Special Project or any disaggregated part of the Waterworks and Wastewater System as provided in this Master Ordinance.
