

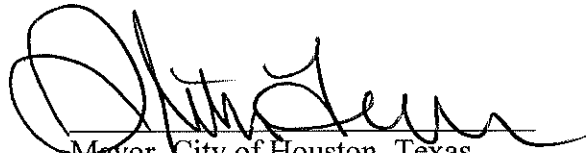
MAYOR'S OFFICE

HOUSTON, TEXAS

October 14, 2020

To the Honorable City Council of the City of Houston, Texas

In accordance with the provisions of Article VII, Section 7 of the Charter of the City of Houston, I submit and introduce to you the Ordinance set out as attached with the request that it be passed finally on the date of its introduction. There exists a public emergency requiring such action and I accordingly request that you pass the same if it meets with your approval.



Mayor, City of Houston, Texas

City of Houston Ordinance No. 2020- 885

CITY OF HOUSTON ORDINANCE NO. 2020-885

AN ORDINANCE SUPPLEMENTING THE CITY OF HOUSTON, TEXAS MASTER ORDINANCE NO. 2004-299; PROVIDING FOR THE ISSUANCE OF THE CITY OF HOUSTON, TEXAS, COMBINED UTILITY SYSTEM SUBORDINATE LIEN REVENUE BONDS, SERIES 2020E, PROVIDING FOR THE AMOUNTS, INTEREST RATES, PRICES, AND TERMS THEREOF AND OTHER MATTERS RELATING THERETO; PROVIDING FOR THE PAYMENT THEREOF; MAKING OTHER PROVISIONS REGARDING SUCH BONDS AND MATTERS INCIDENT THERETO; AUTHORIZING EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT; AND DECLARING AN EMERGENCY

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EXHIBIT B – Paying Agent/Registrar Agreement
EXHIBIT C – Private Placement Memorandum

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CITY OF HOUSTON ORDINANCE NO. 2020-885

AN ORDINANCE SUPPLEMENTING THE CITY OF HOUSTON, TEXAS MASTER ORDINANCE NO. 2004-299; PROVIDING FOR THE ISSUANCE OF THE CITY OF HOUSTON, TEXAS, COMBINED UTILITY SYSTEM SUBORDINATE LIEN REVENUE BONDS, SERIES 2020E, PROVIDING FOR THE AMOUNTS, INTEREST RATES, PRICES, AND TERMS THEREOF AND OTHER MATTERS RELATING THERETO; PROVIDING FOR THE PAYMENT THEREOF; MAKING OTHER PROVISIONS REGARDING SUCH BONDS AND MATTERS INCIDENT THERETO; AUTHORIZING EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT; AND DECLARING AN EMERGENCY

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

ARTICLE I

FINDINGS AND DETERMINATIONS

Section 1.1. Findings and Determinations. It is officially found and determined that:

(a) The City of Houston, Texas (the “City”) is an incorporated city operating under a home-rule charter adopted pursuant to Article XI, Section 5, of the Constitution of Texas having a population according to the latest federal decennial census of 50,000 or more and is an “issuer” pursuant to Chapters 1371 and 1502, Texas Government Code, as amended, and having outstanding long-term debt secured by the Net Revenues of the System which is rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations.

(b) The City has adopted a Master Ordinance providing for the issuance of bonds and other obligations to be secured by revenues from the City’s combined utility system (the “*Master Ordinance*”).

(c) Under the Master Ordinance, the City has created the General Purpose Fund, and pursuant to the terms of the Master Ordinance the General Purpose Fund may be used for any lawful purpose of the System.

(d) The City has entered into a Project Contract with the Coastal Water Authority (“CWA”), which, as now or hereafter supplemented (the “*Project Contract*”), requires the City to pay certain debt service of CWA under the WIF Bonds, the Master Agreements or other obligations (including additional CWA bonds) with the Texas Water Development Board (the “*Board*”) from the Pledged Revenues.

(e) The City desires to issue one or more series of Subordinate Lien Obligations secured on a parity with its obligations to CWA under the Project Contract.

(f) On July 23, 2015, the Board approved assistance through a commitment in the aggregate amount of \$296,125,000 from the State Water Implementation Revenue Fund (the

“SWIRFT”), as amended by Board Resolutions 15-130 dated October 28, 2015, 16-080 dated July 21, 2016, 17-084 dated July 20, 2017, and 18-089 dated July 26, 2018, and such commitment was later amended by the Board on July 23, 2020 under Resolution 20-065, to be evidenced by the Board’s purchase of \$38,000,000 City of Houston Combined Utility System Subordinate Lien Revenue Bonds, Series 2020E (the “*Series 2020E Bonds*”).

(g) Pursuant to the commitment described in subsection (f) above (the “*Commitment*”), the City now desires to sell the Series 2020E Bonds to the Board.

(h) The conditions precedent to the issuance of Subordinate Lien Obligations, other than approval of the Series 2020E Bonds by the Attorney General of Texas, have been met, and the City is authorized to issue the Series 2020E Bonds and make the pledges and covenants set forth herein.

(i) The provisions of the City of Houston Charter, Article VI-A, Section 7, do not operate to limit total revenues of the City or the issuance of the Subordinate Lien Obligations secured hereby, as contemplated by this Ordinance.

(j) The City is authorized by Chapter 1502, Texas Government Code, as amended, to issue the Series 2020E Bonds substantially in the form set forth in *Exhibit A* attached hereto to and payable from the City’s combined utility system (the “*System*”), for the purpose of financing drinking water supply system improvements.

(k) The City finds that the issuance of the Series 2020E Bonds is in its best interests. The City desires to finance improvements, additions, or extensions to the System.

ARTICLE II

DEFINITIONS AND INTERPRETATIONS

Section 2.1. Definitions Generally. Any capitalized term used herein but not defined in Section 2.2 or elsewhere in this Supplemental Ordinance has the meaning assigned to such term in the Master Ordinance, except that if the definition of such term in the Master Ordinance applies specifically to the First or Second Lien Bonds, such definition is to be read as applying to the Subordinate Lien Obligations issued hereunder.

Section 2.2. Definitions. In this Supplemental Ordinance, the following terms have the following meanings, unless the context clearly indicates otherwise:

“*Board*” means the Texas Water Development Board or any successor agency thereto.

“*Bonds*” means any or all of the obligations issued as Subordinate Lien Obligations.

“*Business Day*” means, for purposes of this Supplemental Ordinance, a day other than (i) a Saturday or Sunday, (ii) a day on which the Paying Agent/Registrar, or if applicable, the Tender Agent, the Auction Agent, the Broker-Dealers, the Bond Insurer, or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

“*Commitment*” means the Commitment described in Section 1.1(f) hereof.

“*CWA*” means the Coastal Water Authority, a Texas local government subdivision, or any successor thereto.

“*DTC*” means The Depository Trust Company of New York, New York, or any successor securities company.

“*DTC Participant*” means securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entry changes in the accounts of the DTC Participants, thereby eliminating the need for physical movement of definitive certificates.

“*Master Agreements*” means one or more Master Agreements now or hereafter entered into, amended, or supplemented between CWA and the Board pursuant to which CWA is financing design and construction of the Luce Bayou Project.

“*Ordinance*” means collectively, the Master Ordinance, this Supplemental Ordinance, and all amendments hereof and supplements hereto.

“*Outstanding*,” when used with reference to the Subordinate Lien Bonds, means, as of a particular date, all such Subordinate Lien Bonds theretofore delivered except: (a) any such Subordinate Lien Bonds canceled by or on behalf of the City at or before said date; (b) any such Subordinate Lien Bonds defeased pursuant to the defeasance provisions of the Master Ordinance or a Supplemental Ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Subordinate Lien Bond in lieu of or in substitution for which another Subordinate Lien Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Subordinate Lien Bond. When used with respect to the Project Contract, the obligations of the City under such Project Contract are “*Outstanding*” for the term of the Project Contract, as such Project Contract may hereafter be extended.

“*Paying Agent/Registrar*” means The Bank of New York Mellon Trust Company, N.A., and its successors in that capacity.

“*Pledged Revenues*” means any Net Revenues deposited to the General Purpose Fund.

“*Series 2015E Bonds*” means the City of Houston, Texas Combined Utility System Subordinate Lien Revenue Bonds, Series 2015E.

“*Series 2016D Bonds*” means the City of Houston, Texas Combined Utility System Subordinate Lien Revenue Bonds, Series 2016D.

“*Series 2017C Bonds*” means the City of Houston, Texas Combined Utility System Subordinate Lien Revenue Bonds, Series 2017C.

“*Series 2018B Bonds*” means the City of Houston, Texas Combined Utility System Subordinate Lien Revenue Bonds, Series 2018B.

“*Series 2018F Bonds*” means the City of Houston, Texas Combined Utility System Subordinate Lien Revenue Bonds, Series 2018F.

“*Series 2020E Bonds*” means the Bonds issued hereunder and so designated by Article III.

“*Subordinate Lien Bonds*” means the Series 2015E Bonds, the Series 2016D, the Series 2017C Bonds, the Series 2018B Bonds, the Series 2018F Bonds, the Series 2020E Bonds and any additional bonds of the City issued on a parity therewith, but excluding the City’s payment obligations to CWA under the Project Contract

“*Subordinate Lien Bonds Reserve Fund*” means the common reserve fund for the Subordinate Lien Obligations (excluding the City’s obligations under the Project Contract) established by Section 4.3 of this Supplemental Ordinance.

“*Subordinate Lien Bonds Reserve Fund Participants*” means the Series 2015E Bonds, the Series 2016D, the Series 2017C Bonds, the Series 2018B Bonds, the Series 2018F Bonds, and any other Subordinate Lien Bonds hereafter issued by the City and designated as Subordinate Lien Bonds Reserve Fund Participants.

“*Subordinate Lien Bonds Reserve Fund Requirement*” means the reserve fund requirement for the Subordinate Lien Bonds Reserve Funds Participants, which is 50% of the maximum annual debt service requirements of the Subordinate Lien Bonds Reserve Fund Participants, which is initially 50% of the maximum annual debt service requirements for the Series 2015E Bonds, the Series 2016D, the Series 2017C Bonds, the Series 2018B Bonds, the Series 2018F Bonds and Series 2020E Bonds, which is \$12,112,421.75.

“*Subordinate Lien Obligations*” means the Series 2015E Bonds, the Series 2016D Bonds, the Series 2017C Bonds, the Series 2018B Bonds, the Series 2018F Bonds, the Series 2020E Bonds any additional bonds of the City issued on a parity therewith, and the City’s payment obligations to CWA under the Project Contract.

“*Subordinate Lien Obligations Interest and Sinking Fund*” means a special account of the General Purpose Funds to which amounts for the Subordinate Lien Obligations are deposited.

“*WIF Bonds*” means CWA’s outstanding Contract Revenue Bonds (Luce Bayou Project), Series 2009, and Contract Revenue Bonds (Luce Bayou Project), Series 2010.

ARTICLE III TERMS OF THE SERIES 2020E BONDS

Section 3.1. Name, Amount, Purpose, Authorization. The Series 2020E Bonds, to be known and designated as the “CITY OF HOUSTON, TEXAS, COMBINED UTILITY SYSTEM SUBORDINATE LIEN REVENUE BONDS, SERIES 2020E,” in the aggregate principal amount of \$38,000,000, will be issued in fully registered form, without coupons. The Series 2020E Bonds are being issued for the purpose of (a) financing certain improvements to the City’s drinking water supply system; (b) paying the costs of issuance of the Series 2020E Bonds; and (c) funding the Subordinate Lien Bonds Reserve Fund to satisfy the Subordinate Lien Bonds Reserve Fund

Requirement, all under and pursuant to the authority of Chapter 1502, Texas Government Code, as amended, and all other applicable law.

Section 3.2. Numbers, Date, and Denomination. The Bonds are numbered separately from R-1 upward, are dated November 1, 2020, and are in the denominations of \$5,000 or any integral multiple thereof. The initial Bonds to be delivered to the Attorney General may be issued as one bond for each stated maturity in the applicable principal amount and denomination and are to be numbered consecutively from T-1 and upward (hereinafter called the “*Initial Bond(s)*”)

Section 3.3. Interest Payment Dates, Interest Rates, and Maturities. The Series 2020E Bonds will bear interest from duly provided for their Issue Date, or the most recent Interest Payment Date to which interest has been paid or, at the rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months and payable semiannually on November 15 and May 15 of each year, commencing November 15, 2021, until maturity or prior redemption.

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The Series 2020E Bonds bear interest, mature and become payable on November 15 in the years and in the principal amounts set forth below, subject to prior redemption, as set forth in the FORM OF SERIES 2020E BOND in *Exhibit A* hereof:

<u>Maturity Date</u> (November 15)	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> (%)
11/15/2021	\$ 1,120,000	0.120%
11/15/2022	1,120,000	0.140%
11/15/2023	1,125,000	0.170%
11/15/2024	1,125,000	0.220%
11/15/2025	1,130,000	0.270%
11/15/2026	1,135,000	0.400%
11/15/2027	1,140,000	0.530%
11/15/2028	1,145,000	0.630%
11/15/2029	1,155,000	0.760%
11/15/2030	1,165,000	0.840%
11/15/2031	1,175,000	1.110%
11/15/2032	1,190,000	1.330%
11/15/2033	1,205,000	1.510%
11/15/2034	1,225,000	1.580%
11/15/2035	1,250,000	1.660%
11/15/2036	1,275,000	1.730%
11/15/2037	1,300,000	1.780%
11/15/2038	1,330,000	1.820%
11/15/2039	1,360,000	1.860%
11/15/2040	1,390,000	1.900%
11/15/2041	1,420,000	2.340%
11/15/2042	1,450,000	2.340%
11/15/2043	1,480,000	2.340%
11/15/2044	1,510,000	2.340%
11/15/2045	1,540,000	2.340%
11/15/2046	1,575,000	2.480%
11/15/2047	1,615,000	2.480%
11/15/2048	1,655,000	2.480%
11/15/2049	1,695,000	2.480%

Section 3.4. Redemption Prior to Maturity. The Series 2020E Bonds are subject to redemption in the manner provided in the FORM OF BOND set forth in *Exhibit A*.

Section 3.5. Manner of Payment, Characteristics, Execution, and Authentication. The Paying Agent/Registrar is the paying agent for the Series 2020E Bonds. The Series 2020E Bonds are payable, have the characteristics, are signed and executed, and are authenticated, all as provided and in the manner indicated in the FORM OF SERIES 2020E BOND set forth in *Exhibit A* of this Supplemental Ordinance. The Series 2020E Bonds are not required to be sealed except as required under Texas law, but may be sealed with the seal of the City in original or facsimile. The Initial Bonds shall be in the form set forth in *Exhibit A*.

Section 3.6. The Depository Trust Company of New York.

(a) Notwithstanding any provision of this Supplemental Ordinance to the contrary, unless the City otherwise directs, all Series 2020E Bonds issued hereunder will be registered in the name of Cede & Co., as nominee of DTC, as the Registered Owner of the Series 2020E Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Series 2020E Bonds. Beneficial owners of Series 2020E Bonds will not receive physical delivery of Series 2020E Bond certificates except as provided hereinafter as long as DTC continues to serve as securities depository for the Series 2020E Bonds as provided herein, all transfers of beneficial ownership interests in the Series 2020E Bonds will be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership interests in Series 2020E Bonds is to receive, hold, or deliver any Series 2020E Bond certificate; provided, that, if DTC fails or refuses to act as securities depository for the Series 2020E Bonds, the City takes the actions necessary to provide for the issuance of Series 2020E Bond certificates to the Registered Owners of such Series 2020E Bonds.

With respect to Series 2020E Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar have no responsibility or obligation to any DTC Participant or to any person on behalf of whom a DTC Participant holds an interest in the Series 2020E Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Series 2020E Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner, as shown on the Register, of any notice with respect to the Series 2020E Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Registered Owner, as shown in the Register, of any amount with respect to the principal of, premium, if any, or interest on the Series 2020E Bonds.

(b) If (i) DTC determines not to continue to act as securities depository for the Series 2020E Bonds (which determination becomes effective no less than 90 days after written notice to such effect to the City and the Paying Agent/Registrar); (ii) the City or the Paying Agent/Registrar determines (which determination is conclusive as to DTC and the beneficial owners of the Series 2020E Bonds) that DTC is incapable of discharging its responsibilities described herein; or (iii) the City or the Paying Agent/Registrar determines (which determination is conclusive as to DTC and the beneficial owners of the Series 2020E Bonds) that it is in the best interests of the beneficial owners of the Series 2020E Bonds not to continue DTC's book-entry only system of transfer for the Series 2020E Bonds, then the City shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended; provided, however, that neither the City nor the Paying Agent/Registrar appoints a successor securities depository for the Series 2020E Bonds to replace DTC without the approval of the Board so long as the Board is the beneficial owner of the Series 2020E Bonds. In the event of such an appointment, the City shall notify DTC of the appointment of such successor securities depository and transfer one or more separate Series 2020E Bonds to such successor securities depository or notify DTC Participants of the availability through DTC of Series 2020E Bonds and transfer one or more separate Series 2020E Bonds to DTC Participants having Series 2020E Bonds credited to their DTC accounts. In such event, the Series 2020E Bonds are no longer restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be

registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owners transferring or exchanging Series 2020E Bonds designate, in accordance with the provisions of this Supplemental Ordinance.

If the City fails to appoint a successor securities depository for the Series 2020E Bonds, the City shall cause to be authenticated and delivered replacement Series 2020E Bonds, in certificated form, to the beneficial owners of the Series 2020E Bonds.

(c) Notwithstanding any other provision of this Supplemental Ordinance to the contrary, as long as any Series 2020E Bonds are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of, premium, if any, and interest on the Series 2020E Bonds and all notices with respect to such Series 2020E Bonds shall be made and given, respectively, in accordance with DTC's Operational Arrangements, as provided in the Blanket Letter of Representations between DTC and the City; (ii) the requirements of this Supplemental Ordinance of holding, delivering or transferring Series 2020E Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC; and (iii) delivery of the Series 2020E Bonds will be in accordance with arrangements among the City, the Paying Agent/Registrar, and DTC.

(d) If at any time DTC ceases to hold the Series 2020E Bonds in book-entry only form, all references herein to DTC have no further force or effect.

(e) The City covenants and agrees to not discontinue the use of book-entry only system for the Series 2020E Bonds without the prior written approval of the Board.

Section 3.7. Applicability of Terms of the Master Ordinance.

Notwithstanding any provision of this Supplemental Ordinance to the contrary, unless the City otherwise directs, to the extent this Ordinance is silent as to any matter relating to the Series 2020E Bonds which is otherwise included in the Master Ordinance, the terms of the Master Ordinance for First Lien Bonds or Second Lien Bonds, including particularly the provisions of Sections 3.5, 3.6, 3.7, 3.8, and 3.9 of the Master Ordinance, are applicable to the Series 2020E Bonds as if written for the Series 2020E Bonds issued hereunder.

ARTICLE IV

PLEDGE AND SOURCE OF PAYMENT FOR THE BONDS

Section 4.1. Pledge and Source of Payment. In the Master Ordinance, the City covenants and agrees that Gross Revenues (as defined in the Previous Ordinance), as collected and received by the City, must be applied first to provide for the payment of all Required Payments and then Gross Revenues must be deposited and paid into the special funds established by the Master Ordinance, to provide for the payment of all remaining Maintenance and Operation Expenses that are not paid as Required Payments, including deposit of surplus Net Revenues to the General Purpose Fund. Under this Ordinance, Pledged Revenues deposited (or previously deposited) are available to provide for the payment of all principal of, interest on and any redemption premiums on the Subordinate Lien Obligations (including the Series 2020E Bonds),

any parity Obligations (including the payments under the Project Contract to secure CWA's Master Agreements), and to make any required payment of rebate or other payments to the United States Treasury under Article VI, and all expenses of paying same. The Subordinate Lien Obligations, including the Series 2020E Bonds and the payments under the Project Contract, constitute special obligations of the City payable solely from and equally and ratably secured by a lien on the Pledged Revenues as collected and received by the City from the operation and ownership of the System, which Pledged Revenues must, in the manner provided by this Ordinance, be set aside for and pledged to the payment of the Subordinate Lien Obligations in the General Purpose Fund, the Subordinate Lien Obligations Interest and Sinking Fund, and the Subordinate Lien Bonds Reserve Fund, and the Subordinate Lien Obligations are, in all respects, on a parity with and of equal dignity with one another and the parity bonds (except, as further provided for herein, the payments under the Project Contract and the payment of Subordinate Lien Bonds that are not designated Subordinate Lien Bonds Reserve Fund Participants are not secured by the Subordinate Lien Bonds Reserve Fund). Neither CWA nor the Owners of the Subordinate Lien Obligations ever have the right to demand payment of either the principal of, interest on or any redemption premium on the Subordinate Lien Obligations out of any funds raised or to be raised by taxation.

The pledge of Pledged Revenues hereunder is the same pledge that currently secures the obligations of the City under the outstanding Subordinate Lien Obligations, and no other parity obligations are currently outstanding. The City covenants that if it has existing obligations secured from the Pledged Revenues on a parity basis as the pledge to the Series 2020E Bonds, then the lien or liens on the Pledged Revenues securing the Series 2020E Bonds will be on a parity with the lien securing such obligations.

Section 4.2. Rates and Charges. For as long as the Subordinate Lien Obligations remain Outstanding, the City agrees to 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 Revenues in each Fiscal Year at least equal to:

- (a) the greater of
 - (i) 120% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds and First Lien Bonds then Outstanding; or
 - (ii) 110% of the combined Debt Service Requirements scheduled to occur in such Fiscal Year on all Previous Ordinance Bonds, First Lien Bonds and Second Lien Bonds then Outstanding, and
- (b) at least equal to 100% of the combined debt service on the Subordinate Lien Obligations then Outstanding, taking into account unrestricted accumulated Net Revenues from prior years in the General Purpose Fund,

plus an amount equal to the sum of all deposits required to be made to the First Lien Bond Reserve Fund and to the Second Lien Bond Reserve Fund in such Fiscal Year, and to the Subordinate Lien Bonds Reserve Fund in such Fiscal Year; provided that in calculating the Net Revenues required by paragraphs (a) and (b) above all or any portion of such Net Revenues that exceed 100% of the combined Debt Service Requirements may be attributed to amounts on deposit in the General

Purpose Fund that are available to pay Debt Service Requirements pursuant to Section 5.9(c) of the Master Ordinance, and provided further that in no event shall Net Revenues ever be less than the amount required to establish and maintain the First Lien Bond Interest and Sinking Fund and the First Lien Bond Reserve Fund as hereinafter provided, to establish and maintain the Second Lien Bond Interest and Sinking Fund and the Second Lien Bond 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, including all amounts owed as a repayment obligation by the City pursuant to a Reserve Fund Surety Policy or a Credit Agreement, as and when the same become due.

Section 4.3. Additional Special Funds. In addition to the special Funds created under Section 5.3 of the Master Ordinance, the following special accounts are created as accounts of the General Purpose Fund:

- (a) Subordinate Lien Obligations Interest and Sinking Fund; and
- (b) Subordinate Lien Bonds Reserve Fund.

The City must maintain all of such Funds as separate accounts of the General Purpose Fund on the books of the City. The Subordinate Lien Obligations Interest and Sinking Fund constitutes trust funds held in trust for the Owners of the Subordinate Lien Obligations (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) and the proceeds of which (except for interest income, which shall be held outside of such Fund in the General Purpose Fund) shall be pledged to the payment of the Subordinate Lien Obligations and such parity Obligations. The Funds named above may be used solely as herein provided so long as any Subordinate Lien Obligations or such parity Obligations remain Outstanding. The City reserves the right to establish, maintain, and account for on the books of the City such additional funds and accounts as may be necessary or desirable in the efficient administration of the System and flow of funds governing all Outstanding Obligations, including any funds or accounts necessary for the issuance of Third or Fourth Lien Bonds under the Master Ordinance.

Section 4.4. Flow of Funds. After making any Required Payments in accordance with the terms of the Previous Ordinance and any other payments in accordance with Section 5.4 of the Master Ordinance, Net Revenues deposited to the General Purpose Funds shall be deposited as follows:

- (a) First, to make all deposits into the Subordinate Lien Obligations Interest and Sinking Fund required by Section 4.5 hereof or any ordinance authorizing the issuance of Subordinate Lien Obligations;
- (b) Second, to make all deposits into the Subordinate Lien Bonds Reserve Fund required by Section 4.6 hereof or any ordinance authorizing the issuance of Subordinate Lien Bonds; and
- (g) Third, to deposit any remaining Net Revenues into the undesignated General Purpose Fund.

Section 4.5. Subordinate Lien Obligations Interest and Sinking Fund. On or before the last Business Day immediately preceding (i) an Interest Payment Date so long as any Subordinate Lien Obligations remain Outstanding, and (ii) any date when any payments are due and payable under a Qualified Hedge Agreement relating to Subordinate Lien Obligations, there shall be transferred into the Subordinate Lien Bond Interest and Sinking Fund from the Revenue Fund the following amounts:

- (a) Such amounts as will be sufficient to pay the amount of interest scheduled to become due on the Subordinate Lien Obligations on such Interest Payment Date; plus
- (b) Such amounts, if any, as will be sufficient to pay the amount of principal of the Subordinate Lien Obligations due on such Interest Payment Date, including the principal amounts of, and any redemption premiums on, any Subordinate Lien Obligations payable as a result of the operation or exercise of any mandatory or optional redemption provision contained in any Supplemental Ordinance authorizing the issuance of Subordinate Lien Obligations; plus
- (c) any amounts then due under the Project Contract; plus
- (d) Such amounts, if any, as shall be necessary to pay fees, charges, and other amounts payable to any and all of the Paying Agent/Registrar, and any auction agent, market agent, broker/dealer, remarketing agent, Credit Agreement provider, or Qualified Hedge Agreement provider which, by the terms of their agreements with the City, are payable from the Subordinate Lien Bond Interest and Sinking Fund.

To the extent of any shortfall, then on any payment date amounts will be applied pro rata between the immediately preceding subparagraph (c) and the sum of subparagraphs (a) and (b). Between subparagraphs (a) and (b), any pro rata amount received will be applied first to pay interest and then to principal. After the deposit of all amounts then owed under subparagraphs (a), (b), and (c) will any amount be applied to amounts owed under subparagraph (d).

Moneys credited to the Subordinate Lien Bond Interest and Sinking Fund shall be used solely for the purpose of paying interest on, principal (at maturity or prior redemption or to purchase Subordinate Lien Obligations issued as term bonds in the open market to be credited against mandatory redemption requirements) of and redemption premiums on the Subordinate Lien Obligations, plus all fees, charges, and other amounts payable to any and all of the Paying Agent/Registrar, and any auction agent, market agent, broker/dealer, remarketing agent, Credit Agreement provider, or Qualified Hedge Agreement provider which, by the terms of their agreements with the City, are payable from the Subordinate Lien Bond Interest and Sinking Fund. On or before each date principal becomes due and/or Interest Payment Date on the Subordinate Lien Obligations, the City shall transfer from the Subordinate Lien Bond Interest and Sinking Fund to the Paying Agent/Registrar in immediately available funds an amount equal to the principal and interest payable on the Subordinate Lien Obligations on such date.

(e) Subordinate Lien Bonds Reserve Fund. The Subordinate Lien Bonds Reserve Fund will be funded by an additional deposit on the date of closing of the Series 2020E Bonds and

available for such purpose of satisfying Subordinate Lien Bonds Reserve Fund Requirement. If there is any deficiency in the amount of the Subordinate Lien Bonds Reserve Fund Requirement on deposit when any Subordinate Lien Bonds are issued, then or before the last Business Day of each month so long as any Subordinate Lien Bonds that are Reserve Fund Participants remain Outstanding, there shall be transferred into the Subordinate Lien Bonds Reserve Fund from the General Purpose Fund amounts equal to one sixtieth (1/60th) of the Subordinate Lien Bonds Reserve Fund Requirement for the Subordinate Lien Bonds unless or until there has been accumulated in the Subordinate Lien Bonds Reserve Fund money and investments in an aggregate amount at least equal to the Subordinate Lien Bonds Reserve Fund Requirement for the Subordinate Lien Bonds; provided that additional deposits into the Subordinate Lien Bonds Reserve Fund sufficient to provide for the increased Subordinate Lien Bonds Reserve Fund Requirement resulting from the issuance of any Additional Subordinate Lien Bonds that are Reserve Fund Participants shall be made by not later than 60 months from the date of issuance of such Additional Subordinate Lien Bonds. After such amount has accumulated in the Subordinate Lien Bonds Reserve Fund and so long thereafter as such Fund contains such amount, no further deposits shall be required to be made into the Subordinate Lien Bonds Reserve Fund, and any excess amounts in such Fund may be transferred to the Revenue Fund. But if and whenever the balance in the Subordinate Lien Bonds Reserve Fund is reduced below such amount, monthly deposits into such Fund shall be resumed and continued in amounts at least equal to one sixtieth (1/60th) of the Subordinate Lien Bonds Reserve Fund Requirements on the Subordinate Lien Bonds until the Subordinate Lien Bonds Reserve Fund has been restored to such amount. The Subordinate Lien Bonds Reserve Fund shall be used to pay the principal of and interest on the Subordinate Lien Bonds that are Reserve Fund Participants (and parity Obligations, if any, under Qualified Hedge Agreements and Credit Agreements) at any time when there is not sufficient money available in the Subordinate Lien Obligations Interest and Sinking Fund for such purpose and it may be used finally to pay and retire the last Subordinate Lien Bonds that are Reserve Fund Participants to mature or be redeemed.

The requirements of the immediately preceding paragraph of this Section notwithstanding, the City may provide, upon giving notice to the Board, a Reserve Fund Surety Policy issued in amounts equal to all or part of the Subordinate Lien Bonds Reserve Fund Requirements on the Subordinate Lien Bonds that are Reserve Fund Participants in lieu of depositing cash into the Subordinate Lien Bonds Reserve Fund. In the event a Reserve Fund Surety Policy issued to satisfy all or a part of the City's obligation with respect to the Subordinate Lien Bonds Reserve Fund causes the amount then on deposit in the Subordinate Lien Bonds Reserve Fund to exceed the Subordinate Lien Bonds Reserve Fund Requirements on all Subordinate Lien Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for Subordinate Lien Bonds, or to the undesignated portion of the General Purpose Fund.

Section 4.6. Undesignated Amounts in the General Purpose Fund. Amounts in the General Purpose Fund not held in the Subordinate Lien Obligations Interest and Sinking Fund or the Subordinate Lien Bonds Reserve Fund are held as undesignated amounts, and are to be applied as provided in Sections 5.9 and 5.10 of the Master Ordinance.

Section 4.7. Investment of Funds, Transfer of Investment Income, Security for Funds. All amounts in the General Purpose Fund, whether undesignated or held in the Subordinate Lien

Obligations Interest and Sinking Fund or the Subordinate Lien Bonds Reserve Fund, are to be invested, transferred, and secured as provided in Sections 5.9 and 5.10 of the Master Ordinance.

Section 4.8. Additional Bonds, Reservation of Rights. No Additional First Lien Bonds or Additional Second Lien Bonds may be issued by the City unless Net Revenues for the last completed Fiscal Year or any consecutive 12-month period out of the 18-month period immediately preceding the month in which the Supplemental Ordinance adopting such Additional First Lien Bonds or Additional Second Lien Bonds was adopted shall have been not less than the greater of (1) 120% of the combined maximum annual debt service requirements on all First Lien Bonds and any Previous Ordinance Bonds, or (ii) 110% of the combined maximum annual debt service requirements on all First Lien Bonds, Second Lien Bonds, and any Previous Ordinance Bonds, considering existing bond ordinance language regarding calculation methodologies.

The City otherwise reserves the right to issue Bonds, Third Lien Bonds, or Fourth Lien Bonds at any time and from time to time under the provisions of the Master Ordinance.

ARTICLE V

CONCERNING THE PAYING AGENT/REGISTRAR

Section 5.1. Acceptance. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is appointed as the initial Paying Agent/Registrar for the Series 2020E Bonds. The initial Paying Agent/Registrar and any successor Paying Agent/Registrar, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder, and in consideration of the payment of fees and/or deposits of money pursuant to this Supplemental Ordinance, are deemed to accept and agree to abide by the terms of this Supplemental Ordinance.

Section 5.2. Fiduciary Account. All money transferred to the Paying Agent/Registrar under this Supplemental Ordinance (except sums representing Paying Agent/Registrar's fees) must be held in a fiduciary account for the benefit of the City, is the property of the City, and must be disbursed in accordance with this Supplemental Ordinance.

Section 5.3. Bonds Presented. Subject to the provisions of Section 5.4, all matured Series 2020E Bonds presented to the Paying Agent/Registrar for payment will be paid without the necessity of further instructions from the City. The Paying Agent/Registrar will cancel such Series 2020E Bonds as provided herein.

Section 5.4. Bonds Not Timely Presented. The Paying Agent/Registrar agrees to remit to the City, upon receipt of the certificate provided for herein, a sum equal to the aggregate face amount of all Series 2020E Bonds which have not been presented for payment prior to the date specified in such certificate. Such certificate will:

(a) Specify the Series 2020E Bonds or portions thereof to which it applies and the amount of each;

(b) Specify the date on which the City believes itself to be no longer obligated to pay such Series 2020E Bonds or portions thereof by virtue of the expiration of the applicable statute of limitations under the laws of the State of Texas; and

(c) Be signed by the Mayor and attested by the City Secretary.

Funds held by the Paying Agent/Registrar that represent principal of and interest on the Series 2020E Bonds remaining unclaimed by any Registered Owner after the expiration of three years from the date such funds have become due and payable (a) will be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent such provisions are applicable to such funds, or (b) to the extent such provisions do not apply to the funds, such funds must be paid by the Paying Agent/Registrar to the City upon receipt by the Paying Agent/Registrar of a written request therefor from the City.

The Paying Agent/Registrar has no liability to the Owners of Series 2020E Bonds by virtue of actions taken in compliance with this Section.

Section 5.5. Paying Agent/Registrar May Own Bonds. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Series 2020E Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

Section 5.6. Successor Paying Agents/Registrars. The City covenants that at all times while the Series 2020E Bonds are Outstanding it will provide a legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar for the Series 2020E Bonds. If the Paying Agent/Registrar or its successor for any reason no longer acts as Paying Agent/Registrar hereunder, the City covenants that it will appoint a bank in the same city as the Paying Agent/Registrar initially appointed to perform the duties of Paying Agent/Registrar hereunder. Any successor Paying Agent/Registrar must be either a national or state banking institution and a corporation organized and doing business under the laws of the United States of America or any state, which is authorized under such laws to exercise trust powers and is subject to supervision or examination by federal or state authority.

The City reserves the right to change the Paying Agent/Registrar for the Series 2020E Bonds on not less than 60 days written notice to the Paying Agent/Registrar, as long as any such notice is effective not less than 60 days prior to the next succeeding principal or interest payment date on the Series 2020E Bonds. Promptly upon the appointment of any successor Paying Agent/Registrar and the payment by the City of any fees due to be paid to the previous Paying Agent/Registrar, the previous Paying Agent/Registrar must deliver the Register or a copy thereof to the new Paying Agent/Registrar and the new Paying Agent/Registrar will notify each Registered Owner, by first-class mail, postage prepaid, of such change and of the address of the new Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity, is deemed to have agreed to the provisions of this Supplemental Ordinance.

ARTICLE VI

PROVISIONS CONCERNING SALE AND APPLICATION OF PROCEEDS OF THE BONDS

Section 6.1. Sale of the Series 2020E Bonds. The Commitment of the Board to purchase the Series 2020E Bonds is accepted and the sale of the Series 2020E Bonds to the Board, as the initial Purchaser of the Series 2020E Bonds, for a price equal to 100% of the principal

amount of the Series 2020E Bonds, is authorized in accordance with the terms thereof. The City will pay any payments related to the Series 2020E Bonds to the Board by wire transfer at no charge. It is found and declared that the above price and terms of sale of the Series 2020E Bonds are the most advantageous reasonably obtainable by the City.

Section 6.2. Approval, Registration, and Delivery. The Mayor and the City Controller are authorized to have control and custody of the Series 2020E Bonds and all necessary records and proceedings pertaining thereto pending their delivery, and the Mayor, the City Controller, and the City Secretary and other officers and employees of the City are authorized, directed and instructed to make such certifications and to execute such instruments (including by facsimile signature) as may be necessary to accomplish the delivery of the Series 2020E Bonds and to assure the investigation, examination, and approval thereof by the Attorney General of Texas and the registration of the initial Series 2020E Bonds by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Series 2020E Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for the Comptroller) is requested to sign manually the registration certificate prescribed herein to be attached or affixed to each Series 2020E Bond initially delivered and to impresser print the seal of the Comptroller of Public Accounts of the State of Texas thereon. Delivery of the Series 2020E Bonds is subject to the unqualified approving opinions as to the legality of the Series 2020E Bonds of the Attorney General of Texas and of McCall, Parkhurst & Horton L.L.P., Houston, Texas, and Burney & Foreman, Houston, Texas as Co-Bond Counsel.

Section 6.3. Application of Proceeds of the Series 2020E Bonds.

Proceeds from the sale of the Series 2020E Bonds, promptly upon receipt by the city, will be deposited into the Project Accounts described in Section 8.1 hereof.

Section 6.4. Covenants Regarding Tax Exemption of Interest on the Series 2020E Bonds.

(a) The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Series 2020E Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Series 2020E Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Series 2020E Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Series 2020E

Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Series 2020E Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Series 2020E Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Series 2020E Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Series 2020E Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Series 2020E Bonds, other than investment property acquired with --

(A) proceeds of the Series 2020E Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 90 days or less until such proceeds are needed for the purpose for which the bonds are issued;

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

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Series 2020E Bonds;

(7) to otherwise restrict the use of the proceeds of the Series 2020E Bonds or amounts treated as proceeds of the Series 2020E Bonds, as may be necessary, so that the Series 2020E Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(8) to refrain from using the proceeds of the Series 2020E Bonds or proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Series 2020E Bonds in contravention of the requirements of section 149(d) of the Code; and

(9) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Series 2020E Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of

the Code and to pay to the United States of America, not later than 60 days after the Series 2020E Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

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

(c) Proceeds. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any). It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Series 2020E Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Series 2020E Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Series 2020E Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Series 2020E Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the City Controller to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Series 2020E Bonds.

(d) Allocation Of, and Limitation On, Expenditures for the Project. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in this Supplemental Ordinance (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the City recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Series 2020E Bonds, or (2) the date the Series 2020E Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Series 2020E Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) Disposition of Project. The City covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless any action taken in connection with such disposition will not adversely affect the tax-exempt status of the Series 2020E Bonds. For purpose of the foregoing, the City may rely on an opinion of nationally-recognized bond counsel that the action taken in connection with such sale or other disposition will not adversely affect the tax-exempt status of the Series 2020E Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Reimbursement. This Supplemental Ordinance is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

Section 6.5. Paying Agent/Registrar Agreement. The registration of and payment of the principal of, premium, if any, and interest on the Series 2020E Bonds when due will be effectuated pursuant to the terms of a Paying Agent/Registrar Agreement to be entered into by and between the City and the Paying Agent/Registrar, which will be substantially in the form attached hereto as **Exhibit B**, the terms and provisions of which are approved, and the Mayor and the City Controller are authorized to execute and deliver such Paying Agent/Registrar Agreement on behalf of the City in multiple counterparts and the City Secretary is authorized to attest thereto and may affix the City's seal.

Section 6.6. Related Matters. In order that the City may satisfy in a timely manner all of its obligations under the Ordinance, the Mayor, the City Secretary, and the City Controller of the City and all other appropriate officers and agents of the City are authorized and directed to take all other actions that are reasonably necessary to provide for issuance and delivery of the Series 2020E Bonds, including without limitation, executing by manual or facsimile signature and delivering on behalf of the City all certificates, consents, receipts, requests, notices, investment agreements, trust agreements, and other documents as may be reasonably necessary to satisfy the City's obligations under the Ordinance, and paying costs incurred in connection with the issuance of the Series 2020E Bonds, to direct the transfer and application of funds of the City consistent with this Supplemental Ordinance, and issue a Private Placement Memorandum in the form attached hereto as **Exhibit D**. If requested by the Attorney General of Texas or his representatives, the City Attorney or his designee may authorize such ministerial changes in the written text of this Supplemental Ordinance as are necessary to obtain the Attorney General's approval and as he determines are consistent with the intent and purposes of this Supplemental Ordinance, which determination is final, as evidenced by delivery of the final Supplemental Ordinance to the Attorney General.

ARTICLE VII

CONTINUING DISCLOSURE UNDERTAKING

Section 7.1. Annual Reports. The City agrees to provide annually to the MSRB, within six months after the end of each fiscal year ending in or after 2020, financial information and operating data with respect to the City of the general type included in the City's Audited Financial Statements and Supplementary Schedules for the City's Combined Utility System Fund. Any financial statements so to be provided will be (1) prepared in accordance with generally accepted accounting principles currently in effect for governmental units as prescribed by the Government Accounting Standards Board, which principles are subject to change from time to time to comply with state law or regulation and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City will provide audited financial statements for the applicable fiscal year to the MSRB, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document that is available from the MSRB or filed with the SEC, or may be provided in any other manner consistent with the Rule.

Section 7.2. Material Event Notices. The City will notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the events with respect to the Series 2020E Bonds, notice of any of the following events with respect to the Series 2020E Bonds:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020E Bonds, or other material events affecting the tax status of the Series 2020E Bonds;
- (vii) modifications to rights of owners, if material;

- (viii) bond calls, if material and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2020E Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;
- (xv) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

For these purposes, (A) any event described in the immediately preceding clause (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City, and (B) the City intends the words used in the immediately preceding clauses (xv) and (xvi) in this Section and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

The City will notify the MSRB in an electronic form prescribed by the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 7.1 of this Supplemental Ordinance by the time required by such Section.

Section 7.3. Limitations, Disclaimers, and Amendments. The City will be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long

as, the City remains an “obligated person” with respect to the Series 2020E Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 7.2 of any Series 2020E Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Series 2020E Bonds, and nothing in this Article, express or implied, give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2020E Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY SERIES 2020E BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Article will ever constitute a breach of or default under this Supplemental Ordinance for purposes of any other provision of this Supplemental Ordinance.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Series 2020E Bonds in a primary offering of the Series 2020E Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Supplemental Ordinance that authorizes such an amendment) of the Outstanding Series 2020E Bonds consent to such amendment or (b) a person or entity that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Series 2020E Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 7.1 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data

so provided. The City may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Series 2020E Bonds in a primary offering of the Series 2020E Bonds.

Section 7.4. Definitions.

As used in this Article, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board. Until such time as the SEC or the MSRB shall determine otherwise, information to be filed with the MSRB pursuant to the Rule will be submitted through the Electronic Municipal Market Access system (“*EMMA*”) maintained by the MSRB and will be accessible at <http://www.emma.msrb.org> or other such access location as designated by the SEC or the MSRB.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“*SEC*” means the United States Securities and Exchange Commission.

ARTICLE VIII

PROJECT FUND.

Section 8.1. Project Fund. The creation of the special fund of the City, known as the Series 2020E Combined Utility System Bond Project Fund (the “*Project Fund*”), is confirmed as the construction fund for the Series 2020E Bonds. The Project Fund, which may include sub-accounts, will be maintained as a separate account on the books of the City and known as the “Series 2020E Project Account.” The City will deposit the proceeds of the sale of the Series 2020E Bonds to the credit of the Project Fund and disburse the money held for the credit of the Project Fund for authorized System purposes and to pay the costs of issuing the Series 2020E Bonds. If required by the Board, the City may enter into one or more agreements, including an Agreement for Benefit of Texas Water Development Board Relating to the Establishment of a Segregated Account, between the City and the Board, with respect to the disposition of the proceeds of the Series 2020E Bonds, and the Mayor and the City Controller are authorized to execute and deliver such agreements.

The proceeds from the sale of the Series 2020E Bonds to the Board represent a loan by the Board to the City from the State Water Implementation Revenue Fund. Upon completion of a project for the Series 2020E Bonds (“*Project*”), the City will provide the Executive Administrator of the Board with a Final Accounting of the total costs of each such Project and “as built plans” for each Project. The City may use any loan proceeds from the Series 2020E Bonds that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to deposit into the Subordinate Lien Obligations Interest and Sinking Fund or other debt service account for the payment of interest or

principal on the Series 2020E Bonds owned by the Board; or (2) eligible project costs as authorized by the Executive Administrator.

Section 8.2. Investment of Money in the Project Fund. Money on deposit in the Project Fund may, at the option of the City, be invested as permitted under the Texas Public Funds Investment Act, as amended; and collateralized as required under the Texas Public Funds Collateral Act, provided that all such deposits and investments must be made in such manner (which may include repurchase agreements for such investments with any national bank) that the money required to be expended from the Project Fund will be available at the proper time or times. All investments will be valued in terms of current market value no less frequently than the last business day of the City's Fiscal Year System, except that any direct obligations of the United States of America, State and Local Government Series, will be continuously valued at their par value or principal face amount. Any obligation in which money is so invested must be kept and held in an official depository of the City, except as hereinafter provided. For purposes of maximizing investment returns, money in the Project Fund may be invested, together with money in the funds maintained pursuant to Article V of the Master Ordinance or with other money of the City, in common investments of the kind described above, or in a common pool of such investments which is kept and held at an official depository of the City, which is deemed not to be or constitute a commingling of such money or funds, provided that records clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by the Project Fund is held by or on behalf of the Project Fund.

All interest and income derived from such deposits and investments must be deposited in the Project Account, applied to the purposes permitted by Section 6.3 or other qualified System purposes, and does not constitute Gross Revenues of the System, except that, to the extent required by law, such interest and income may be applied to make payments to the United States as shall be required to assure that interest on the Series 2020E Bonds is excludable from gross income for federal income tax purposes as described in Section 6.4(a)(9) of this Supplemental Ordinance. Additionally, payments to the Board for any excess funds or disallowed costs may be made from such interest and income in the Project Fund.

ARTICLE IX

APPLICATION OF PROVISIONS OF MASTER ORDINANCE

Section 9.1. Application of Provisions of Master Ordinance. In addition to provisions specifically referenced herein as applicable to the Subordinate Lien Bonds or subordinate Lien Obligations, the provisions of Articles VI, VII, and VIII of the Master Ordinance apply to the Series 2020E Bonds to the extent that such provisions are not otherwise expressly provided for in this Ordinance.

ARTICLE X

MISCELLANEOUS

Section 10.1. Further Proceedings. The Mayor of the City, the City Controller of the City and the City Secretary of the City and other appropriate officials of the City are authorized

and directed to do any and all things necessary and/or convenient to carry out the terms of this Supplemental Ordinance.

Section 10.2. Compliance with Board Rules and Regulations. The City covenants and agrees that while the Series 2020E Bonds are outstanding:

(1) to comply with all applicable requirements contained in 31 Texas Administrative Code, Chapter 363, including the following;

A. to provide insurance coverage in an amount sufficient to protect the Board's interest in the Project pursuant to 31 Texas Administrative Code 363.42(a)(2)(L);

B. to adopt an approved water conservation program while the Series 2020E Bonds remain Outstanding pursuant to 31 Texas Administrative Code 363.42(a)(2)(F); and

C. to report to the Board the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 Texas Administrative Code 363.1312;

(2) to hold the proceeds of the Series 2020E Bonds at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;

(3) to not use any proceeds of the Series 2020E Bonds when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site, and to indemnify, hold harmless and protect the Board from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the City, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project to the extent permitted by law;

(4) to submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with the Board's outlay report guidelines;

(5) all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The City, all contractors, and all sub-contractors shall ensure that all Project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the Project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the Board;

(6) to provide the Board with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Series 2020E are outstanding; and

(7) to comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator of the Board.

Section 10.3. Severability. If any Section, paragraph, clause, or provision of this Supplemental Ordinance is for any reason 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 Supplemental Ordinance.

Section 10.4. Open Meeting. It is found, determined, and declared that a sufficient written notice of the date, hour, place, and subject of the meeting of the City Council at which this Supplemental Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Supplemental Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves, and confirms such written notice and the contents and posting thereof.

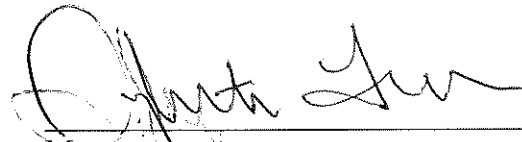
Section 10.5. Declaration of Emergency and of Public Security Authorization. It is officially found and determined that a case of emergency and urgent public necessity exists which requires the holding of the meeting at which this Supplemental Ordinance is passed and further requires that this Supplemental Ordinance be passed finally and take effect immediately on the date of its introduction, such emergency and urgent public necessity being that the proceeds from the sale of the Series 2020E Bonds are required as soon as possible and without delay for the purposes set forth herein. It is further officially found and determined that this Supplemental Ordinance is a public security authorization, and therefore this Supplemental Ordinance is effective immediately upon approval by the City Council pursuant to Section 1201.028 of the Texas Government Code, as amended.

Section 10.6. Authority to Modify Attachments. When used herein with respect to agreements and other documents that are attached as exhibits hereto, the phrase "substantially in the form of" authorizes the execution of an agreement or document that is not materially inconsistent with the purpose, intent and general substantive parameters of the agreement or other document as attached. The determination by an officer or employee of the City acting under authority delegated thereto by this Supplemental Ordinance or the Master Ordinance to execute any such agreement or other document in substantially the form attached to this Supplemental Ordinance has the same force and effect as a determination made by the City Council.

Section 10.7. Repealer. All ordinances, or parts thereof inconsistent herewith are repealed to the extent of such inconsistency.


Section 10.8. Remedies. The Board may exercise all remedies available to it in law or equity, and any provision of the Ordinance that restricts or limits the Board's full exercise of these remedies shall be of no force and effect.

PASSED AND APPROVED THIS 14th day of October, 2020.



 Mayor

Approved as to Form:



 Senior Assistant City Attorney
 (Requested by Carol Haddock, P. E.)
 Director, Houston Public Works)
 (L.D. File No. 0632000321001)

AYE	NO	
✓		MAYOR TURNER
••••	••••	COUNCIL MEMBERS
✓		PECK
✓		DAVIS
✓		KAMIN
✓		EVANS-SHABAZZ
✓		MARTIN
✓		THOMAS
✓		TRAVIS
✓		CISNEROS
✓		GALLEGOS
✓		POLLARD
✓		MARTHA CASTEX-TATUM
✓		KNOX
✓		ROBINSON
✓		KUBOSH
✓		PLUMMER
✓		ALCORN
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT
 REVIEW
 DATE: **OCT 20 2020**

Rev. 5/18

EXHIBITS:

Exhibit A **Form of Series 2020E Bond**
Exhibit B **Paying Agent/Registrar Agreement**
Exhibit C **Private Placement Memorandum**

EXHIBIT A

FORM OF SERIES 2020E BOND

The Series 2020E Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be permitted or required pursuant to the terms of this Supplemental Ordinance.

FORM OF SERIES 2020E BOND

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF HOUSTON, TEXAS,
COMBINED UTILITY SYSTEM
SUBORDINATE LIEN
REVENUE BOND
SERIES 2020E

NUMBER
R- _____
REGISTERED

DENOMINATION
\$ _____
REGISTERED

INTEREST RATE: _____% BOND DATE: _____, 2020 ISSUE DATE: _____, 2020 MATURITY DATE: _____ CUSIP NO.: _____

Registered Owner: Cede & Co.

Principal Amount: _____ DOLLARS

The CITY OF HOUSTON, TEXAS, a municipal corporation duly incorporated under the laws of the State of Texas (herein the "City"), for value received, promises to pay, to the Registered Owner identified above or registered assigns, solely from certain pledged revenues and funds as hereinafter specified and from no other source, on the Maturity Date specified above, upon presentation and surrender of this at the principal corporate trust office of the "Paying Agent/Registrar," initially The Bank of New York Mellon Trust Company, N.A. 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, the Principal Amount identified above (or so much as shall not have been paid upon prior redemption), and to pay, solely from such pledged revenues and funds, interest thereon at the Interest Rate shown above, calculated on the basis of a 360-day year composed of twelve 30-day months, from the later of the Issue Date identified above or the most recent interest payment date to which interest has been paid or duly provided for. Interest on this bond is payable on each November 15 and May 15 beginning November 15, 2021, until the maturity or redemption date of this bond or until the City's obligation with respect to this bond has been satisfied. Interest on this bond shall be payable by check mailed by the Paying Agent/Registrar to the Registered Owner of record as of the 1st day of the month of the interest payment date as shown on the books of registration kept by the Paying Agent/Registrar.

THIS BOND IS ONE OF A DULY AUTHORIZED SERIES OF BONDS (herein the "Series 2020E Bonds") in the aggregate principal amount of \$38,000,000 issued pursuant to a master ordinance and a supplemental ordinance adopted by the City Council of the City (herein the "Ordinance") to (a) finance certain improvements to the City's drinking water supply system, and (b) pay the costs of issuing the Series 2020E Bonds, all under and pursuant to the authority of Chapter 1502, Texas Government Code, as amended, and all other applicable law.

THIS BOND AND ALL OF THE SERIES 2020E BONDS are special obligations of the City that are equally and ratably payable from and secured by a lien on the "Pledged Revenues" collected and received by the City and deposited to the City's General Purpose Fund after certain required payments with respect to water and sewer system bonds issued and to be issued by the City and payment of all maintenance and operation expenses of the combined utility system from the operation and ownership of the City's combined utility system as defined and provided in the Ordinance, which Pledged Revenues are required to be set aside for and pledged to the payment of the City's outstanding Subordinate Lien Obligations, including the Series 2020E Bonds and all additional bonds issued on a parity therewith, in the interest and sinking fund and the reserve fund required to be 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 Pledged Revenues and do not constitute an indebtedness or general obligation of the City.

THE CITY MAY CALL THE SERIES 2020E BONDS FOR REDEMPTION PRIOR TO MATURITY on November 15, 2030, or any date thereafter, in whole or in part in inverse order of maturity (but if less than all the Series 2020E Bonds of a single maturity are called for redemption, those bonds called shall be selected by lot or other customary random method by the Paying Agent/Registrar), at a redemption price of par plus accrued interest to the date fixed for redemption.

SERIES 2020E BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000 of principal amount or maturity amount, as applicable. If a Series 2020E Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2020E Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2020E Bonds for redemption, the Paying Agent/Registrar shall treat each Series 2020E Bond as representing that number of Series 2020E Bonds of \$5,000 denomination which is obtained by dividing the principal amount (or maturity amount) of such Series 2020E Bond by \$5,000. Upon surrender of any Series 2020E Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefore a Series 2020E Bond or Series 2020E Bonds of like maturity and interest rate in an aggregate principal amount (or maturity amount) equal to the unredeemed portion of the Series 2020E Bond so surrendered.

NOTICE OF ANY SUCH OPTIONAL REDEMPTION identifying the Series 2020E Bonds to be redeemed shall be sent by first-class mail, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar not less than 30 days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Series 2020E Bonds called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Series 2020E Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the Paying Agent/Registrar with the funds so provided for such payment.

THE CITY HAS RESERVED THE RIGHT TO ISSUE ADDITIONAL COMBINED UTILITY SYSTEM REVENUE BONDS, subject to the restrictions contained in the Ordinance,

which bonds may be secured by a lien prior and superior to, on a parity with, or subordinate and inferior to, the lien on the Pledged Revenues securing this bond and the series of which it is a part.

THIS BOND IS TRANSFERABLE only upon presentation and surrender at the principal corporate trust office of the Paying Agent/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.

THIS BOND IS EXCHANGEABLE upon presentation and surrender at the principal corporate trust office of the Paying Agent/Registrar for Series 2020E Bonds in the principal amount (or maturity amount) of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE PAYING AGENT/REGISTRAR IS NOT REQUIRED TO ACCEPT for transfer or exchange any Series 2020E Bond called for redemption during the 15 days prior to mailing of any notice of redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the registered owner of a Series 2020E Bond called for redemption in part.

THE REGISTERED OWNER HEREOF shall never have the right to demand payment out of any funds raised or to be raised by taxation.

REFERENCE IS MADE TO THE ORDINANCE, a copy of which is on file in the office of the Paying Agent/Registrar, and to all of the provisions of which the Registered Owner of this bond by the acceptance hereof assents, for definitions of terms; the description of and the nature and extent of the security for the Series 2020E Bonds; the priority for the application and use of the income and revenues of the System; the Pledged Revenues pledged to the payment of the principal of and interest on the Series 2020E Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Series 2020E Bonds; the terms and conditions for the issuance of additional revenue obligations, including additional Subordinate Lien Obligations; the terms and conditions for amending the Ordinance; the terms and conditions relating to the transfer or exchange of this bond; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this bond, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions thereof. Capitalized terms used herein, unless otherwise defined, have the same meanings assigned in the Ordinance.

IT IS 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 Series 2020E 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 Series 2020E Bonds by the aforesaid lien on and pledge of the Pledged Revenues.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas or (ii) is authenticated by the Paying Agent/Registrar by due execution of the

authentication certificate manually endorsed hereon. Such duly executed certificate of authentication shall be conclusive evidence that this bond was delivered by the Paying Agent/Registrar under the provisions of the Ordinance.

IN WITNESS WHEREOF, the City has in the Ordinance directed this bond to be signed by the Mayor and the City Controller and countersigned by the City Secretary by their printed facsimile signatures.

Mayor

City Controller

City Secretary

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE]

The following form of Comptroller's Registration Certificate shall be attached or affixed to each of the Series 2020E Bonds initially delivered.

THE STATE OF TEXAS

REGISTER NO. _____

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

I certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond and the proceedings for the issuance hereof have been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas and that it is a valid and binding special obligation of the City of Houston, Texas, and I do further certify that this bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

[FORM OF AUTHENTICATION CERTIFICATE]

The following form of Authentication Certificate shall appear on each of the definitive Series 2020E Bonds.

AUTHENTICATION CERTIFICATE

Registration Date: _____

This bond is one of the bonds described in and delivered pursuant to the within-mentioned Ordinance; and, except for the bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
Dallas, Texas,
as Paying Agent/Registrar

By _____
Authorized Signature

[FORM OF ASSIGNMENT]

The following form of assignment shall appear on each of the Series 2020E Bonds.

ASSIGNMENT

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

(SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER)

(Print or type name, address, and zip code of transferee)

the within bond 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: The signature must be guaranteed by a commercial bank or a member firm of a national securities exchange. Notarized or witnessed signatures are not acceptable.

Registered Owner

NOTICE: The signature on this assignment must correspond with the name of the Registered Owner as it appears on the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B
PAYING AGENT/REGISTRAR AGREEMENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT dated as of November 1, 2020 (together with any amendments or supplements hereto, the "*Agreement*") is entered into by and between THE CITY OF HOUSTON, TEXAS (the "*Issuer*"), and The Bank of New York Mellon Trust Company, N.A., as paying agent/registrar (together with any successor in such capacity, the "*Bank*").

RECITALS:

1. The Issuer has duly authorized and provided for the issuance of bonds, entitled "City of Houston, Texas, Combined Utility System Subordinate Lien Revenue Bonds, Series 2020E" (the "*Bonds*") issued in fully registered form.

2. All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be done upon the issuance and delivery thereof.

3. The Issuer and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal of and interest on the Bonds and under which the Bank will act as Registrar for the Bonds.

4. The Issuer and the Bank have duly authorized the execution and delivery of this Agreement and all things necessary to make this Agreement the valid agreement of the parties, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, to pay to the Registered Owners of the Bonds, in accordance with the terms and provisions of this Agreement and the ordinances authorizing the issuance of the Bonds (the "*Ordinance*"), the principal of and interest on all or any of the Bonds.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar for the Bonds, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Bonds and with respect to the transfer and exchange thereof as provided herein and in the Ordinance.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar with respect to the Bonds.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in *Schedule A* attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank's current fee schedule then in effect for services as Paying Agent/Registrar for municipalities, *provided however*, that any change in the Bank's fee schedule must be supplied to the Issuer on or before 75 days prior to the date the new fees are to become effective.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

If the Bank renders any service hereunder not provided for in this Agreement, or the Bank is made a party to or intervenes in any litigation pertaining to this Agreement or institutes interpleader proceedings relative hereto, to the extent permitted by law, the Bank shall be compensated reasonably by the Issuer for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket and incidental expenses and legal fees occasioned thereby, unless such claim, liability, loss, damages, fine, penalty and expenses is caused by the negligence or willful misconduct of the Bank. The foregoing reimbursement obligation shall survive the resignation or removal of the Bank or the termination of this Agreement.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Authorized Officer" means the City Controller and any other officer or employee of the Issuer designated as an Authorized Officer for the purposes of this Agreement in a written communication delivered to the Paying Agent/Registrar.

"Bank" means Bank of New York Mellon Trust Company, N.A.

"Bond" or *"Bonds"* means any one or all of the "City of Houston, Texas, Combined Utility System Subordinate Lien Revenue Bonds, Series 2020E" issued in the original par amount of \$38,000,000.

"Co-Financial Advisors" means Masterson Advisors LLC and TKG & Associates LLC and their successors in such capacity.

"Issuer" means the City of Houston, Texas.

“*Ordinance*” means the ordinance(s) of the Issuer approved by its City Council on October 14, 2020, pursuant to which the Bonds are issued.

“*Paying Agent*” means the Bank when it is performing the function of paying agent.

“*Person*” means any individual, corporation, partnership, joint venture, associations, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“*Registrar*” means the Bank when it is performing the function of registrar.

“*Registered Owner*” means the Person in whose name any Bond is registered in the books of registration maintained by the Bank under this Agreement.

All other capitalized terms shall have the meanings assigned to them in the Ordinance or the recital paragraphs of this Agreement.

ARTICLE THREE

DUTIES OF THE BANK

Section 3.01. Initial Delivery of the Bonds.

The Bonds will be initially registered and delivered by the Bank to the purchasers designated by the Issuer as set forth in the Ordinance. If such purchasers deliver a written request to the Bank not later than five business days prior to the date of initial delivery, the Bank will, on the date of initial delivery, exchange the Bonds initially delivered for Bonds of authorized denominations, registered in accordance with the instructions in such request and the Ordinance.

Section 3.02. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, timely pay on behalf of the Issuer the principal of and interest on each Bond in accordance with the provisions of the Ordinance.

Since the issue will be Depository Trust Company (DTC) eligible, the Bank shall comply with all eligibility requirements as outlined and agreed upon in the eligibility questionnaire.

Section 3.03. Duties of Registrar.

The Bank shall provide for the proper registration of the Bonds and the timely exchange, replacement and registration of transfer of the Bonds in accordance with the provisions of the Ordinance. Any changes to Registered Owners for such exchange, replacement and registration shall be made by the Bank only in accordance with the Ordinance. The Bank will maintain the books of registration in accordance with the Bank’s general practices and procedures in effect from time to time; provided, however, that the Bank agrees to comply with the terms of Chapter 1203 of the Texas Government Code, as amended, and more specifically agrees also to maintain books of registration for the Bonds at the Bank’s offices in Texas, which books of registration may be a

copy of the register which shall be kept current by the Bank. The books of registration may be maintained in written form or in any other form capable of being converted into written form within a reasonable period of time.

The Bank is authorized to receive the purchase price of and, if applicable, accrued interest on the Bonds from the purchaser of the Bonds and to transfer said funds relating to the closing and initial delivery of the Bonds in the manner disclosed in the closing memorandum as prepared by the Issuer's Co-Financial Advisors or other agent. The Bank may act on a facsimile or electronic mail transmission of the closing memorandum acknowledged by the Issuer or the Issuer's Co-Financial Advisors as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank's reliance upon and compliance with such instructions.

Section 3.04. Unauthenticated Bonds.

The Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it maintains for its own obligations.

Section 3.05. Reports.

Upon request of the Issuer, the Bank will provide the Issuer reports, which will describe in reasonable detail all transactions pertaining to the Bonds and the books of registration for the period of time specified by the Issuer. The Issuer may also inspect and make copies of the information in the books of registration and such other documents related to the Bonds and in the Bank's possession at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the books of registration to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order or as otherwise required by law. Upon receipt of a subpoena, court order or other lawful request, the Bank will notify the Issuer immediately so that the Issuer may contest the subpoena, court order or other request if it so chooses.

Section 3.06. Cancelled Bonds.

All Bonds surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Bank. The Bank shall retain the cancelled Bonds in accordance with its current document retention policies.

Section 3.07. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank by the Issuer.

(b) The Bank shall not be liable to the Issuer for actions taken under this Agreement as long as it acts in good faith and exercises due diligence, reasonableness and care, as prescribed by law, with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

(d) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 3.08. Money Held by Bank.

Money held by the Bank hereunder shall be held in trust for the benefit of the Registered Owners of the Bonds and the Bank shall have a fiduciary responsibility as to such funds.

All money deposited with the Bank hereunder shall be secured in the manner and to the fullest extent required by law for the security of funds of the Issuer.

All money deposited with the Bank hereunder shall be continuously collateralized by securities or obligations that qualify and are eligible under the laws of the State of Texas, and specifically as may be required by the Texas Public Funds Collateral Act (Chapter 2257, Texas Local Government Code), to secure and be pledged as collateral for fiduciary accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation.

All amounts held by the Bank may be invested, pending their disbursement, at the direction of an Authorized Officer of the Issuer to the extent permitted by law either in (a) money market mutual funds (investing in U.S. Treasury obligations or tax exempt obligations) maturing no later than the date of scheduled disbursements or (b) other legally authorized short term investments which are scheduled to mature on or before the date or dates on which proceeds of such other investments are required to pay interest and/or principal on the maturing Bonds; provided however, that if for any reason such funds are not disbursed on a scheduled payment date, any continued investment of such funds pending disbursement shall be limited to short term direct obligations of the United States of America.

When acting pursuant to the written instructions of the Issuer, the Bank shall not incur any liability for any losses arising as a result of any investment made or any sale of any investment prior to its maturity. Additionally, the Bank shall not incur any liability for any losses arising as a result of the failure of the Issuer to give the Bank instructions to invest or reinvest any amounts or any earnings thereon.

The Bank may assume that investments directed by the Issuer to be purchased with funds held by the Bank hereunder are lawful and a suitable investment for the funds to be invested.

Although the Issuer recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer agrees that confirmations of investments are not required to be issued by the Bank for each month in which a monthly statement is rendered. Further, the Issuer agrees that no monthly statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Bank acknowledges that the Issuer may request that the Bank provide a broker confirmation or written statement containing comparable information if such broker confirmation or written statement is required in order to respond to a request from the Issuer's auditors.

Any money deposited with the Bank for the payment of the principal of or interest on any Bonds and remaining unclaimed by the Registered Owner after the expiration of three years from the date such funds have become due and payable shall be reported and disposed of by the Bank in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended. To the extent such provisions of the Property Code do not apply to the funds, such funds shall be paid by the Bank to the Issuer upon receipt of a written request therefor from the Issuer. The Bank shall have no liability to the Registered Owners of the Bonds by virtue of actions taken in compliance with the foregoing provision.

ARTICLE FOUR

MISCELLANEOUS PROVISIONS

Section 4.01. May Own Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of the Bonds with the same rights it would have if it were not the Paying Agent and Registrar for the Bonds.

Section 4.02. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 4.03. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 4.04. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown herein, or such other address as may have been given by one party to the other by 15 days' written notice.

Section 4.05. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.06. Successors and Assigns.

All covenants and agreements herein by the Issuer and the Bank shall bind their successors and assigns, whether so expressed or not. This Agreement shall not be assigned by the Bank without the prior written consent of the Issuer.

Section 4.07. Merger, Conversion, Consolidation or Succession.

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Bond shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Bond so registered with the same effect as if such successor Bank had itself registered such Bond.

Section 4.08. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 4.09. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 4.10. Ordinance Govern Conflicts.

This Agreement and the Ordinance constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent and Registrar and if any conflict exists between this Agreement and the Ordinance, the Ordinance shall govern. The Bank agrees to be bound by the terms of the Ordinance with respect to the Bonds.

Section 4.11. Term and Termination.

This Agreement shall be effective from and after its date and may be terminated for any reason by the Issuer or the Bank at any time upon 60 days' written notice; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Bank hereunder. In the event of early termination, regardless of circumstances, the Bank shall deliver to the Issuer or its designee all funds, Bonds and all books and records pertaining

to the Bank's role as Paying Agent and Registrar with respect to the Bonds, including, but not limited to, the books of registration.

Section 4.12. Execution; Governing Law.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

Section 4.13. Indemnification.

To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability or expense incurred by the Bank without negligence or bad faith on the Bank's part, arising out of or in connection with its acceptance or administration of the Bank's duties hereunder, including the cost and expense (including the Bank's counsel fees) of defending against any claim or liability in connection with the exercise or performance of any of the Bank's powers or duties under this Agreement.

Section 4.14 Boycotting Israel.

To the extent this Agreement is a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, the Bank hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel through the term of this Agreement. For purposes of this verification, "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Bank understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

Section 4.15 Terrorist Organization.

To the extent this Agreement is a "governmental contract" within the meaning of Section 2252.151 of the Texas Government Code, as amended, the Bank, represents that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, are not engaged in business with Iran, Sudan, or a foreign terrorist organization (as defined in Section 2252.151(2), Texas Government Code) and that it is not on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Section 806.051, 807.051, or 2252.153, Texas Government Code. The Bank understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Bank and exists to make a profit.

[Intentionally left blank, signature pages follow]

City of Houston, Texas

Combined Utility System Subordinate Lien Revenue Bonds, Series
2020E

August 12, 2020

Fee Schedule for the following:

- Paying Agent
- Registrar

Presented By:

BNY Mellon Corporate Trust

Fee Schedule

Subject to the Terms and Conditions below, upon appointment of **The Bank of New York Mellon Trust Company, N.A.** ("BNYM" or "us" or "affiliates" or "subsidiaries") in the roles as outlined within this Fee Schedule (this "Fee Schedule"), **City of Houston, Texas** ("you") shall be responsible for the payment of the fees, expenses and charges as set forth herein.

General Fees

Acceptance Fee

Waived

The Transaction Acceptance Fee is payable at the time of the execution of the governing documents in connection with the closing of the transaction which is the subject of this Agreement (the "**Transaction**"), and compensates BNYM for the following: review of all supporting documents, initial establishment of the required accounts and Know Your Customer checks.

Annual Fee—Paying Agent

\$750

An annual charge covering the normal paying agent duties related to account administration and bondholder services. Our pricing is based on the assumption that the bonds are DTC-eligible/book-entry only. If the bonds are certificated or physical, an additional fee per year will be added to the Annual Paying Agent Administrative fee. This fee is payable annually, in advance.

Additional Fees

Extraordinary Services / Miscellaneous Fees

The charges for performing extraordinary or other services not contemplated at the time of the execution of the Transaction Documents or not specifically covered elsewhere in this schedule will be commensurate with the service to be provided and may be charged in BNY Mellon's sole discretion. If it is contemplated that BNY Mellon hold/and or value collateral, additional acceptance, administration and counsel review fees will be applicable to the agreement governing such services. If the bonds are converted to certificated form, additional annual fees will be charged for any applicable tender agent and/or registrar/paying agent services. Additional information will be provided at such time. If all outstanding bonds of a series are defeased or redeemed, or BNY Mellon is removed as paying agent prior to the maturity of the bonds, a termination fee may be assessed at that time.

Miscellaneous fees and expenses may include, but are not necessarily limited to supplemental agreements, tender processing, the preparation and distribution of sinking fund redemption notices, optional redemptions, failed remarketing processing, preparation of special or interim reports, UCC filing fees, auditor confirmation fees, wire transfer fees, Letter of Credit drawdown fees, transaction fees to settle third-party trades, and reconciliation fees to balance trust account balances to third-party investment provider statements. Counsel, accountants, special agents and others will be charged at the actual amount of fees and expenses billed. FDIC or other governmental charges will be passed along as incurred.

You agree to reimburse BNYM for extraordinary expenses incurred by it in connection with the Transaction to the extent permitted by law.

Unless specifically listed in this Fee Schedule, the fees, expenses and disbursements of BNYM legal counsel are not included in the charges listed above.

Out-of-Pocket Expenses

Fees quoted in this Fee Schedule are solely for the provision of the services listed in this Fee Schedule, and any Out-of-Pocket Expenses are payable in addition to the fees quoted in this Fee Schedule. Reimbursement will be required for any Out-of-Pocket Expenses and will be charged to you at the actual cost to BNYM plus any applicable taxes.

Advance Fees

BNYM requires that you agree to the fees quoted in this Fee Schedule prior to the commencement of any work or the provision of any services by BNYM in relation to the Transaction. In the event that BNYM provides any

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services to you prior to your agreement to the fees quoted herein, the commencement of such work or the provision of such services shall not be deemed to constitute a waiver of the fees listed in this Fee Schedule. BNYM reserves the right to cease providing services until such time as you agree to the fees quoted herein. BNYM reserves the right to request that any and all fees due and payable pursuant to this Fee Schedule and related in any way to the Transaction are paid in advance (either in whole or in part) prior to the provision of any services.

Negative Interest Rates – Charges

With respect to any funds invested by BNYM in connection with the Transaction, if: (i) any recognized overnight benchmark rate or any official overnight interest rate set by a central bank or other monetary authority is negative or zero; or (ii) any market counterparty or other institution applies a negative interest rate or any related charge to any account or balance of BNYM or any account or balance opened for You by BNYM, BNYM may apply a charge to any of Your accounts or balances. BNYM will give You prompt written notice of the application of any such charges. You acknowledge and agree that the application of such a charge by BNYM may cause the effective interest rate applicable to Your account or balance to be negative, notwithstanding that one or more of the rates set by third parties specified in clauses (i) and (ii) above may be positive.

Terms and Conditions

General

BNYM's final acceptance of its appointment pursuant to the Transaction Documents is subject to the full review and approval of all related documentation, financials and standard Know Your Customer procedures. In the event that this Transaction does not proceed with BNYM in the roles contemplated by this Fee Schedule and the Transaction Documents, you will be responsible for payment of any external counsel fees and expenses and out-of-pocket expenses which BNYM may have incurred up to and including the termination date.

You agree that BNYM shall have no obligation to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties as paying agent or registrar in connection with the Transaction, or in the exercise of any of its rights or powers in connection therewith, if it shall have reasonable grounds for believing that repayment of such funds is not assured to it.

Please note the fees quoted in this Fee Schedule are based upon the information available at the present time. Further quotes may be provided once the structure of the deal has been finalized. Annual Fees cover a period of one year and any portion thereof and are not subject to pro-ration. Fees may be subject to adjustment during the life of the engagement.

Acceptance/Revocation of Offer

You may agree to the fees quoted herein by (i) executing this Fee Schedule and returning it to us, (ii) closing the Transaction, or (iii) instructing us or continuing to instruct us after receipt of this Fee Schedule. Upon the earlier to occur of (i), (ii) and (iii), the fees quoted herein shall be deemed accepted by you. If you agree to the fees quoted herein, the terms of this Fee Schedule shall supersede any prior fees quoted with respect to the Transaction. BNYM may revoke the terms of this Fee Schedule if the Transaction does not close within three months from the date of this Fee Schedule. Should the Transaction fail to close for any reason, a termination fee equal to BNYM's Acceptance Fee, any external counsel fees, expenses and disbursements and all out-of-pocket expenses will apply.

Confidential Information

Except as otherwise provided by law, all information provided to you by BNYM must remain confidential and may not be intentionally disclosed, reproduced, copied, published, or displayed in any form to any third party without BNYM's prior written approval.

Miscellaneous

You shall be responsible for filing any applicable information returns with the U.S. Department of Treasury, Internal Revenue Service in connection with payments made by BNYM to vendors who have not performed services for BNYM's benefit under the various bond or note issuances or other undertakings contemplated by this Fee Schedule.

The Bank of New York Mellon Corporation is a global financial organization that operates in and provides

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services and products to clients through its affiliates and subsidiaries located in multiple jurisdictions (the "BNY Mellon Group"). The BNY Mellon Group may (i) centralize in one or more affiliates and subsidiaries certain activities (the "Centralized Functions"), including audit, accounting, administration, risk management, legal, compliance, sales, product communication, relationship management, and the compilation and analysis of information and data regarding You (which, for purposes of this provision, includes the name and business contact information for Your employees and representatives) and the accounts established pursuant to the Transaction Documents ("Your Information") and (ii) use third party service providers to store, maintain and process Your Information ("Outsourced Functions"). Notwithstanding anything to the contrary contained elsewhere in this Fee Schedule or the Transaction Documents and solely in connection with the Centralized Functions and/or Outsourced Functions, You consent to the disclosure of, and authorize BNY Mellon to disclose, Your Information to (i) other members of the BNY Mellon Group (and their respective officers, directors and employees) and to (ii) third-party service providers (but solely in connection with Outsourced Functions) who are required to maintain the confidentiality of Your Information. In addition, the BNY Mellon Group may aggregate Your Information with other data collected and/or calculated by the BNY Mellon Group, and the BNY Mellon Group will own all such aggregated data, provided that the BNY Mellon Group shall not distribute the aggregated data in a format that identifies Your Information with You specifically. You represent that You are authorized to consent to the foregoing and that the disclosure of Your Information in connection with the Centralized Functions and/or Outsourced Functions does not violate any relevant data protection legislation. You also consent to the disclosure of Your Information to governmental and regulatory authorities in jurisdictions where the BNY Mellon Group operates and otherwise as required by law.

Customer Notice Required By the USA Patriot Act

To help the U.S. government fight the funding of terrorism and money laundering activities, US Federal law requires all financial institutions to obtain, verify and record information that identifies each person (whether an individual or organization) for which a relationship is established. When you establish a relationship with BNYM, we will ask you to provide certain information (and documents) that will help us to identify you. We will ask for your organization's name, physical address, tax identification or other government registration number and other information that will help us identify you. We may also ask for a Certificate of Incorporation or similar document or other pertinent identifying documentation for your type of organization.

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EXHIBIT C
PRIVATE PLACEMENT MEMORANDUM

PRIVATE PLACEMENT MEMORANDUM DATED _____, 2020

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Bonds (defined below), Issuer Co-Bond Counsel will render their opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF CO-BOND COUNSEL.

\$38,000,000
CITY OF HOUSTON, TEXAS
Combined Utility System
Subordinate Lien Revenue Bonds,
Series 2020E (the "Bonds")

Dated: November 1, 2020

Due: November 15, as shown in Exhibit A

Interest Date: Interest on the Bonds will be payable from the Delivery Date or the most recent Interest Payment Date on November 15 and May 15 each year, commencing November 15, 2021 (each an "Interest Payment Date") until the earliest of maturity or prior redemption. The Bonds of each series will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the first day of the month immediately preceding the Interest Payment Date.

Redemption: The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS - Redemption Provisions" herein.

Authorized Denominations: The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.

Paying Agent/Registrar: The paying agent ("Paying Agent/Registrar") for the Bonds is The Bank of New York Mellon Trust Company, N. A.

Book-Entry-Only System Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Houston, Texas as the same become due and payable.

Issuer: City of Houston, Texas.

Official Action: Ordinance, dated October 14, 2020.

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Bonds: See APPENDIX B - OFFICIAL ACTION."

Ratings: The Bonds are unrated.

Delivery Date: November 17, 2020

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

City of Houston, Texas

ELECTED OFFICIALS

Sylvester Turner, Mayor

Chris B. Brown, City Controller

CITY COUNCIL

Council Member, District A	Amy Peck	Council Member, District I	Robert Gallegos
Council Member, District B	Jerry Davis	Council Member, District J	Edward Pollard
Council Member, District C	Abbie Kamin	Council Member, District K	Martha Castex-Tatum
Council Member, District D	Carolyn Evans-Shabazz	Council Member, At-Large Position 1	Mike Knox
Council Member, District E	Dave Martin	Council Member, At-Large Position 2	David Robinson
Council Member, District F	Tiffany D. Thomas	Council Member, At-Large Position 3	Michael Kubosh
Council Member, District G	Greg Travis	Council Member, At-Large Position 4	Letitia Plummer
Council Member, District H	Karla Cisneros	Council Member, At-Large Position 5	Sallie Alcorn

APPOINTED OFFICIALS

City Attorney	Ronald C. Lewis
Deputy City Controller	Charisse Page Mosely
Director, Houston Public Works	Carol Haddock
Interim City Secretary	Pat J. Daniel

CONSULTANTS AND ADVISORS

Financial Advisors	Masterson Advisors LLC TKG & Associates LLC
Co-Bond Counsel	McCall, Parkhurst & Horton L.L.P. Burney & Foreman

FINANCING WORKING GROUP MEMBERS

Legal Department	Gary L. Wood Joe Crawford Rahat Huq
Department of Finance	Melissa Dubowski Jaime Alvarez Elvira Ontiveros
Office of the City Controller	Han Au Vernon D. Davis Linjie Zhu
Houston Public Works	Samir Solanki Betsy Varghese Samiah Usmani Jennifer Nguyen Susan Lau

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**Private Placement Memorandum
relating to**

**\$38,000,000
CITY OF HOUSTON, TEXAS
Combined Utility System
Subordinate Lien Revenue Bonds,
Series 2020E (the "Bonds")**

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Bonds" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B—"FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Co-Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See "APPENDIX B - FORM OF OFFICIAL ACTION."

Authority for Issuance

The Bonds are issued pursuant to Chapter 1502, Texas Government Code, as amended; and the Official Action adopted by the Issuer.

Security for the Bonds

See "APPENDIX B - FORM OF OFFICIAL ACTION."

Redemption Provisions

The Bonds are subject to optional redemption by the City prior to maturity on November 15, 2030, or any date thereafter, in whole or in part (but if less than all the Bonds of a single maturity of a series are called for redemption, those Bonds called shall be selected by lot or other customary random method by the Paying

Agent/Registrar), at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

The Bonds may be redeemed in part only in integral multiples of \$5,000 of principal amount or maturity amount, as applicable. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of the Bonds for redemption, the Paying Agent/Registrar shall treat each Bond as representing that number of Bonds of \$5,000 denomination, which is obtained by dividing the principal amount (or maturity amount) of such Bond by \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount (or maturity amount) equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption; Selection of Bonds to Be Redeemed

See "APPENDIX B - FORM OF OFFICIAL ACTION."

Notice of any such optional redemption identifying the Bonds to be redeemed shall be sent by first-class mail, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar not less than 30 days before the date fixed for such redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid by the Paying Agent/Registrar with the funds so provided for such payment.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION."

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Settlement of Purchase of Bonds

The Texas Water Development Board (the "Board") and the Issuer intend for the delivery of the Bonds to be facilitated through the book-entry-only system of DTC. See "THE BONDS - Book-Entry-Only System." In connection with the delivery of the Bonds, a settlement agent may be used to effect the delivery of the Bonds. If such a settlement agent is used, such settlement agent (i) is being used solely to facilitate book-entry delivery of the Bonds, (ii) will be acting solely as a "Clearing DTC Participant" and not as an "underwriter" (each as defined in Section 2(a)(11) of the U.S. Securities Act of 1933, as amended, (iii) is not acting as a fiduciary or municipal advisor to the Board or the Issuer with regard to the Bonds and, accordingly, has no fiduciary duty to either the Board or the Issuer under Federal or state securities laws, and therefore is not required by federal or state law to act in the best interests of the Board or the Issuer, (iv) in providing information to either the Board or the Issuer, is not providing "advice" with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended, and that the information provided has not been relied on by either the Board or the Issuer in the issuance of the Bonds and (v) has not provided any legal, accounting, regulatory or tax advice to the Issuer.

TAX MATTERS

Opinion

Co-Bond Counsel will deliver its opinion for the Bonds on the date of delivery of the Bonds substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF CO-BOND COUNSEL."

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Bonds have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

The Bonds are unrated.

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THE CITY AND THE SYSTEM

General

The Combined Utility System of the City of Houston, Texas (the "City") established under the Master Ordinance currently consists of the City's groundwater and surface water sources and conveyance, treatment and distribution facilities (the "Water Facilities") and wastewater collection and treatment facilities (the "Sewer Facilities"). The Water Facilities and Sewer Facilities are sometimes collectively referred to as the "Water and Sewer Facilities" or the "Combined Utility System." The Combined Utility System may include other utility systems provided for in Chapter 1502, Texas Government Code, as amended, which the City may, from time to time, elect to combine with the Combined Utility System so long as the revenues of such other utility systems are included in Gross Revenues under the Master Ordinance.

Governmental Structure

The City has a mayor-council form of government in which the Mayor and the sixteen-member City Council serve as the legislative body. Eleven council members are elected by district and five council members are elected at-large. The present term of office for all elected officials expires in January 2024. Litigation is pending relating to the qualifications to hold office of one of the Council District B candidates in the election for terms of office beginning in January 2020. Pursuant to Article 16, Section 17 of the Texas Constitution and Article V, Section 5 of the City of Houston Charter, Council Member Davis, whose eligibility to serve on City Council has expired, may continue to perform the duties of his office until this litigation is finally resolved and his successor is qualified and elected. On November 3, 2015, voters approved an amendment to the City Charter ("Term Limits Amendment") that changed the number of terms of elective office to no more than two terms in the same office and limits the length for all terms of elective office to four years, beginning in January 2016. This Term Limits Amendment (codified in Article V, Sec. 6a, City Charter) also provided for a transition whereby those City elected officials elected to their first terms in office in the November 2013 election were able to serve two more four-year terms (for a potential total of 10 years in office), and those elected to their second terms in the November 2013 election were able to serve a final term of four years (for a potential total of 8 years in office).

The Mayor is the City's chief executive officer. The Mayor exercises administrative control over the City's government; presides over City Council meetings; establishes the City Council agenda; and appoints the heads of the various departments of the City, subject to confirmation by the City Council. The Mayor also is responsible for preparing and submitting the City's annual budget proposals to the City Council for adoption.

The City Controller is the City's chief financial officer. The Office of the City Controller superintends, supervises, manages and conducts the fiscal affairs of the City; maintains the books of accounts; prepares financial statements; conducts the sales of City obligations; certifies the availability of funds before the City incurs any financial obligation; and, along with the Mayor, countersigns all warrants, contracts or orders for payment of any money by the City.

Cybersecurity Initiatives of the City

Over the past five years, the City has taken several steps to enhance and protect information systems and information of the City. In addition, to help protect the City against claims and expenses due to a cybersecurity incident, the City maintains \$30,000,000 of cyber insurance.

In 2013 and 2014, the City implemented Executive Order (EO) 1-44 and Executive Order 1-48 (the "Executive Orders") respectively, authorizing the Chief Information Officer (CIO) to manage citywide IT risk and develop a city-wide information security program. The CIO designated a Chief Information Security Officer (CISO) responsible for carrying out the CIO's information security responsibilities. Specific objectives of the Executive Orders include: (i) protecting all City information and information systems in a manner that is commensurate with the security classification level, sensitivity, value, and critical nature of information; (ii) protecting information from unauthorized access, disclosure, destruction, disruption, or modification while the information is being collected, processed, transmitted, stored, or disseminated; (iii) managing all information technology that is acquired, developed, or used in support of City programs, projects, and department requirements by use of a process that covers the complete system lifecycle; (iv) managing all information systems in a cost-effective manner, guided by the application of sound

risk management processes that ensure an appropriate level of integrity, confidentiality, and availability of information in each phase of the system lifecycle; (v) conducting periodic audits of all City information systems that process, store, or transmit City data; (vi) investigating information security incidents for incident management, forensic investigations, and reports; and (vii) ensuring all basic information security policy requirements, audits, and forensic investigations are implemented across all City departments.

Among other initiatives, the CISO is in the process of implementing a comprehensive, 4-year information security master plan covering Fiscal Years 2018 through 2021. The plan is designed to identify, protect, detect, respond and recover from cyber events and incidents from nation state actors, organized criminals, hacktivist groups and insider threats. The City is in year four of the master plan and several initiatives have been completed. Certain aspects of the plan are funded and are expected to be implemented in the next several Fiscal Years.

City Charter Tax and Revenue Limitations

General. The City may limit, increase or change the revenue resources available during a given Fiscal Year, either by voter authorization as provided by the City Charter or by amending the City Charter itself. The City Charter may not be amended more frequently than once every two years. Voters of the City have imposed limits on increases in ad valorem tax revenues and other revenues in Proposition 1 (codified in Article III, Sec. 1 and Article IX, Sec. 20 of the City Charter) and Proposition 2 (codified in Article VI a, Sec. 7 of the City Charter but not effective). Voters also have increased available revenue sources in Proposition G (codified in Article IX, Sec. 21 of the City Charter) and Proposition H, which did not amend the City Charter. Notwithstanding any limitations on revenue described below, the City Charter provides that, in preparing the City's budget, provision shall first be made for the payment of debt service on the City's outstanding tax obligations, with the remaining revenues to be apportioned among the City's respective departments. In future Fiscal Years, the amount of the tax levy allocated to debt service may need to be increased, reducing the amount allocable for the delivery of essential governmental services if there is no corresponding increase in the overall tax levy or other revenues.

Proposition 1 and Proposition 2 (2004). In 2004, voters approved Proposition 1 (Article III, Sec. 1 and Article IX, Sec. 20, City Charter) in order to limit increases in (i) the City's ad valorem tax revenues by requiring voter approval for increases in ad valorem taxes in future years above a limit equal to the lesser of the actual revenues in the preceding Fiscal Year, plus 4.5%, or a formula that is based upon the actual revenues received in Fiscal Year 2005 adjusted for the cumulative combined rates of inflation and the City's population growth; and (ii) water and sewer rates (i.e., the City's Combined Utility System) by limiting rate increases to the combined increases in the rates of inflation and population growth, excluding rate increases required by certain bond covenants and rates established by contract, unless approved by the voters. At the same election, the voters also approved Proposition 2 (City Charter Article VI-a, Sec. 7), which proposed to limit increases in the City's "combined revenues," which would include revenues of the General Fund, Special Funds and Enterprise Funds. Based on the specific language of Proposition 1 and Proposition 2, the number of votes for each proposition, and the language of the City Charter, the City declared that Proposition 2 was not effective.

Proposition 2 Litigation. Supporters of Proposition 2 filed a lawsuit to declare Proposition 2 effective. After protracted litigation, on August 26, 2011, the Texas Supreme Court vacated the judgment of the trial court (for lack of ripeness) without reference to the merits and dismissed the case for want of jurisdiction. In April 2014, the suit was refiled. The court granted the City Defendant's Motion for Summary Judgment on September 16, 2019 and denied plaintiffs' Motion for Summary Judgment. On October 4, 2019, the trial court held a bench trial on the remaining issues. On October 29, 2019, the trial court held for the City Defendants, ordering that the plaintiffs take nothing. The plaintiff has challenged the trial court's disposition.

Propositions G and H. In response to Proposition 1 and Proposition 2, the City held an election on November 7, 2006, at which the voters approved Proposition G and Proposition H, which are currently effective. Proposition G amended the City Charter to exclude revenues of the City's enterprise systems (i.e., Combined Utility System, Houston Airport System and the Convention and Entertainment Facilities Department) from the types of revenues limited under the City Charter. Voter approval of Proposition G removed the enterprise systems from the revenue limitations of Proposition 2, although the limitation on water and sewer rate increases included in Proposition 1 remains in effect. Proposition H allows the City to collect and spend up to \$90 million of revenue, over and above any Proposition 2 limitations, for increased police, fire and emergency medical services and related matters. The amount collected and

spent in each year becomes part of the base revenue calculations for the following year. Propositions G and H are incorporated into the City's Financial Policies (defined below), and the City has collected revenues and made expenditures for public safety purposes in compliance with Proposition H.

Impact of Proposition I and Proposition H on Future Fiscal Years. In Fiscal Year 2015, the City reduced its tax rate to address Proposition I and Proposition H limitations; however, the City did not budget above this cap and, therefore, did not have to reduce its revenues from budget. The City is expecting Proposition I and Proposition H to impact future budgets and, as a result, all five-year forecasts are now relying on projections of CPI plus population growth to project ad valorem revenue growth.

Drainage Utility Fee and Pay-As-You-Go Fund Assessments and Litigation

In 2011, City Council passed an ordinance that imposed an assessment upon benefitted property that receives drainage services (the "Drainage Utility Fee") to help provide for the provision, maintenance and improvement of the City's drainage and street drainage systems. Certain properties are exempt from the Drainage Utility Fee, including State government agency facilities, public and private institutions of higher education, and existing churches. Exempted properties are estimated to be approximately 2.55% of the drainage service area.

The Drainage Utility Fee is deposited into a segregated drainage account in the "Dedicated Pay-As-You-Go Fund for Drainage and Streets" (the "Pay-As-You-Go Fund") which also includes ad valorem tax revenue, certain grants, and a developer impact fee. All funding in the Pay-As-You-Go Fund that is not derived from ad valorem taxes is excluded from the revenue limitations in the City Charter.

Drainage Utility Fee Litigation. In 2012, the owners of three apartment complexes filed a lawsuit against the City and the Director of Houston Public Works in their official capacity, challenging the validity of the Drainage Utility Fee and alleging ultra vires actions by the Director. The City filed a plea to the jurisdiction seeking dismissal of the suit. The City's plea was granted in part and denied in part. The apartment complexes' remaining ultra vires claims, declaratory judgment claims, and constitutional challenges to the ordinance remain pending in the district court. The apartment complexes appealed, the court of appeals affirmed the trial court's decision and the Supreme Court denied review.

Three railroad companies had intervened in the lawsuit to challenge the Drainage Utility Fee but, on the City's motion, the court struck the railroad companies' intervention. The railroad companies then filed their own lawsuit challenging the validity of various aspects of the assessment of the Drainage Utility Fee, alleging ultra vires and constitutional claims, and asking for injunctive relief and attorneys' fees. The City filed a plea to the jurisdiction on all of the railroads' claims, including the ultra vires claims. The plea was granted by the district court but the portion of the plea on the ultra vires claims was denied on appeal by the Texas Supreme Court. The railroad companies' ultra vires claims are currently pending in the district court.

A small business filed a lawsuit contending that the City and Mayor Sylvester Turner and the Director of Houston Public Works in their official capacities have illegally assessed, collected and spent hundreds of millions of dollars for drainage and street repairs from Houston taxpayers and landowners for the past seven years, pursuant to a void Charter Amendment and/or a void City Ordinance. The case was abated pending the resolution of a similar case challenging the drainage fee ordinance.

An additional lawsuit has been filed against the City seeking a declaratory judgment that the Drainage Utility Fee is illegal and asking that the City reimburse residents who have paid the fee in prior years. The lawsuit seeks to certify such residents as a class. The trial court dismissed the case; the plaintiff has appealed and the dismissal of the case was affirmed on appeal. The plaintiff's deadline for filing a petition for review in the Texas Supreme Court has not yet passed. Plaintiffs filed a petition for review and the Court has asked the City for a response.

Jones v. Turner. On October 21, 2019, taxpayers filed suit in state district court alleging miscalculation by the City of required ad valorem tax contributions to Pay-As-You-Go-Fund resulting in alleged underpayments into the fund. The plaintiffs seek declaratory relief, an injunction, mandamus relief, attorneys' fees, and any other relief to which they may be entitled. The trial court denied the City's plea to the jurisdiction in December 2019, and that denial is currently on appeal to the Fourteenth Texas Court of Appeals.

The revenues the City derives from the Drainage Utility Fee are not considered Gross Revenues or Net Revenues and are not pledged to repay the Bonds. However, the City cannot reasonably predict the impact of the Texas Supreme Court's decisions or other pending litigation on the future of the System's funding of the City's drainage programs' annual operating and maintenance expenses.

EFFECT OF COVID-19 OUTBREAK ON THE SYSTEM

Houston Public Works is closely monitoring what financial impact, if any, the COVID-19 outbreak and the current economic conditions may have on the System. The current spread of COVID-19 appears to be altering the behavior of businesses and people in a manner that may have negative effects on global and local economies. One immediate impact of COVID-19 is that the City has temporarily suspended water service disconnection and late fees for unpaid bills throughout the City. Additionally, financial markets in the U.S. and globally have seen significant recent volatility attributed to concerns about COVID-19. The pandemic's short-term and long-term impacts are uncertain at this time. The System cannot predict the ultimate effect that the COVID-19 outbreak may have on its financial and operating conditions or an investment in the Bonds.

LITIGATION

General Litigation, Labor and Employment, and Other Claims

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. That litigation includes lawsuits claiming damages that allege that the City caused personal injuries and wrongful deaths; class actions and other lawsuits and claims alleging discriminatory hiring and promotion practices and certain civil rights violations arising under the Federal Voting Rights Act; various claims from contractors for additional amounts under construction contracts; claims involving property tax assessments; suits over the validity of City ordinances and over their enforcement; suits alleging non-compliance with certain federal and state environmental statutes; and various other liability claims. The status of such litigation ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and is subject to appeal. The City intends to defend itself vigorously against the suits; however, no prediction can be made, as of the date hereof, with respect to the liability of the City for such claims or the final outcome of such suits.

The City is also aware that various claims for inverse condemnation have been and may be asserted against the City in connection with the City's operations, the aggregate amounts of which are unknown. The City intends to defend itself vigorously against all such inverse condemnation claims; however, the City's liability with respect to these claims cannot be predicted.

Firefighter Litigation Regarding Pension Reform Legislation. The City currently is involved in lawsuits against the Houston Firefighters' Relief and Retirement Fund (the "Firefighter Fund"). The City does not believe that the outcome of any of the lawsuits related to the Firefighter Fund would have a material effect on the Combined Utility System because the Combined Utility System does not contribute to the Firefighter Fund.

In Houston Firefighters' Relief and Retirement Fund v. City of Houston, et. al., filed on May 30, 2017, the Firefighter Fund sued the City and various City officials asserting a facial challenge to the constitutionality of the Pension Reform Legislation passed in the 2017 legislative session and sought injunctive relief and declaratory judgment in respect to such legislation. Specifically, the Firefighter Fund alleged that the Pension Reform Legislation violates Article XVI, Section 67 of the Texas Constitution because it allegedly violates the Firefighter Fund's Board of Trustee's "exclusive" authority to select an actuary, and adopt actuarial assumptions regarding the City contribution rates. The Attorney General of Texas intervened to defend the constitutionality of the Pension Reform Legislation. On June 30, 2017, the district court judge sustained all the City defendants' Pleas to the Jurisdiction, ordered that the case be dismissed in its entirety, and, in the alternative, should the dismissal be found to have been granted in error, denied the Firefighter Fund's request for a temporary injunction. On June 20, 2019, the Court of Appeals ruled in favor of the City and City officials and affirmed the trial court's dismissal of all claims against them. The Firefighter Fund filed a petition for review in the Supreme Court seeking to challenge the appeals court ruling. On November 8, 2019, the Supreme Court requested the City parties to respond to the petition which they did in early January. On July

26, 2019, HFRRF filed a separate, as-applied constitutional challenge to the Pension Reform Legislation largely asserting the same allegations and arguments as the facial challenge in the first suit. On March 13, 2020, the Supreme Court denied the petition for review filed by the Firefighter Fund and the deadline for it to file any motion for rehearing has passed. The second suit by the Firefighter Fund raising the as-applied constitutional challenge remains pending. The City parties recently filed a plea to the jurisdiction and motion for summary judgment that are set for hearing by the trial court on September 21, 2020. The Firefighter Fund has also filed its own motion for summary judgment. The City intends to continue to vigorously defend this litigation.

Litigation Regarding HMEPS. The City is also currently involved in a lawsuit involving the Municipal System. Before this current suit, on March 20, 2015, the Texas Supreme Court issued its opinion in *Klumb v. Houston Municipal Employees Pension System* (“*Klumb*”). At issue in the case was whether the board of HMEPS violated the HMEPS Statute by resolving that employees of certain local government corporations and not-for-profit corporations are employees of the City for purposes of membership in the Municipal System. The Texas Supreme Court found, among other things, that the HMEPS board’s actions were within its “broad discretionary authority” under the HMEPS Statute, and thus held that the City and individual plaintiffs there “failed to plead actionable ultra vires and constitutional claims against the Municipal System and the Trustees.” Following the issuance of the Texas Supreme Court’s ruling in *Klumb*, the Municipal System asked the City to turn over certain identifying information and make pension contributions for employees of the local government corporations and not-for-profit corporations at issue in that case. On June 18, 2015, the Municipal System initiated a new lawsuit, seeking mandamus relief and asserting an ultra vires action against the City, the Mayor and several other City officers. The City filed a counterclaim against HMEPS and third-party claim against the HMEPS board members alleging breach of the “meet and confer” agreement and other claims related to the Municipal System’s definition of “employee.” The Municipal System parties filed a motion for summary judgment and the City defendants filed a plea to the jurisdiction. In October 2015, the trial court denied the plea to the jurisdiction, and the City defendants filed an interlocutory appeal. The trial court did not rule on the summary judgment motion filed by the Municipal System parties. The Court of Appeals affirmed in part, reversed in part, rendered judgment in part, and remanded with instructions in part. The denial of the City’s plea was reversed in part and affirmed in part by the Court of Appeals. The City defendants and the Municipal System each filed a petition for review in the Texas Supreme Court. In June 2018, the Texas Supreme Court ruled mostly in favor of HMEPS in a decision that affirmed in part, reversed in part, rendered judgment in part, and remanded the case in part back to the trial court for further proceedings. On October 12, 2018, the trial court denied the City defendants’ Plea to the Jurisdiction and granted the HMEPS parties’ Motion for Summary Judgment, with the exception of HMEPS’s request for an award of attorneys’ fees. The trial court severed the attorneys’ fees issue from the case to proceed to trial as a separate case. In October 2018, the City parties filed a notice of appeal of the trial court’s order for severance and the judgment. The City parties also filed an original petition in the Court of Appeals seeking a writ of mandamus compelling the trial court to set aside its severance order and final judgment in favor of the HMEPS parties. On March 26, 2019, the Court of Appeals consolidated the appeal and mandamus into a single proceeding and cause number. The parties then settled HMEPS’s claim for mandamus relief and request for attorney fee recovery under the TPIA and the City provided information sought by HMEPS for the purposes of evaluating possible settlement of the rest of the dispute. As part of the settlement, the parties also requested the appeals court to dismiss the City’s mandamus petition in that court challenging the trial court’s severance of the attorney fee issue and likewise requested the appeals court to abate the direct appeal to allow the parties time to evaluate possible settlement of the rest of the dispute. The appeals court granted the request, dismissed the mandamus petition by the City, and abated the direct appeal. The abatement ended on February 10, 2020. The parties have all filed their briefs in the appeal. They are also in the process of working on a possible settlement of the rest of the dispute. The case remains pending in the Court of Appeals for decision. The City intends to continue to vigorously defend this litigation in the event no such settlement occurs.

Allens Creek Reservoir Forced Sale and Litigation. H.B. 2846, passed during the 86th Session of the Texas Legislature and signed into law on June 2, 2019, mandates that the City sell its ownership interest in Allens Creek Reservoir to the Brazos River Authority at or below a capped price of \$23 million. The City has filed a suit in state district court in Travis County seeking a declaratory judgment that H.B. 2846 is invalid and unenforceable because it violates the Texas Constitution. In particular, H.B. 2846 requires an unconstitutional forced sell of property and is an unconstitutional local law. In addition, it is a retroactive law and, in violation of the Texas Constitution, imposes debt on the Brazos River Authority. Finally, the City seeks a declaratory judgment that H.B. 2846 is void because the state lacks legal authority to force the City to enter into a specific contract to sell vested water rights. The trial court granted the City’s Motion for Summary Judgment and ruled that H.B. 2846 is unconstitutional and void. Brazos River Authority filed a Notice of Appeal, and the case is currently pending in the Third Texas Court of Appeals.

State Legislation

Although the City is a home-rule city under the Texas Constitution, it may not adopt ordinances or charter provisions inconsistent with Texas law. The Texas Legislature may enact legislation that (i) materially increases the costs and expenditures of the City or (ii) reduces the ability of the City to collect ad valorem taxes or System revenues described herein. Under the Texas and United States Constitutions, the Texas Legislature may not, however, enact legislation that impairs the City's ability to pay principal of and interest on its indebtedness.

In between regular sessions, the Governor could elect to call one or more special sessions before the next regular session for the purpose of considering specific topics. It is currently anticipated that the Governor may call a special session to consider budget related matters.

No-Litigation Certificate

On the date of delivery of the Bonds to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made an agreement to periodically disclose certain information for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to certain other information vendors. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

Compliance with Prior Undertakings

On November 1, 2019, the City filed disclosures (the "Summarized Update") describing its compliance with its continuing disclosure undertakings during the previous five years, including certain filings with respect to the System Bonds, which disclosures are available by accessing the following link to EMMA (<https://emma.msrb.org/IssuerHomePage/Issuer?id=4DC16AA7A14478B8600650A121DC7042&type=G>) and locating the Summarized Update under the "Event-Based Disclosures" tab under the link "Other Event-based Disclosures: Summarized Update of Previous Disclosure Filings." The content of the Summarized Update is incorporated herein by reference.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

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ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

APPENDIX A
MATURITY SCHEDULE

SERIES 2020E BONDS

<u>Maturity Date (November 15)</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>CUSIP Number</u>
11/15/2021	\$ 1,120,000	0.120%	
11/15/2022	1,120,000	0.140%	
11/15/2023	1,125,000	0.170%	
11/15/2024	1,125,000	0.220%	
11/15/2025	1,130,000	0.270%	
11/15/2026	1,135,000	0.400%	
11/15/2027	1,140,000	0.530%	
11/15/2028	1,145,000	0.630%	
11/15/2029	1,155,000	0.760%	
11/15/2030	1,165,000	0.840%	
11/15/2031	1,175,000	1.110%	
11/15/2032	1,190,000	1.330%	
11/15/2033	1,205,000	1.510%	
11/15/2034	1,225,000	1.580%	
11/15/2035	1,250,000	1.660%	
11/15/2036	1,275,000	1.730%	
11/15/2037	1,300,000	1.780%	
11/15/2038	1,330,000	1.820%	
11/15/2039	1,360,000	1.860%	
11/15/2040	1,390,000	1.900%	
11/15/2041	1,420,000	2.340%	
11/15/2042	1,450,000	2.340%	
11/15/2043	1,480,000	2.340%	
11/15/2044	1,510,000	2.340%	
11/15/2045	1,540,000	2.340%	
11/15/2046	1,575,000	2.480%	
11/15/2047	1,615,000	2.480%	
11/15/2048	1,655,000	2.480%	
11/15/2049	1,695,000	2.480%	

APPENDIX B
FORM OF OFFICIAL ACTION

APPENDIX C
FORM OF OPINION OF CO-BOND COUNSEL

_____, 2020

City of Houston, Texas
Houston, Texas

Texas Water Development Board
Austin, Texas

CITY OF HOUSTON, TEXAS
COMBINED UTILITY SYSTEM SUBORDINATE LIEN
REVENUE BONDS, SERIES 2020E

AS CO-BOND COUNSEL for the City of Houston, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which Bonds are issued in the aggregate principal amount of \$38,000,000. The Bonds bear interest from their date of delivery and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified in the Bonds, all in accordance with the ordinance of the City authorizing the issuance of the Bonds (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the Constitution and Statutes of the State of Texas, the City Charter of the City, certified copies of the proceedings of the City Council of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SUCH EXAMINATION, it is our opinion that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds are valid and legally binding obligations of the City in accordance with the terms and conditions thereof, except to the extent that the enforcement of the rights and remedies of the owners thereof may be limited by laws relating to bankruptcy, insolvency, reorganization, or moratorium or other similar laws affecting the rights of creditors, or the exercise of judicial discretion in accordance with general principles of equity; the Bonds have been authorized in accordance with law; and the Bonds, the outstanding combined utility system subordinate lien revenue bonds, and any additional combined utility system subordinate lien revenue bonds hereafter issued on a parity therewith are payable from and are secured by a lien on the "Pledged Revenues" received and collected by the City and deposited to the City's General Purpose Fund after certain required payments with respect to water and sewer system bonds issued and to be issued by the City and payment of all maintenance and operation expenses of the "System" from the operation and ownership of the "System" as defined and provided in the Ordinance. The holder or holders of the Bonds shall never have the right to demand payment out of money raised or to be raised by taxation.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain

covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as co-Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the availability and sufficiency of the Pledged Revenues.

Respectfully,