

In the opinion of Bond Counsel, interest on the Notes is excludable from gross income for federal income tax purposes under existing law subject to matters described under "TAX EXEMPTION" herein. See "TAX EXEMPTION" herein for a discussion of the opinion of Bond Counsel.

May 24, 2019

COMMERCIAL PAPER OFFERING MEMORANDUM

\$75,000,000

City of New Braunfels, Texas
Utility System Commercial Paper Notes, Series 2019A
(Supported by a Revolving Credit Agreement from
JPMorgan Chase Bank, N.A.)

This Commercial Paper Offering Memorandum (the "Offering Memorandum") contains certain information for general reference only; it is not a summary of the terms of the City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A (the "Notes"). Information essential to the making of an informed decision with respect to the Notes may be obtained in the manner described herein under "ADDITIONAL INFORMATION." All references to the documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced which may be obtained in the manner described herein under "ADDITIONAL INFORMATION." The information in this Offering Memorandum is subject to change without notice and future use of this Offering Memorandum shall not otherwise create any implication that there has been no change in the matters referred to in this Offering Memorandum.

The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon an exemption from registration contained in the Securities Act.

- Issuer:** City of New Braunfels, Texas (the "City") acting through New Braunfels Utilities ("NBU")
- Purpose:** The proceeds of the Notes will be used to provide interim financing to pay Project Costs for Eligible Projects and to refund obligations issued in connection with Eligible Projects.
- Security:** The Notes are secured by a pledge of the Net Revenues of the System subject and subordinate to the prior lien on and pledge of the Net Revenues to the payment and security of the Senior Lien Obligations (defined in the Ordinance), and supported as to principal repayments by the Revolving Credit Agreement.
- Liquidity Facility:** Liquidity support for the Notes is provided by JPMorgan Chase Bank, N.A. (the "Bank") pursuant to a Revolving Credit Agreement dated as of March 25, 2019 and effective as of May 29, 2019, pursuant to which the Bank has agreed to make revolving credit loans up to the commitment amount, together with the commitment on Series B Notes (defined herein) of \$75,000,000 (the "Revolving Credit Agreement"). The Revolving Credit Agreement will expire on May 29, 2022. **Prospective Note purchasers are advised that upon the occurrence of a Special Event of Default or a Suspension Event under the Revolving Credit Agreement, the obligations of the Bank to make Advances under the Credit Agreement to pay the principal on such maturing Notes, as well as other "Loans" thereunder shall automatically and immediately terminate or be suspended and the obligations under the Revolving Credit Agreement may be declared immediately due and payable.** (See "DESCRIPTION OF REVOLVING CREDIT AGREEMENT" and "APPENDIX A - FORM OF REVOLVING CREDIT AGREEMENT.")
- Ratings:** "P-1" by Moody's Investors Service ("Moody's")
"A-1+" by S&P Global Ratings ("S&P")
- Form of Notes:** The Notes will be issued as book-entry obligations registered in the name of The Deposit Trust Company ("DTC") or its nominee. The Notes may be issued in denominations of \$100,000 and any integral multiple of \$1,000 in excess of \$100,000.
- Interest:** The Notes shall bear interest based on a 365 or 366 day year, as appropriate, for the actual number of days elapsed.
- Maturity:** The Notes shall mature on such dates as NBU may establish, provided that no Note shall mature more than 270 days from the date of issuance thereof and in all events, mature not less than five Business Days before the expiration of the then existing liquidity facility.
- Tax Matters:** See "TAX EXEMPTION" herein for a discussion of the opinion of Bond Counsel.
- Bond Counsel:** Norton Rose Fulbright US LLP
- Issuing/Paying Agent:** Zions Bancorporation, N.A., Amegy Bank Division
- Dealer:** Piper Jaffray & Co.

This cover page contains certain information for quick reference only and is neither intended nor is it a summary of this issue. Investors must read the entire Offering Memorandum, including its appendices and any other documents incorporated into it by reference.

The information in this Offering Memorandum has been obtained from the City, the Bank, DTC, Bond Counsel and other sources believed to be reliable but such information is not guaranteed as to accuracy or completeness. The references herein to documents and agreements, including but not limited to the Ordinance, the Issuing and Paying Agent Agreement, the Notes, and the Revolving Credit Agreement do not purport to be complete or definitive, do not constitute summaries thereof and are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

No dealer, salesperson, or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the City or any other person.

The information and expressions of opinion in this Offering Memorandum are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale hereunder shall under any circumstances create the implication that there has been no change in the matters referred to in this Offering Memorandum since the date hereof.

This Offering Memorandum is not to be construed as a contract between the City and the purchasers of the Notes. This Offering Memorandum does not constitute an offer to sell securities in any jurisdiction to any person to whom it is unlawful to make such offers. Prospective purchasers of the Notes are expected to conduct their own review and analysis before making an investment decision.

The Notes are exempt from the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein, and have not been registered or qualified under the securities laws of any state. The Notes have not been recommended by any federal or state securities commission or regulatory commission. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFERING MEMORANDUM CONSTITUTE "FORWARD LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, SUBJECT TO ANY CONTRACTUAL OR LEGAL RESPONSIBILITIES TO THE CONTRARY.

Other than with respect to information concerning the Bank contained in the "Description of the Bank" in this Offering Memorandum, none of the information in this Offering Memorandum has been supplied or verified by the Bank and the Bank does not make any representation or warranty, express or implied, as to

- the accuracy or completeness of information it has neither supplied nor verified,
- the validity of the Notes, or
- the tax-exempt status of the interest on the Notes.

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THE COMMERCIAL PAPER NOTES

The Notes are authorized and issued pursuant to the Constitution and general laws of the State, particularly Texas Government Code, Chapter 1371, as amended (the "Act"), and an ordinance (the "Ordinance") passed by the City Council on March 25, 2019. The Notes, together with the principal amount of the Series 2019B Notes, may be outstanding in an aggregate principal amount that does not exceed a combined total of \$75,000,000. The proceeds of the Notes will be used by NBU to provide interim financing to pay Project Costs for Eligible Projects and to refund obligations issued in connection with Eligible Projects. "*Project Costs*" shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering and legal costs, acquisition costs of land, interests in land, rights-of-way and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, financing costs (including interest on obligations during the constitutionally permitted time period, and payments on credit agreements during and after construction, underwriter's discount and/or fees for legal, financial, and other professional services). A Project Cost incurred before the issuance of the Notes issued to finance the related Eligible Project may be reimbursed from proceeds from the sale of the Notes, and such reimbursement shall be a "Project Cost." "*Eligible Project*" shall mean the acquisition or construction of improvements, additions or extensions to the System, including capital assets and facilities incident and related to the operation, maintenance and administration thereof, all as provided in the Act.

The Ordinance authorizes the issuance of the City's commercial paper notes in multiple series, as further described herein. Initially, the City has provided for the issuance of tax-exempt commercial paper notes designated as Series 2019A and Series 2019B. The Series 2019A Notes (described herein as the "Notes") are authorized to be publicly marketed and sold as herein described, and are the subject of this Offering Memorandum. The Series 2019B Notes are to be directly placed with the Bank by private sale pursuant to the terms of a separate note purchase agreement (the "Series 2019B Note Purchase Agreement"), the term of which runs concurrently with the Revolving Credit Agreement, and are not currently eligible to be publically marketed and sold. The City will initially issue, and the City expects the same to remain outstanding for the duration of the term of the Series 2019B Note Purchase Agreement, \$250,000 in Series 2019B Notes, which such Series 2019B Notes the Bank will purchase pursuant to the aforementioned Series B Note Purchase Agreement (such purchase reducing the amount of credit and liquidity support for the Notes under the Revolving Credit Agreement by \$250,000 to \$74,750,000).

Security for the Notes. The Notes are secured by a pledge of the Net Revenues of the System subject and subordinate to the prior lien on and pledge of the Net Revenues to the payment and security of the Senior Lien Obligations (defined in the Ordinance), and supported by the Revolving Credit Agreement.

"*Net Revenues*" shall mean for any period of time the Gross Revenues of the System less the Maintenance and Operating Expenses incurred during such period.

"*Gross Revenues*" shall mean for any period all revenue during such period in respect or on account of the operation or ownership of the System, excluding (i) refundable meter deposits, (ii) restricted gifts, (iii) grants in aid of construction, (iv) any amounts payable to the United States as rebate pursuant to the provisions of the Senior Lien Obligations Ordinances and Section 4.8 of the Ordinance, (v) any impact fees charged by the System pursuant to the provisions of Chapter 395, as amended, Texas Local Government Code and earnings and income derived from the investment or deposit of money in any project fund and, the Reserve Fund, but including earnings and income derived from the investment or deposit of money in the Bond Fund (as defined in, and created pursuant to, the Senior Lien Obligations Ordinances), the Reserve Fund after it contains the Required Reserve, and any earnings and income from any special fund or account created and established for the payment or security of any Senior Lien Obligations and Subordinate Lien Obligations of the City related to the System (unless the ordinance which authorizes the issuance of any such obligations specifically provides that any such earnings and income are to be deposited to another fund or account other than the System Fund).

“*Maintenance and Operating Expenses*” shall mean all current expenses of operating and maintaining the System not paid from the proceeds of any Debt (as defined in the Ordinance), including (i) the cost of all salaries, labor, materials, repairs, and extensions necessary to render efficient service, but only if, in the case of repairs and extensions, they are, in the judgment of the Board (reasonably and fairly exercised), necessary to maintain operation of the System and render adequate service to the City and the inhabitants thereof and other customers of the System, or are necessary to meet some physical accident or condition which would otherwise impair the payment of Debt, (ii) payments to pension, retirement, health, hospitalization, and other employee benefit funds for employees of the Board engaged in the operation or maintenance of the System, (iii) payments under contracts for the purchase of water supply, treatment of sewage, or other materials, goods, or services for the System to the extent authorized by law and the provisions of such contract, (iv) payments to auditors, attorneys, and other consultants incurred in complying with the obligations of the City or the Board, (v) the payments made on or in respect of obtaining and maintaining any Credit Facility, and (vi) any legal liability of the City or the Board arising out of the operations, maintenance, or condition of the System, but excluding any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on any Debt.

The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any other property of the City or the System. The Notes are payable solely from the sources identified in the Ordinance securing the payment thereof, and the holder of any Note shall never have the right to demand payment of this obligation from any funds raised or to be raised by taxation or from any other source or properties of the City or the System except as identified in the Ordinance.

The Notes will be issued as book-entry obligations evidenced by a master note registered in the name of DTC or its nominee. The Notes may be issued in denominations of \$100,000 and any integral multiple of \$1,000 in excess of \$100,000, with interest payable at maturity, and shall mature on such dates as the City may establish, *provided* that no Note shall mature more than 270 days from the date of issuance thereof and in all events, mature not less than five Business Days before the expiration of the then existing letter of credit. The Notes are payable at the principal office of Zions Bancorporation, National Association, Amegy Bank Division, a national banking association as issuing and paying agent (the *Issuing and Paying Agent*”), except when the Notes are issued as book-entry obligations. See “DTC’S BOOK-ENTRY SYSTEM” herein.

DESCRIPTION OF REVOLVING CREDIT AGREEMENT

The form of the Revolving Credit Agreement is attached hereto as Appendix A. All references herein to the Revolving Credit Agreement are qualified in their entirety by reference to the Revolving Credit Agreement. Any capitalized terms in this section that are not defined shall have the meaning given such term in the Revolving Credit Agreement.

Stated Amount. In order to support the payment of the principal of the Notes the same shall become due and payable pursuant to the provisions of the Ordinance, the Bank will enter into the Revolving Credit Agreement in the stated amount of \$75,000,000, of which \$75,000,000 may be drawn for the payment of principal of the Notes when due, and \$-0- may be drawn for the payment of interest on the Notes when due. The Stated Amount of the Revolving Credit Agreement will be reduced by the amount of any drawing thereunder and any principal amount of the Series B Notes purchased by the Bank, and reinstated upon reimbursement of the amount so drawn by the City or with the proceeds of Notes issued under the Ordinance or by repayment of the Series B Notes.

Under the Revolving Credit Agreement the Bank provides liquidity support for the principal of matured Notes in the amount of \$75,000,000. However, such amount is reduced by the principal amount of Series B Notes issued and directly purchased by the Bank pursuant to the Series 2019B Note Purchase Agreement. At the time of the issuance of the Notes, the City will issue \$250,000 in Series B Notes resulting \$74,750,000 in Available Commitment (defined herein) for the Notes. The amount of Available Commitment for the Notes under the Revolving Credit Agreement may be adjusted from time to time in

relation to the principal amount of Series B Notes purchased by the Bank pursuant to the related Series 2019B Note Purchase Agreement.

The amount of credit and liquidity support for the Notes under the Revolving Credit Agreement may be adjusted from time to time as follows (as so adjusted, the “Available Commitment”) (a) downward in an amount equal to the principal amount of each Loan made under the Revolving Credit Agreement and the principal amount of Series 2019B Notes purchased by the Bank from time to time pursuant to the Series 2019B Note Purchase Agreement; (b) downward by the amount of any reduction in the Commitment pursuant to Section 2.06 or 6.01 of the Revolving Credit Agreement; and (c) so long as the Revolving Credit Period has not terminated, upward in an amount equal to the principal amount of any Loan that is repaid pursuant to the terms of the Revolving Credit Agreement and the principal amount of any Series 2019B Notes repaid pursuant to the Series 2019B Note Purchase Agreement; provided, that, after giving effect to any such adjustment to the Available Commitment shall never exceed \$75,000,000 or the Commitment from time to time in effect. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

No amount is available under the Credit Agreement to pay accrued interest on the Notes.

Term. The Revolving Credit Agreement expires May 29, 2022, unless earlier terminated in accordance with its terms as hereinafter described, and unless such expiration date is extended by the Bank in accordance with the terms of the Revolving Credit Agreement.

Loan Advances under the Revolving Credit Agreement. The Issuing and Paying Agent is authorized to make requests for Loan Advances under the Revolving Credit Agreement in accordance with its terms. If demand for payment under the Revolving Credit Agreement is properly presented as provided therein and in conformity with the requirements thereof, payment shall be made by the Bank to the Issuing and Paying Agent, in immediately available funds, at such times as provided in and in accordance with the provisions of the Revolving Credit Agreement. All payments made by the Bank under the Revolving Credit Agreement shall be made with the Bank’s own funds.

The obligation of a Bank to make any Loans under the Revolving Credit Agreement is subject to receipt by the Bank of a written borrowing request and a determination at such time that no Special Event of Default or Suspension Event (each as defined in each Credit Agreement) has occurred and is continuing.

Under the Revolving Credit Agreement, the Bank may deliver a notice (a “No-Issuance Notice”) at any time that the Bank shall have determined that (a) a Default (as defined in the Revolving Credit Agreement) shall have occurred and be continuing; or (b) the representations and warranties of the City set forth in the Revolving Credit Agreement are not true and correct in all material respects on and as of the date of the No-Issuance Notice. Upon receipt of a No-Issuance Notice, the City must not issue any additional Notes unless and until the No-Issuance Notice is rescinded by the Bank in writing. Such No-Issuance Notice in and of itself will not render the Revolving Credit Agreement ineffective, provided, however, the Bank is not required to make loans under the Revolving Credit Agreement for Notes issued in violation of the No-Issuance Notice.

If for any reason the Bank fails to honor a properly presented request for a loan advance under the Revolving Credit Agreement, the City cannot provide any assurance that it will have sufficient funds on hand and available to make such payment of principal of and/or interest on the Notes or to make such payments in a timely manner. Prospective investors should therefore base their investment decision with respect to the repayment of the principal of the Notes primarily on the credit of the Bank, rather than on that of the City.

Events of Default and Remedies under the Revolving Credit Agreement. The Revolving Credit Agreement contains certain events of default by the City, including, but not limited to, a failure by the City to pay the Bank for a loan under the Revolving Credit Agreement when due or to pay, remit or deposit funds as required by the Notes, the Ordinance, or the Revolving Credit Agreement, payment default or other default

with respect to other indebtedness, subject to such grace periods as are provided for in the Revolving Credit Agreement, voluntary or involuntary bankruptcy or insolvency of the City, or suspension or withdrawal, for credit related reasons, or a downgrade of the long-term unenhanced rating of the Senior Lien Obligations (or any other indebtedness of the City on a parity with the Senior Lien Obligations and secured by and payable from the Net Revenues) below “BBB-” (or its equivalent) by S&P Global Ratings (“S&P”) or “BBB-” (or its equivalent) by Fitch Ratings, Inc. See “APPENDIX A - FORM OF REVOLVING CREDIT AGREEMENT - Article IV Defaults and Remedies” for the full list of Events of Default.

Prospective Note purchasers are advised that upon the occurrence of a Special Event of Default or a Suspension Event under the Revolving Credit Agreement, the obligations of the Bank to make Advances under the Credit Agreement to pay the principal on such maturing Notes, as well as other “Loans” thereunder shall automatically and immediately terminate or be suspended and the obligations under the Revolving Credit Agreement may be declared immediately due and payable. See “APPENDIX A - FORM OF REVOLVING CREDIT AGREEMENT - Article IV Defaults and Remedies.”

SUBSTITUTION OF CREDIT AGREEMENT

In the Ordinance, the City has reserved the right to substitute a liquidity facility entered into pursuant to the Ordinance with another liquidity facility provided by one or more credit providers. The City shall provide written notice to the Dealer, the Issuing and Paying Agent and DTC (if the Notes are then outstanding in book-entry-only form) prior to any change in the Bank providing a credit facility or a liquidity facility in respect to the Notes. Prior to the effective date of the new credit or liquidity facility, all Notes issued that are supported by the then existing letter of credit shall have matured or appropriate provisions have been made for their payment at maturity.

DESCRIPTION OF THE BANK

The following information concerning the Bank has been provided by representatives of the Bank and has not been independently confirmed or verified by the Dealer of the City. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

JPMorgan Chase Bank, National Association*

JPMorgan Chase Bank, National Association, a national banking association (“JPMorgan Chase Bank, N.A.”), is one of the principal bank subsidiaries of JPMorgan Chase & Co. JPMorgan Chase Bank, N.A. offers a wide range of banking services to its customers both in the United States and internationally, including investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management. JPMorgan Chase Bank, N.A. is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency, a bureau of the U.S. Department of the Treasury. As of December 31, 2018, JPMorgan Chase Bank, N.A. had total assets of \$2.2 trillion and total stockholder’s equity of \$214.2 billion.

JPMorgan Chase Bank, N.A. files quarterly Consolidated Reports of Condition and Income for A Bank With Domestic and Foreign Offices (“Call Reports”) with the Federal Financial Institutions Examinations Council (the “FFIEC”). The non-confidential portions of the Call Reports can be viewed on the FFIEC’s website at <https://cdr.ffiec.gov/public>. The Call Reports are prepared in accordance with regulatory instructions issued by the FFIEC and do not in all cases conform to U.S. generally accepted accounting principles (“GAAP”).

Additional information concerning JPMorgan Chase Bank, N.A., including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed by JPMorgan Chase & Co. with the Securities and Exchange Commission (the “SEC”), as they become available, can be viewed on the SEC’s website at www.sec.gov. Those reports and additional information concerning JPMorgan Chase

Bank, N.A. can also be viewed on JPMorgan Chase & Co.'s investor relations website at <http://investor.shareholder.com/jpmorganchase>.

* The information contained in this section relates to and has been obtained from JPMorgan Chase Bank, N.A. The delivery of the Offering Memorandum shall not create any implication that there has been no change in the affairs of JPMorgan Chase Bank, N.A. since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

DESCRIPTION OF THE DEALER

Piper Jaffray & Co.

The City has appointed Piper Jaffray & Co. as its dealer for the Notes (the "Dealer"). Under the dealer agreement between the City and the Dealer, the Dealer has no commitment to purchase any of the Notes, but is obligated only to use its best efforts as an agent of the City to solicit and arrange sales of the Notes on behalf of the City. The Dealer has reviewed the information in the Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws, but it does not guarantee the accuracy or completeness of such information.

The Dealer and its respective affiliates together comprise a full service financial institution engaged in various activities in addition to its role as Dealer in the offerings described herein, which may include securities trading, investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Dealer and its affiliates may have, from time to time, performed and may in the future perform various investment banking services for the City for which they received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Dealer and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities and financial instruments which may include bank loans and/or credit default swaps) for its own account and for the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investment securities activities may involve securities and instruments of the City.

The Dealer is acting neither as a financial nor municipal advisor to the City in connection with the offer and sale of the Notes.

NEW BRAUNFELS UTILITIES

The New Braunfels Utilities ("NBU") was established in 1942 when the City Commission of New Braunfels, Texas purchased the electric transmission and distribution systems from the Public Service Company of San Antonio. In 1959, operations of the water and sewer systems were assigned to NBU by the City of New Braunfels ("City").

The complete management and control of the City's waterworks, sanitary sewer and electric systems is in the hands of the Board of Trustees of NBU (the "Utilities Board" or the "Board"), pursuant to authority contained in Texas Government Code, Section 1502.070 and by the ordinances authorizing the outstanding utility system revenue bonds, and the Charter of the City. The Board appoints a Chief Executive Officer and certain other professional consultants which are required.

NBU remains a municipally owned utility, managed and operated by the Board, consisting of four individuals appointed by the City Council of New Braunfels to five-year terms and the current mayor of the City. The elected City Council of New Braunfels maintains regulatory control by making Board appointments, approving any rate changes, and authorizing bond issues. NBU currently provides electric service in a 160 square mile territory in New Braunfels and the surrounding area. NBU provides water and sewer services within the city limits and portions of the Extra Territorial Jurisdiction. The majority of the service territories are within Comal County, with some customer service in Guadalupe County.

The present members of the Board are:

<u>Member</u>	<u>Title</u>	<u>Year Appointed</u>	<u>Term Expires</u>
John Harrell	President	2009	2019
Judith Dykes-Hoffmann, PhD	Vice President	2007	2022
Atanacio Campos	Trustee	2000	2020
Bob Gray	Trustee	2016	2021
Barron Casteel	Mayor	2015	Ex-Officio

Key members of the senior management team of NBU include the following:

Ian Taylor is Chief Executive Officer (CEO) of NBU. He joined the NBU team on October 20, 2005, as the Manager of Water Operations & Maintenance. He was promoted to Chief Engineer of Water Systems in 2009 where he was in charge of water and wastewater planning, design and analysis, and program management. Ian was appointed CEO of NBU on December 16, 2016, only the sixth CEO to lead the utilities in its 75-year history. Prior to joining NBU, Mr. Taylor was a Senior Project Manager for power transmission at the Lower Colorado River Authority. He started his career as an engineer at Motorola. Mr. Taylor holds a Bachelor of Science Degree in Mechanical Engineering from the University of Texas at Austin. Mr. Taylor serves in a number of volunteer roles including a position on the Advisory Board for the Institute for Global Business for the McCoy College of Business at Texas State University.

Ryan Kelso is Chief Operations Officer (COO) of NBU, overseeing water, wastewater, and electrical lines of business. He began his career with NBU in 2015. During Mr. Kelso's tenure with NBU, he has served as Control Center Supervisor, Systems Control Manager, and Director of Water Services. He currently serves as the executive sponsor for the NBU Aquifer Storage and Recovery project. Mr. Kelso is a graduate of Texas A&M University, with a degree in Industrial and Systems Engineering and a minor in Business Administration.

Al Kaufmann is Executive Director of Strategic Initiatives at NBU and has been with NBU since 1997. During Mr. Kaufmann's 20 years with NBU, he has served as Executive Director over multiple divisions and lines of business and currently is responsible for overseeing special projects. He is a member of the Utility Advisory Committee that was formed by the Public Utility Commission of Texas in June 2017. The committee's focus is to provide information about cyber security for smaller utilities. He holds a computer science degree from University of Houston-Victoria as well as a General Management Certification from the University of Texas. Mr. Kaufmann is heavily involved in several community and civic organizations, including NBU's employee volunteer program. He is a member of the American Public Power Association (APPA), a past chair and current member of the Texas Public Power Association (TPPA) Engineering & Operations Committee, and a current member of the TPPA Marketing & Customer Service Committee.

Dawn Schriewer is Chief Financial Officer of NBU. She oversees Accounting, Finance & Risk, Purchasing, Headwaters, and Power Supply. Ms. Schriewer graduated with a Bachelor of Business Administration in Finance & Real Estate from North Texas State University. She joined the NBU team on February 7, 2005, as the Accounting Manager. She was promoted to Director of Finance and Risk in 2010 where she was in charge of Investments, Debt and Power. Ms. Schriewer has nearly thirty years of experience in Finance and Accounting. She is also a graduate of Leadership New Braunfels.

Connie Lock is General Counsel and Chief Ethics Officer of NBU. Ms. Lock graduated with a Bachelor of Science in Accounting from Trinity University and a Juris Doctor from St. Mary's University School of Law. She was hired in 2016 as Assistant General Counsel/Senior Staff Attorney and was named General Counsel and Chief Ethics Officer in May 2017. Ms. Lock has nearly twenty years of experience in municipal law and public finance and is responsible for providing legal and ethical advice and counsel to the NBU Board of Trustees, management, and staff.

Janice Jessen, SPHR-SCP, is the Executive Director of Strategy and People at NBU. She joined the NBU team in 2008 as the Human Resource Manager. Janice oversees the NBU Human Resource Department, Learning and Development, Safety, Environmental Affairs and Fleet/Facilities. Currently, she serves on the Human Resources Advisory Board for the McCoy College of Business at Texas State University. Janice has a Master of Communication degree from Texas State University.

Melissa Krause joined NBU in December 2017 as Executive Director of Communications and External Affairs and oversees Public Affairs and Customer Service. She brings more than 25 years of award winning marketing and communications experience to NBU. She has received more than 30 marketing and communications awards throughout her career. Prior to joining NBU, she served as Director, Strategic Marketing and Communications for CHRISTUS Health for 15 years. She is active with the Greater New Braunfels Chamber of Commerce, has served on the Leadership New Braunfels Committee, Small Business Committee, a graduate of the Leadership New Braunfels program, a senior Blue Coat, and an avid supporter of Communities in Schools, CHRISTUS Santa Rosa, and New Braunfels Volunteers in Medicine. Ms. Krause is a graduate of Southwest Texas State University (now Texas State), San Marcos, Texas, with a BS in Family Consumer Science.

At July 31, 2018, NBU had a total of 283 full-time employees with a net annual payroll of \$17,696,811.

Rates

NBU staff periodically makes rate recommendations for electric, water and wastewater services based on cost of service studies. Discussion then takes place at Board meetings open to the public for the purpose of establishing a Board approved rate, which is then forwarded to the City Council. The Board requested rate is reviewed and approved by City Council through a process which includes two public readings of the proposed rate ordinance. Direct increases and decreases from NBU's power suppliers are passed on promptly to NBU customers through a power cost recovery fee until new rates can be set based on the process described above.

NBU completed a cost of service study for the electric system in 2006 which resulted in an overall 2.0% electric rate decrease. A cost of service study for water and sewer was completed in 2007. A water rate increase of 8.5% and a sewer rate increase of 8.5% were approved by City Council and went into effect on December 1, 2007. Since that date, wastewater rate increases of 7%, 3%, 3.6% and 4.5% went into effect on January 1, 2009, January 1, 2012, October 1, 2013, and October 8, 2014, respectively.

On November 9, 2015, the City Council approved the following Board rate recommendations:

- a) Electric increase of 3% on the distribution and customer charge components of a customer's bill effective December 1, 2015;
- b) Wastewater rates annual increase of 4.5% effective January 1, 2016, January 1, 2017, and January 1, 2018;
- c) Water rates annual increase of 2.5% effective February 1st from February 2016 through, and including, February 2020. On November 26, 2018, the City Council approved the Board's recommendation for a water rate increase that aggregates to six percent. The rate increase was effective December 1, 2018.

Utility Rate Regulations

Under existing law, NBU is free from the rate-making jurisdiction and control of any federal, state or local agency (other than the City). The City Council has the exclusive authority to set rates and charges for electric, water and sewer services recommended by the Board. Customers served by NBU who are beyond the city limits have the ability to petition for review of rates charged under limited and specific circumstances. The Texas Public Utility Commission would conduct the review for electric, water, and wastewater. Approximately 18% of NBU electric customers, comprising 40% of the revenues, are located outside the city

limits. The number of water and sewer customers located outside the city limits is less than 5%. Current policy of NBU is to perform separate cost of service studies for each utility and to set rates to collect revenue and pay expenses for each utility system independently.

Environmental Matters

Operating an electric, water and sewer system can have far reaching environmental ramifications with both the impact of new construction and the maintenance of existing facilities and equipment. Protecting human health and the environment is a priority for NBU and full management involvement has produced an effective compliance program.

NBU administers an EPA-approved pretreatment program under the authority of the City Municipal Code, Article V, Section 130-301, et seq. The Code of Ordinances sets forth uniform requirements for users of the sewer collection and treatment systems operated by NBU. It also enables NBU to comply with all applicable state and federal laws required by the Clean Water Act of 1977 (33 U.S.C. 1251 et seq.) and the General Pretreatment Regulations (40 CFR, Part 403).

NBU has completed a Water Pollution Abatement Plan (“WPAP”) for the stormwater pollution abatement at each of its wastewater treatment plants and updates those plans as required.

Polychlorinated biphenyls (“PCBs”) in NBU electrical equipment have been monitored for over thirty years. The program began with the identification, removal and disposal of all known PCB equipment and continues today with constant sampling and analysis to verify compliance and requires extensive record keeping activities.

NBU has operated the past 13 years with a position of Environmental Affairs Manager, who along with the other staff members bring increased emphasis, education and awareness of NBU's environmental commitment. NBU maintains a conscientious pursuit of environmental compliance, and such efforts receive the highest commitment from all levels of management and employees.

NBU has taken strong and positive actions to meet the State Energy Conservation Office (“SECO”) goals and objectives for reductions to energy consumption. Recommendations from two requested SECO audits have been evaluated and appropriately implemented for increased efficiency. NBU continues to monitor and manage internal energy consumption, as well as considers additional tools to increase energy efficiency. In addition, NBU meets and exceeds voluntary water conservation standards, as well as those established by State Legislation and Edwards Aquifer Authority mandates. These regulations are being met through an extensive offering of water conservation educational materials, web-site assistance, field water assessments, public outreach, customer incentives, and internal practices.

Most recently, NBU has established itself as an active leader in conservation management with the enactment of progressive water ordinances/drought management plan that provides for outdoor watering two times per week during non-drought stages. In addition, NBU invests in a four-member Conservation group that actively engages with the public in order to make a direct, positive and meaningful impact on the environment.

NBU's Electric System

NBU's electric system, comprising a service area of approximately 160 square miles, includes the City and the surrounding area. The electric system includes 622 miles of overhead distribution line, 304 miles of underground distribution line, ten substation/metering points on the transmission system, and other buildings, equipment, and related facilities.

As of July 31, 2018, the gross investment in the Electric System was \$248.7 million and the net investment was \$137.5 million.

The electric system's peak, occurring during the summer of 2018 was 306.7 megawatts. The electric system's substation capacity is 631.2 MVA currently and is projected to increase to 664.5 MVA by the end of fiscal year 2019 and increase to 808.1 MVA by the end of fiscal year 2023. As of July 31, 2018, there were 41,729 customer connections served from the electric system. Approximately 82% of power for distribution is purchased from various providers based on different load shapes and contract durations. The remainder is purchased from two local renewable generation facilities and one third party renewable source.

Total System Sales (millions)	\$107.5
Total System MWh Sales	1,598,405

The following table sets forth the annual megawatt-hour sales and peak demand for the ten most recently completed fiscal years of the Electric System:

<u>Year Ended July 31</u>	<u>MWh Sales</u>	<u>Peak Demand</u>
2009	1,104,589	215,295 kW
2010	1,138,764	217,965 kW
2011	1,227,844	240,109 kW
2012	1,268,084	246,380 kW
2013	1,291,324	257,164 kW
2014	1,429,897	266,642 kW
2015	1,486,036	279,817 kW
2016	1,484,725	279,855 kW
2017	1,512,675	287,963 kW
2018	1,598,405	306,719 kW

NBU's completed the addition of the Henne Substation T2 in fiscal year 2017. The project provides increased capacity and resiliency to the substation, and helps to serve expanding residential communities of Cloud Country, Crossings at Havenwood, Oak Creek, and Wasser Ranch. NBU has now completed construction of its 11th substation in the southeast area of its service territory to provide additional service capacity to the growing territory between New Braunfels and Seguin along the Highway 46 South corridor. NBU is also exploring long-term plans for the addition of a 12th substation, northwest of the City, to serve the proposed 2,400-acre Veramendi development. NBU's master plan now includes the addition of a 13th and 14th substation.

Following a system-wide, risk-based evaluation of aging electric infrastructure, completed in fiscal year 2013, NBU continues to replace aging infrastructure. In furtherance of this objective, NBU's five-year Financial and Operating Plan for fiscal years 2019 through 2023, which was approved by the Board in June 2018, includes a plan to invest 1 percent of assets each year for the replacement of aging infrastructure in each of NBU's lines of business. This amount totaled \$1.8 million for fiscal year 2018 and aggregates to \$10.7 million over the five-year period.

As part of the plan, NBU completed replacement of the Freiheit T1 Power Transformer (PWT) in April 2017, which increased unit capacity by 66 percent. The replacement is the third of a larger plan to replace all power transformers older than 40 years within the system for reasons of higher reliability, increased capacity, and lowered transformation losses. NBU is scheduled to replace two of the remaining three aging PWTs in fiscal years 2020 and 2021. As part of its aging infrastructure plan, NBU also continues to replace all aerial copper conductor within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor (ACSR). Finally, NBU is focused on replacing aging utility poles through its pole replacement project, as well as replacing legacy underground cable in both commercial and residential areas. New underground wire is minimally rated at 40-years of service compared to an estimated 20-year maximum of the replaced wire. Certain critical utility poles being installed have a service life of 80 years compared to 35 years for traditional wood poles as well.

The following table shows comparative monthly electric bills for residential customers at selected utilities:

Name of Electric Utility	January 2019 Billing for 1000 kWh
CPS Energy (San Antonio Area)	\$102.73
City of Boerne	\$106.48
Guadalupe Valley Electric Cooperative	\$107.43
City of Seguin	\$107.00
Pedernales Electric	\$106.18
Austin Energy	\$102.69
New Braunfels Utilities	\$83.87
City of Brenham	\$94.50
City of San Marcos	\$96.02
City of Fredericksburg	\$91.14

NBU is a retail provider of electric services to its customers. NBU purchases all of its power requirements from wholesale providers. NBU's electric rates are unbundled and the cost of power is passed through to its customers. The electric rates approved by city ordinance have a base cost for electric power and are reviewed monthly, and adjusted as necessary, to reflect the current cost of wholesale power purchases through the utilization of the generation cost recovery factor and the transmission cost recovery factor.

Generation Cost Recovery Factor: This fee, charged to each distribution and transmission service customer on their monthly bill for electric service is designed to adjust the cost of generation from all NBU power suppliers as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Transmission Cost Recovery Factor: This fee, charged to each distribution service customer on their monthly bill for electric service, is designed to adjust the cost of transmission services as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Sources of Power: NBU acquires power supply from various suppliers in the Electric Reliability Council of Texas (“ERCOT”) electricity market. NBU positions its power supply resources to encompass portfolio power diversification of supply from various counterparties, various tenors of contract duration and various load shapes in order to procure power for its customers that is reliable, low cost, and has reduced price volatility.

In February 1983, NBU entered into a Hydroelectric Supply Agreement with the Guadalupe-Blanco River Authority (“GBRA”) to purchase all power production from the Canyon Hydroelectric Project. In December 2012, NBU and GBRA amended the agreement which allows NBU to continue to purchase the hydroelectric power through February 2033.

In 2010, NBU contracted with Waste Management Renewable Energy, Inc. (“WMRE”) to purchase electricity from its landfill gas generation facility in Comal County, Texas. The contract is in effect until 2030, and the generation units currently have an aggregate capacity of 3.5 MW and are expected to generate approximately 26,000 MWh per year.

In 2014, NBU executed a contract with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina wind farm to provide 50 MW of wind generated electricity for 20 years from the commercial commencement of the project. The Javelina wind farm has a nameplate capacity 250 MW, and is located approximately 35 miles east of Laredo, Texas in Webb County. Commercial

commencement of the project was December 2015. This agreement represents approximately 13% of NBU's purchase power portfolio.

In 2018, NBU executed two solar power purchase agreements (PPA's) for a total of 150MW: 100MW from Longdraw Solar with Engie Longdraw Solar LLC; and 50 MW from Greasewood Solar with Concho Bluff LLC. Longdraw Solar will be located ~20 miles east of La Mesa in Borden County, TX and Greasewood Solar will be located ~15 miles southwest of McCamey in Pecos County, TX. Both PPA's have a term of 15 years with Longdraw Solar having a target commercial operation date (COD) of 7/1/2020 and Greasewood having a target COD of 1/1/2021. The Longdraw Solar and Greasewood Solar agreements represent approximately 14% and 8% of NBU's purchase power portfolio, respectively.

To minimize power portfolio risk, the NBU Board has approved a Credit Risk Policy and an Energy Risk Management Policy to provide appropriate guidelines in managing NBU's power portfolio.

All power hedge contracts are intended to cover native load requirements and are considered normal purchases and sales which do not require recognition at fair value under GASB Statement No. 62. Additional portfolio hedges are added over time as near-term hedges expire.

NBU's electric rates are unbundled into distribution charges, generation charges, and transmission charges. Distribution charges are comprised of fixed customer charges and variable kWh charges designed to recover NBU's cost to maintain its electric infrastructure and deliver reliable service to its customers. NBU, through its efficient operation, has been able to manage these costs.

The generation and transmission charges are a pass through to the customers and comprised of a base rate and an adjustable Power Cost Recovery Factor (PCRf). During FY 2018, NBU purchased for its customers 1,667,775 MWh in comparison to 1,571,020 MWh during Fiscal Year 2017, representing an increase of 96,755 MWh (or 6.2%) compared to FY 2017.

Legislation Regarding Electric Utility

In June 1999, the Texas Legislature enacted electric restructuring (SB7) allowing significant restructuring of the electric industry in Texas. On January 1, 2002, retail customers of investor owned utilities ("IOUs") were allowed to choose their electric supplier. Municipal utilities and electric cooperatives are largely exempt from the requirements of SB7. The governing bodies of municipal utilities and electric cooperatives have the sole discretion to determine whether and when to open their service territories to retail competition. Unless a municipal utility or cooperative has voted to open its territory, it is not able to compete for retail customers at unregulated rates outside its traditional service territory.

NBU has not entered the competitive electric market. NBU evaluates and directs all of its current systems, procedures and activities to ensure its business is prepared to meet the challenges of competition should it become advantageous for NBU's customers in the future.

The Energy Policy Act of 2005 (EPAcT) made significant changes in Federal Energy Reliability Commission (FERC) authority. The EPAcT had three principal policy goals in the areas of the statute that relate to FERC: 1) it reaffirmed a commitment to competition in wholesale power markets as national policy; 2) it strengthened the FERC's regulatory tools; and 3) it provided for development of a stronger energy infrastructure. The EPAcT granted FERC significant new responsibilities and authority by modifying the Federal Power Act, the Natural Gas Act and the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of FERC's responsibilities includes overseeing the reliability of the nation's electricity transmission grid. FERC approved the North American Electric Reliability Council (NERC) as the Electric Reliability Organization (ERO), and the NERC approved an independent organization within ERCOT as the Regional Reliability Organization. This organization within ERCOT is the Texas Reliability Entity (TexasRE)

and is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market.

NBU owns 19.5 circuit-miles of 138kV transmission, which are part of the ERCOT bulk electric transmission system and therefore is required to comply with applicable North American Electric Reliability Council (NERC) reliability standards. NBU is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (TRE) in October 2014 on the standards applicable to these categories. Texas Reliability Entity is an independent organization within ERCOT, which is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. NBU successfully demonstrated compliance with all applicable NERC standards. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance. In July 2017, NERC auditors completed a second audit of NBU and found no compliance violations and no areas of concern.

For the first time, NBU applied for the Reliable Public Power Provider (RP3) designation through the American Public Power Association (APPA) during fiscal year 2017. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. NBU was awarded the platinum level designation, which is in effect until 2020.

NBU's Water System

The water system includes 573 miles of water mains ranging in size from two inches to 30 inches, an 8 Million Gallons per Day (MGD) surface water treatment plant, a 3.5 MGD membrane treatment facility, 13 groundwater wells, and 18 pump stations with 54 active pumps. Storage capacity of approximately 11.1 million gallons is maintained in elevated tanks and 7.4 million gallons in ground storage tanks.

In October 1991, NBU became the first water system reliant on the Edwards Aquifer for its water supply to build a surface water treatment plant providing New Braunfels with a dual water supply. The New Braunfels plant can treat eight million gallons of water per day from the Guadalupe River and is currently used to base load the system. Water from the Edwards Aquifer is used to meet daily peaks above the treatment capacity of the surface plant. This diversification allows NBU to maximize its three water supply sources, groundwater from the Edwards Aquifer, run-of-river rights in the Guadalupe River and stored water from Canyon Reservoir, to the benefit of NBU customers. Since that time a regulatory agency, Edwards Aquifer Authority, has been created to manage permitting and withdrawals from the Edwards Aquifer.

The potable water provided by NBU surpasses all state and federal requirements and is rated by the Texas Commission on Environmental Quality a Superior Water System - the highest rating a public water system can achieve.

NBU continues to coordinate with the City of New Braunfels to replace aging water infrastructure in conjunction with the city street renovation projects. NBU has targeted a 1% annual investment in aging infrastructure replacement. NBU believes that it is at the forefront of addressing aging infrastructure and is dedicated to maintaining an efficient and well-run system.

In June 2009, NBU acquired an additional 2,000 acre-feet per year of Edwards Aquifer water pumping rights for \$13 million. NBU utilized funds from reserves and the general fund to make this acquisition. Net proceeds from the Series 2009A Bond Issue were used to reimburse those reserves and general fund expenditures used by NBU to pay for such acquisition. This acquisition increased NBU's total water rights per year from the Edwards Aquifer Authority to 9,270 acre-feet. A major benefit of acquiring Edwards Aquifer rights, as opposed to additional surface water rights, was that no additional infrastructure was needed to use the water immediately. NBU already had sufficient well pumping capabilities to fully utilize the new Edwards Aquifer Rights without having to build new treatment plant capacity or other related infrastructure.

In February 2010, NBU contracted with the Guadalupe Blanco River Authority for an additional 3,000 acre-feet per year of stored water in the Canyon Lake Reservoir. In June 2015, NBU completed construction of the Trinity Aquifer Well Field project which further increased additional water supply by approximately 4,000 acre-feet per year. The additional water supply from the Trinity project represents about one-third of NBU's current annual water usage and brings NBU's total water supply to approximately 30 thousand acre-feet per year.

The Trinity Well Field Treatment Plant is a project in response to NBU's Trinity Well Field being influenced by surface water within the Dry Comal Creek. The project timeline was aggressive. The project began in fiscal year 2017, with the majority of the Trinity Well Treatment Plant being complete within fiscal 2018. The Treatment Plant introduces approximately 3.75 MGD of supply to the NBU system, treating ground water under the influence through a membrane treatment process. Running concurrently with the Trinity project, the South Highway 46 Water Line Extension project was another large project with an aggressive timeline. The project was substantially completed in fiscal year 2018. The project consists of 18,000 feet of water main, two pump stations, and a 500,000 gallon ground storage tank.

Future Water Supply: In 2018 NBU created a Water Resource Plan which evaluated demand-management and conservation opportunities and also assessed a broad range of water supply options and creative solutions. To meet its future water supply water needs, NBU went through an evaluation process, beginning with 14 alternatives. The process resulted in the final selection of three new water supply projects that included water from the Guadalupe-Blanco River Authority (GBRA), expansion of the NBU Surface Water Treatment Plan, and expansion of the NBU Trinity Aquifer Well Field.

GBRA Mid-Basin

The first phase of the GBRA Mid-Basin Water Supply Project will extract and deliver to NBU treated groundwater from the Carrizo Well Field in Gonzales County. Water will be transported from the treatment plant, located in Gonzales County, via a 40-mile water pipeline to a delivery point in the NBU service area. NBU has contracted for 8,000 acre-feet per year (AFY) with delivery scheduled to begin in 2023.

City of Seguin Water

NBU entered into contract with the City Seguin for delivery of 2,500 AFY of blended ground and surface water from the Seguin distribution system. For the first three years, NBU will purchase 1,100 AFY of water per year. In October 2021, NBU will increase the amount of water purchased by 500 AFY until a total of 2,500 AFY is purchased, with the possibility of an additional 500 AFY, with concurrence by both utilities. Delivery of the water is scheduled to begin in June 2019.

Aquifer Storage Recovery (ASR)

Although NBU has a diverse inventory of water supply sources totaling about 30,000 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At the present time, the availability of NBU's water sources during severe drought (the "firm" yield") is about 17,500 AFY, and the reliable supply during non-drought periods is about 19,300 AFY as noted in the NBU 2018 Water Resources Plan.

In 2011, NBU engaged Arcadis-US, Inc. (Arcadis), to conduct a preliminary evaluation of an aquifer storage and recovery (ASR) program. In order to meet NBU's needs during periodic droughts, including the 1950's drought-of-record (DOR), the concept of an ASR program would be to capture and store potable water in an underground aquifer when it is available, and to recover that water from ASR storage during drought periods to meet seasonal peak demands. Based on this feasibility study, the Arcadis team and NBU concluded that ASR can serve as a valuable water management strategy because NBU, like most water utilities in Texas, has the need for storage to firm up the reliability of its water supply. The major conclusions and recommendations from the 2011-2012 study included the following:

Based on a preliminary analysis of hydrogeological data, the most viable location for ASR storage is the brackish portion of the Edwards Aquifer, found in the fast-growing southern portion of the NBU service area. The first step toward implementation of an ASR program for NBU should include additional data collection and early coordination with the Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ). The most cost-effective location for an ASR wellfield would likely be in the brackish Edwards Aquifer at or near the New Braunfels Regional Airport (the “Airport”). The Airport is within the NBU service area, and NBU has existing water, wastewater, and electric service lines in the area.

The ultimate goal is store approximately 14,000 AFY of water in the ASR wellfield so that sufficient water is available to meet demands during drought and peak periods. To meet NBU’s needs, the Arcadis team estimates (subject to confirmation during later phases) that the wellfield will include as many as nine ASR wells, plus an undetermined number of monitoring wells. Preliminary estimates based on data collected to date, are that each ASR well will be capable of recharging/injecting at a rate of about 0.5 MGD and recovering/pumping at a rate of about 1.0 MGD. Depending on when the ASR wells are constructed and how many are ultimately constructed, the cost of the ASR Program could be in the range of \$22 million.

Regional Water Planning: The Edwards Aquifer Recovery Implementation Program (EARIP) was created by the Texas Legislature in 2007. Early in 2012, the EARIP completed its collaborative effort to develop a Habitat Conservation Plan (HCP) for the protection of the endangered species in the Comal and San Marcos springs and rivers and to secure the water supply from the Edwards Aquifer for the five-county aquifer region. The HCP and a request for an Incidental Take Permit (ITP) was submitted to the U.S. Fish and Wildlife Service and approved in early 2013. The benefit of obtaining the ITP is that it provides litigation immunity on actions regarding the take of endangered species located in the Comal and San Marcos spring systems, as long as all parties adhere to the required actions in the HCP. Since the approval of the ITP, the Implementing Committee, comprised of the five signatories of the ITP, has made great strides toward implementing the strategies and initiatives laid out in the HCP.

State Water Planning: Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups throughout the state to develop local area plans. These would be brought together by the Texas Water Development Board (“TWDB”) to create the new statewide Texas Water Plan.

The first state water plan developed by this process was approved by the TWDB in December 2001. By law, the plan must be updated every five years. The latest update was submitted by the 16 water regional planning groups throughout the State of Texas in 2017. The next update to the plan is scheduled for 2021, and NBU will continue to strategically work through the planning group to include projects for the benefit of its customers. The benefit of having the projects listed in the plan is that the identified projects then become eligible for funding assistance through the TWDB; thereby, providing NBU with an alternative financing vehicle. NBU continues to monitor this process closely and provides input as necessary to reflect changes in NBU’s growth projections and water needs during the five-year update periods.

Conservation: Stewardship is one of NBU’s core values. Being good stewards of the environment remains a top priority for NBU. As a result, the State of Texas recognized NBU with the Blue Legacy Award in 2012, 2014, and 2017. In 2017, the TWDB recognized NBU with the Texas Rain Catcher’s award. In addition, the State of Texas Comptroller’s Office recognized NBU for its efforts in energy efficiency. In 2018, the American Public Power Association (APPA) awarded NBU with the Community Service Award, for its educational exhibit in the local children’s museum to teach children at an early age the importance of conservation. NBU’s Environmental Affairs department focuses on educating customers on the importance of being proactive environmental stewards. NBU provides complimentary residential and commercial energy, water, and irrigation assessments, interactive school programs, social and traditional media communication, civic organization presentations, hosts Earth Day celebrations, and participates in numerous public events. NBU offers commercial and residential energy and water rebate programs to incentivize customers to purchase resource saving appliances, such as ultra-high efficiency washing machines, and adopt conservation minded

behaviors, including regular A/C check-ups to ensure ultimate efficiency of their system. Rebate programs include, but are not limited to; A/C heat pump, rainwater harvesting, a drought tolerant tree incentive, permeable patio, and artificial turf installation. NBU continues to improve and expand the rebate programs as technology improves and/or customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integration of hybrid fleet vehicles, electric vehicles, reducing the use of plastics and utilizing sustainable materials throughout the work environment. Environmental Affairs also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the City.

NBU's Sewer System

NBU's municipal sewage system contains approximately 427 miles of sanitary sewer lines ranging in size from four inches to 36 inches. At July 31, 2018, NBU served 27,775 customer connections, an increase of 1,481 connections from the prior year, a 5.6% increase.

NBU serves its sewer customers with four sewer treatment plants with a combined capacity of 10.9 MGD (Million Gallons per Day):

Gruene WWTP: 1.1 MGD contact stabilization activated sludge tertiary process completed in 1990.

North Kuehler WWTP: 3.1 MGD activated sludge process, completed in 1985 with the aid of an EPA grant and renovated in 2016 to add treatment capacity.

South Kuehler WWTP: 4.2 MGD plant completed in 1992 and renovated in 2016 to add treatment capacity.

Sam C. McKenzie, Jr. WWTP: 2.5 MGD plant completed in 2017.

The combined average daily flow through the four plants in FY 2018 was approximately 6.5 MGD.

NBU is in the process of executing a multi-year strategic plan to maintain compliance and provide capacity when it is needed to meet the growth demands and customer service expectations. Improvements to add organic treatment capacity at the North and South Kuehler Water Reclamation Facilities were completed in 2016, and design has begun on the addition of new hydraulic capacity. The design and permitting of the relocated and expanded Gruene Water Reclamation Facility (WRF) is complete and the project is currently under construction. The Gruene Water Reclamation Facility will have a permitted treatment capacity of 2.5 MGD and will go online in 2020. In addition to the Gruene WRF, two significant large sewer interceptors are under design. The first is the 36-inch sewer interceptor that replaces the Creek Lift station and gravity flows to the location of the Gruene WRF. The second major interceptor project is the North Kuehler Interceptor. This project consists of three individual sewer main projects that total 21,000 feet, and varies in pipe size from 33 to 42 inch.

DESCRIPTION OF THE FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to NBU in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the Note documentation with respect to the federal income tax status of the Notes.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its

responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

NOTICES AND CONSENTS

In the Ordinance, the City authorized the execution of the Revolving Credit Agreement, the Dealer Agreement and the Issuing and Paying Agent Agreement. Pursuant to the terms of such Agreements, the City has agreed to provide any other notices to and obtain any consents from the Bank, Dealer, Issuing and Paying Agent or others to the extent required by such Agreements.

DTC'S BOOK-ENTRY SYSTEM

The information in this section describes the securities clearance procedures of DTC in the United States. The information in this section concerning DTC has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy of such information.

The Depository Trust Company

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Note certificate will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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 ("*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 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 ("*Indirect Participants*"). DTC has an S&P 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.

Purchasers of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchaser. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Issuing and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Offering Memorandum

In reading this Offering Memorandum it should be understood that while the Notes are in the book-entry-only system, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the Notes, but (i) the rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-Entry-ONLY SYSTEM

In the event that the book-entry-only system is discontinued by DTC or the use of the book-entry-only system is discontinued by the City, printed Notes will be issued to the holder and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Ordinance.

OTHER UTILITY SYSTEM PRIORITY LIEN NET REVENUE SUPPORTED OBLIGATIONS OF THE CITY

Issues	Amount Outstanding
Utility System Revenue Bonds, Series 2004	\$ 1,496,538
Utility System Revenue and Refunding Bonds, Series 2012	20,420,000
Utility System Revenue Bonds, Series 2015	26,365,000
Utility System Revenue and Refunding Bonds, Series 2016	60,685,000
Utility System Revenue Bonds, Series 2018	45,200,000
Total	\$154,166,538

RATINGS

	Moody’s Investors Service, Inc. Ratings	S&P Global Ratings	Fitch Ratings
Senior Lien Obligations	Aa1	AA	AA
Commercial Paper: Series A	P-1	A-1+	NA

An explanation of the significance of such ratings may be obtained from the company furnishing such rating. The ratings reflect only the respective view of such organizations, and the City or the Board make no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

TAX EXEMPTION

The delivery of the Notes is subject to the opinion of Norton Rose Fulbright US LLP (“*Bond Counsel*”) to the effect that interest on the Notes for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “*Code*”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. A form of Bond Counsel’s opinion is attached hereto as APPENDIX B. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of the initial delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Notes. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the

Notes are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from date of the issuance of the Notes.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the City may have different or conflicting interest from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to noteholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

CONTINUING DISCLOSURE

Pursuant to certain exemptions under SEC Rule 15c2-12(d), the City is not required to provide any continuing disclosure information with respect to the Notes and the disclosure provided in this Offering Memorandum. However, the City has several other outstanding debt issues for which it is required to provide continuing disclosure information and the City has agreed to file annual financial information and operating data and its audited financial statements with EMMA in accordance with certificates and agreements executed by the City in connection with the issuance of such debt issues. Holders and potential purchasers of the Notes may access such information through EMMA, so long as the City is required to make such filings under certain of its other debt issues.

LITIGATION

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatened litigation with the Office of the City Attorney, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or, to the knowledge of the City, threatened against the City or its officials in such capacity are adequately covered

by insurance or governmental immunity or will not have a material adverse effect upon the financial position or results of operations of the System.

There is no litigation no pending or, to the knowledge of the City, threatened against the City or the System which restrains or enjoins the issuance or delivery of the Notes or the use of the proceeds of the Notes or which questions or contests the validity of the Notes or the proceedings and authority under which they are to be issued, executed and delivered. Neither the creation, organization, nor existence of the City of the System, nor the title of the present members or other officials of the City to their respective offices, is being currently contested or questioned to the knowledge of the City.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, validity, sale and delivery of the Notes are subject to the approving opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, whose approving opinion in substantially the form attached hereto as "APPENDIX B - FORM OF BOND COUNSEL OPINION" will be delivered concurrently with the initial issuance of the Notes. Certain legal matters will be passed upon for the Bank by Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

Piper Jaffray & Co., as dealer of the Notes (the "Dealer") has provided the following sentence for inclusion in this Offering Memorandum. The Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealer does not guarantee the accuracy or completeness of such information.

ADDITIONAL INFORMATION

No attempt is made herein to summarize the Ordinance or the Revolving Credit Agreement. A copy of the Ordinance is on file with the Issuing and Paying Agent and the City will make available upon request copies of the Ordinance. A copy of the form of the Revolving Credit Agreement is attached to this Offering Memorandum as APPENDIX A. The City is not required to file reports with the MSRB or the SEC related to its issuance of the Notes, but will make available, upon request, copies of its most recent Annual Report, Offering Memorandum and the Ordinance. Requests for any of this information should be directed to: Dawn Schriewer, New Braunfels, Texas, at (830) 629-8463. Further, certain information with respect to the City is available from the MSRB through EMMA, so long as the City is required to make such filings under certain of its other debt issues.

Reference to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained there are not incorporated into, and are not part of, this offering document.

The date of this Offering Memorandum is May 24, 2019.

AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFERING MEMORANDUM

The execution and delivery of this Offering Memorandum, and its distribution and use by the Dealer, have been duly authorized and approved by the City.

CITY OF NEW BRAUNFELS, TEXAS

By: _____
Name: _____
Title: _____

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APPENDIX A
FORM OF REVOLVING CREDIT AGREEMENT

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REVOLVING CREDIT AGREEMENT

Dated as of March 25, 2019
(but effective as of May 29, 2019)

between

CITY OF NEW BRAUNFELS, TEXAS
(acting by and through NEW BRAUNFELS UTILITIES)

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
as the Lender

relating to

CITY OF NEW BRAUNFELS, TEXAS UTILITY SYSTEM
COMMERCIAL PAPER NOTES, SERIES 2019A

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Exhibit A - Form of Loan Note

Exhibit B - Notice of Loan

Exhibit B-1 - Request for Term Loan

Exhibit C - No-Issuance Notice

Exhibit D - Closing Certificate as Required By Section 3.01(a)(iv) of The Credit Agreement

Exhibit E - Form of Opinion of City Attorney

Exhibit F - Form of Opinion of Bond Counsel

Exhibit G - Form of Opinion of Counsel to Lender

Exhibit H - Form of Final Date Extension Request

REVOLVING CREDIT AGREEMENT

This Revolving Credit Agreement (this “*Agreement*”) is dated as of March 25, 2019, (but is effective as of May 29, 2019) and is between the CITY OF NEW BRAUNFELS, TEXAS, acting by and through the NEW BRAUNFELS UTILITIES (the “*City*”), JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, (the “*Lender*”).

RECITALS:

Pursuant to authority granted by the laws of the State of Texas, particularly the Act (as defined below), the City is empowered to issue obligations for the purpose of providing funds to pay “*Project Costs*” (as defined in the Act) of “*Eligible Projects*” (as defined in the Act);

Pursuant to the Act and the Ordinance (as defined below) the City proposes to issue its commercial paper notes (the “*Program Notes*”) in an amount not to exceed \$75,000,000, and in multiple series, the proceeds of which would be used to finance and refinance projects eligible under the Act to be financed;

The City has requested the Lender to support certain of the City’s Program Notes issued from time to time, in response to which the Lender, whether directly or through an affiliate, has agreed (i) by making available a revolving line of credit initially aggregating \$75,000,000 (of an amount supporting the Program Notes issued as the “City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A” (herein, the “*Series 2019A Notes*”) in a principal amount up to of \$75,000,000 and (ii) by agreeing to directly purchase when and as issued Program Notes issued as the “City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019B” (the “*Series 2019B Notes*”) pursuant to the terms of a separate note purchase agreement entered into by the parties thereto concurrently herewith (herein defined and described as the “*JPMorgan Note Purchase Agreement*”); provided, however, that the combined support for both Series 2019A Notes and Series 2019B Notes (together, the “*Commercial Paper Notes*”) shall not exceed \$75,000,000 in principal amount of such Commercial Paper Notes as described herein and in the aforementioned JPMorgan Note Purchase Agreement;

The Lender is willing to make available a revolving line of credit for the purpose of providing liquidity support for the Series 2019A Notes subject to the terms and conditions of this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to other terms defined herein, unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Agreement or any agreement amendatory or supplemental hereto, shall be construed, are used and are intended to have the following meanings, to wit:

“*Act*” shall mean Chapters 1371 and 1502, as amended, Texas Government Code.

“Additional Subordinate Lien Obligation” is defined in the Ordinance.

“Advance Rate” means a rate per annum equal to (i) from and including the date such Loan Advance is made through and including the date which is ninety (90) days immediately following the date such Loan Advance is made, the Base Rate from time to time in effect, and (ii) from and after the ninety-first (91st) day immediately following the date such Loan Advance is made, the sum of the Base Rate from time to time in effect plus 1.00%; provided that, immediately upon the occurrence and during the continuation of an Event of Default, the Advance Rate shall equal the Default Rate; provided further that at no time shall the Advance Rate be less than the highest per annum rate of interest applicable to any outstanding Notes.

“Affiliate” shall mean, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Agreement” shall mean this Revolving Credit Agreement, as from time to time amended or supplemented in accordance with its terms.

“Alternate Credit Facility” is defined in the Ordinance.

“Anti-Corruption Laws” means all laws, rules and regulations of any jurisdiction applicable to the City from time to time concerning or relating to bribery or corruption.

“Anti-Terrorism Laws” has the meaning set forth in Section 4.18 hereof

“Applicable Law” shall mean (i) all applicable common law and principles of equity and (ii) all applicable provisions of all (A) constitutions, statutes, rules, regulations and orders of all governmental and non-governmental bodies, (B) Governmental Approvals and (C) orders, decisions, judgments and decrees of all courts (whether at law or in equity) and arbitrators. Whenever the Applicable Law of a particular jurisdiction is referred to in this Agreement, such reference shall be deemed to include the Applicable Law of all political subdivisions of such jurisdiction.

“Authorized Representative” has the meaning given such term in the Ordinance.

“Available Commitment” means \$75,000,000 as adjusted from time to time as follows: (a) downward in an amount equal to the principal amount of each Loan made hereunder and the principal amount of Series 2019B Notes purchased by the Lender from time to time pursuant to the JPMorgan Note Purchase Agreement; (b) downward by the amount of any reduction in the Commitment pursuant to Section 2.06 or 6.01 hereof; and (c) so long as the Revolving Credit Period has not terminated, upward in an amount equal to the principal amount of any Loan that is repaid pursuant to the terms hereof and the principal amount of any Series 2019B Notes repaid pursuant to the JPMorgan Note Purchase Agreement; provided, that, after giving effect to any such adjustment to the Available Commitment shall never exceed \$75,000,000 or the Commitment from time to time in effect. Any adjustments pursuant to clause (a), (b) or (c) above shall occur simultaneously with the event requiring such adjustment.

"Base Rate" means, for any day, a rate per annum equal to the highest of (a) the Fed Funds Rate plus 2.00%, (b) the Prime Rate plus 1.50% and (c) seven and one-half percent (7.50%).

"Board" shall mean the Board of Trustees of the New Braunfels Utility System.

"Bond Counsel" shall mean Norton Rose Fulbright US LLP, as bond counsel to the NBU, and any other firm or firms selected by the Board whose opinion concerning bond matters is nationally recognized.

"Bonds" shall mean any or all of the Senior Lien Obligations and Subordinate Lien Obligations.

"Business Day" shall mean any day other than (i) a Saturday, Sunday or other day on which commercial banks located in the states of New York, Texas and such other location in which the Lender is authorized or required by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

"Change in Law" means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any law, rule, statute, policy, interpretation, treaty, regulation, guideline or directive, (b) any change in any law, rule, statutes, policy, interpretation, treaty, regulation, guideline or directive or in the administration, promulgation, implementation, enforcement, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline, policy, interpretation, treaty, regulation, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding the foregoing, any request, law, statute, rule, policy, interpretation, treaty, regulation, guideline or directive in connection with any Risk-Based Capital Guidelines, the Dodd-Frank Wall Street Reform and Consumer Protection Act, promulgated by the Bank of International Settlements, or the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or arising in the administration, promulgation, implementation, enforcement, interpretation or application thereof, shall be deemed to be a Change of Law regardless of the date enacted, adopted, issued, promulgated or implemented.

"City" shall mean the City of New Braunfels, Texas, or the Board of Trustees of New Braunfels Utilities acting through an Authorized Representative; as applicable.

"City Council" shall mean the governing body of the City.

"Closing Date" shall have the meaning given to said term in Section 3.01 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and when reference is made to a particular section thereof, the applicable Treasury Regulations from time to time promulgated or proposed thereunder.

"Collateral" shall mean the collateral described in Section 2.09 hereof

"Commercial Paper Notes" means the Series 2019A Notes and Series 2019B Notes.

"Commitment" shall mean \$75,000,000 as such amount may be reduced or terminated pursuant to Section 2.06 hereof and Section 6.01 hereof, and which such amount shall be reduced if and to the extent that the authorized maximum principal amount of the Notes is reduced.

"Commitment Fee" shall mean the amount payable to the Lender pursuant to the Fee Letter.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. *"Controlling"* and *"Controlled"* have meanings correlative thereto.

"Dealer" shall mean the dealer or remarketing agent (one or more) selected from time to time by the City to market or remarket the Notes in accordance with Section 3.4 of the Ordinance and the terms hereof. The current Dealer is Piper Jaffray & Co.

"Dealer Agreement" shall mean each Dealer Agreement between the City and the Dealer, approved and authorized to be entered into by Section 3.4 of the Ordinance, as from time to time amended or supplemented in accordance with the terms hereof and thereof.

"Debt" is defined in the Ordinance.

"Default" shall mean any condition or event that constitutes an Event of Default (as defined in Section 6.01 hereof) or that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" shall mean a rate of interest per annum equal to the Base Rate plus three percent (3.00%); provided, however, that at all times the Default Rate shall be subject to the limitations set forth in Section 2.04(c) hereof; provided further, however, that in no event shall the Default Rate be less than the highest per annum rate of interest applicable to any Outstanding Notes.

"Effective Date" means May 29, 2019.

"Eligible Projects" is defined in the Ordinance.

"Event of Default" shall mean an Event of Default as defined in Section 6.01 hereof.

"Excluded Tax" shall mean, with respect to the Lender or any Holder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which the Lender or such Holder is organized or in which its principal office is located, and (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the City is located.

"Excess Interest Amount" has the meaning given such term in Section 2.04(c)(i)(x)

"Executive Order" has the meaning set forth in Section 4.18 hereof.

“*Expiration Date*” means May 29, 2022, or such other date to which such day may be extended pursuant to Section 2.10 hereof.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Lender on such day on such transactions as determined by the Lender; provided, that if such Federal Funds Rate should be less than zero, such rate shall be deemed to be zero.

“*Fee Letter*” shall mean that certain Fee Letter dated as of the Effective Date, between the City and the Lender, as the same may be amended and supplemented from time to time and any agreement entered into in substitution thereof.

“*Final Date*” shall mean the earlier of:

- (a) Expiration Date; and
- (b) The date the Commitment is reduced to zero pursuant to Section 2.06 or terminated pursuant to Section 6.01 of this Agreement; and
- (c) Substitution Date.

“*Fiscal Year*” is defined in the Ordinance.

“*Fitch*” shall mean Fitch Ratings, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“*Governmental Approvals*” shall mean an authorization, consent, approval, license or exemption of, registration or filing with, or report to, any Governmental Authority.

“*Governmental Authority*” shall mean the government of the United States or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“*Gross Revenues*” is defined in the Ordinance.

“*Holder*” shall mean the Lender and any other holder of the Loan Note or any entity to which the Lender or any such other holder sells a participation in the Loan Note (whether or not

the City was given notice of such sale and whether or not the Holder has an interest in the Loan Note at the time amounts are payable to such Holder thereunder and under this Agreement).

“*Indebtedness*” of any Person shall mean at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (including, without limitation, accounts payable to construction contractors and other professionals for services rendered), (iv) all obligations of such Person as lessee under capital leases, (v) all debt of others secured by a Lien on any asset of such Person, whether or not such debt is assumed by such Person, (vi) all obligations of such Person under any Swap Agreement and (vii) all debt of others of a type described in any of clauses (i) through (vi) hereof guaranteed by such Person.

“*Indemnified Taxes*” shall mean Taxes other than Excluded Taxes.

“*Issuing and Paying Agent*,” “*Paying Agent*,” “*Registrar*,” shall mean the agent appointed pursuant to Section 2.2 of the Ordinance, or any successor to such agent, appointed in accordance with the Ordinance and the terms hereof. The initial Issuing and Paying Agent as of the Effective Date is Zions Bancorporation, National Association, Amegy Bank Division, a national banking association.

“*Issuing and Paying Agent Agreement*” shall mean the Issuing and Paying Agent Agreement, dated as of March 25, 2019 between the City and the Issuing and Paying Agent, approved and authorized by Section 3.3 of the Ordinance, as from time to time amended or supplemented in accordance with the terms hereof and thereof.

“*JPMorgan Note Purchase Agreement*” means the agreement between the Lender and the City dated as of March 25, 2019 (but effective as of May 29, 2019), concerning the Lender’s purchase from time to time of the Series 2019B Notes.

“*Laws*” shall mean any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

“*Lender*” shall mean each of (i) JPMorgan Chase Bank, National Association and (ii) any banking institution which subsequently becomes a party to this Agreement.

“*Lending Office*” means the office or offices of the Lender described in Section 7.03 hereto, or such other office or offices as a Lender may from time to time notify the City.

“*Loan Advance*” or “*Advance*” shall mean a loan made hereunder pursuant to Section 2.02(a) of this Agreement.

“*Loan Advance Maturity Date*” shall mean the earlier to occur of (i) the date that is 90 days from the date the Loan Advance is made, (ii) the Substitution Date, (iii) the Final Date, and (iv) the Business Day on which Notes are sold to fund repayment pursuant to the Ordinance.

“*Loan Note*” shall mean the promissory note evidencing Loans made by the Lender to the City, in substantially the form of Exhibit “A” attached hereto, with appropriate completions, and any and all renewals, extensions, or modifications thereof.

“*Loans*” shall mean Loan Advances and Term Loans.

“*Maintenance and Operating Expenses*” is defined in the Ordinance.

“*Maximum Maturity Date*” is defined in the Ordinance.

“*Maximum Interest Rate*” shall mean the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the City in the exercise of its borrowing powers (as currently prescribed by Chapter 1204, as amended, Texas Government Code).

“*Maximum Rate*” shall mean 10 percent (10%) per annum.

“*Moody’s*” shall mean Moody’s Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“*NBU*” means New Braunfels Utilities.

“*Net Revenues*” is defined in the Ordinance.

“*Note(s)*” means the City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A or the Series 2019A Notes

“*Note Construction Fund*” shall mean such fund, account, or subaccount defined and specified in the Ordinance, established for receipt of proceeds of Notes issued for new money purposes.

“*Note Payment Fund*” shall mean such fund, account or subaccount, as defined and specified in the Ordinance, established for the payment of the Notes.

“*Notice of Loan*” shall mean a written borrowing request in substantially the form of Exhibit “B” attached hereto, with appropriate completions, executed by the Issuing and Paying Agent on behalf of the City, which requests a Loan from the Lender.

“*No-Issuance Notice*” shall mean the notice described in Section 2.14 hereof

“*OFAC*” has the meaning set forth in Section 4.18 hereof

“*Offering Memorandum*” shall mean the Offering Memorandum dated _____, 2019, relating to the Notes (to specifically include the cover page and all summary statements, appendixes and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other official statements of the City, prospectus or similar disclosure document used with respect to the remarketing of the Notes or supplement to Offering Memorandum.

“*Ordinance*” shall mean the ordinance of the City, adopted on March 25, 2019, authorizing the City, among other things, to execute, deliver, and perform this Agreement and the Loan Note, and to execute and deliver from time to time the Notes.

“*Other Taxes*” shall mean all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Related Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Related Document.

“*Outstanding*” when used with reference to Bonds, shall mean, as of a particular date, all such Bonds theretofore and thereupon delivered except: (a) any such Bond cancelled by or on behalf of the City at or before said date; (b) any such Bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the ordinance authorizing the issuance of such Bond. The term “*Outstanding*” also means with reference to Notes, as of the date of determination, all Notes theretofore delivered, except:

- (1) Notes theretofore cancelled and delivered to the City or delivered to the Issuing and Paying Agent for cancellation;
- (2) Notes upon transfer of or in exchange for and in lieu of which other Notes have been delivered pursuant to the Ordinance; and
- (3) Notes under which obligations of the City have been released, discharged or extinguished in accordance with the terms thereof.

“*Parity Debt*” means any obligation secured by or payable from Net Revenues on a parity basis with the Notes.

“*Participant*” shall mean any Person which in accordance with Section 7.12 hereof, shall participate in the benefits and obligations of the Lender under this Agreement pursuant to a participation agreement between the Lender and such Person.

“*Person*” shall mean an individual, a corporation, a partnership, an association, a trust, or any other entity or organization, including a governmental or political subdivision or any agency or instrumentality thereof.

“*Pledged Revenues*” is defined in the Ordinance.

“*Prime Rate*” means for any day a fluctuating rate of interest per annum equal to the rate of interest in effect for such day as publicly announced from time to time by the Lender as its “prime rate.” The “prime rate” is a rate set by the Lender based upon various factors including Lender’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by the Lender shall take effect at the opening of business on the day specified in the public announcement of such change. Notwithstanding anything herein

to the contrary, if the Prime Rate determined as provided above would be less than zero percent (0.0%), then the Prime Rate shall be deemed to be zero percent (0.0%).

“*Principal Payment Date*” shall mean with respect to a Term Loan, the date upon which an installment of principal scheduled to become payable hereunder and the Term Loan Maturity Date.

“*Project Costs*” is defined in the Ordinance.

“*Regulation U*” shall mean Regulation U of the Board of Governors of the Federal Reserve System (or any successor), as the same may be amended from time to time.

“*Related Documents*” shall mean the Ordinance, the Issuing and Paying Agent Agreement, the Dealer Agreement, the Notes, the Loan Note, the Fee Letter, the JPMorgan Note Purchase Agreement and any exhibits, schedules, instruments or agreements relating thereto, as the same may be amended, modified or supplemented in accordance with their terms and the terms hereof.

“*Request for Term Loan*” shall mean a written borrowing request in substantially the form of Exhibit “B-1” attached hereto, with appropriate completions, signed by an Authorized Representative, which requests a Term Loan from the Lender.

“*Revolving Credit Period*” shall mean the period commencing on the Effective Date and continuing to the Final Date.

“*Risk-Based Capital Guidelines*” means (i) the risk-based capital guidelines in effect in the United States including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations.

“*S&P*” shall mean S&P Global Ratings or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“*Sanctions*” shall mean economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“*Senior Lien Obligations*” is defined in the Ordinance.

“*Special Events of Default*” shall mean the Events of Default described in Section 6.01 (a)(i), (a)(ii), (e)(i), (f)(i), (g), (h), (i), (j), (k)(i), (l) and (m).

“*Specified Debt*” means (i) any bonds, notes, certificates, debentures or other evidence of similar indebtedness issued by or on behalf of the City secured by a lien on Net Revenues (including, without limitation, regularly scheduled principal and interest payments due to a lender in the form of reimbursement, but excluding commercial paper notes the payment of the principal of which is supported by credit enhancement and for which the commercial paper notes are paid

pursuant to such agreement and excluding accelerated payments due to a lender in the form of reimbursement), the payment of which ranks senior to or on parity with the Loan Note, the Bonds, the Loan Advances or the Term Loans, (ii) the obligations of the City under any Swap Agreement (other than any termination payments under any Swap Agreement) (the payment of which is secured by a lien on Net Revenues and which ranks senior to or on parity with the Loan Note, the Bonds, the Loan Advances or the Term Loans) providing interest rate support with respect to any Indebtedness specified in the definition of the foregoing clause (i), (iii) any obligation of the City as lessee under a capital lease the payment of which is secured by a lien on Net Revenues and which ranks senior to or on parity with the Loan Note, the Bonds, the Loan Advances or the Term Loans which is not subject to appropriation or abatement, and (iv) any guarantee by the City secured by a lien on Net Revenues the payment of which ranks senior to or on parity with the Loan Note, the Bonds, the Loan Advances or the Term Loans (*provided, however*, that the failure to pay any such guarantee as a result of any set-off, recoupment, counterclaim or any other defense of the City shall not constitute a failure to pay Specified Debt for purposes of this Agreement).

“*Subordinate Lien Obligations*” shall mean the Program Notes, the Loan Note, the “Loan Notes” from any other series or subseries of Program Notes, payment obligations under existing Swap Agreements and Additional Subordinate Lien Obligations from time to time issued under the Ordinance.

“*Substitution Date*” shall mean the date of effectiveness of an Alternate Credit Facility in accordance with the terms and provisions of the Ordinance.

“*Suspension Event*” shall mean the occurrence of an event which causes the suspension of the obligations of the Lender hereunder pursuant to the penultimate paragraph and the third to last paragraph in Section 6.01 hereof

“*Swap Agreement*” shall mean an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security, however denominated, entered into between the City and any counterparty thereto, in connection with or incidental to, the issuance or carrying of bonds, securities or other obligations secured by or payable from Net Revenues, including, without limitation, an interest rate swap, cap, collar, option, floor, forward, derivative, or other hedging agreement, arrangement or security entered into in advance of the issuance of bonds, securities or other obligations secured by or payable from Net Revenues.

“*System*” is defined in the Ordinance.

“*Taxes*” shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, fines, additions to tax or penalties applicable thereto.

“*Term Loan*” shall mean a Loan Advance which has been converted to a term loan pursuant to Section 2.01(b) hereof and which is evidenced by a Loan Note.

“*Term Loan Maturity Date*” shall mean, with respect to any Term Loan, the earliest to occur of (i) the third anniversary of the date on which the related Loan Advance was made, (ii) the Substitution Date, (iii) the date that the Available Commitment is permanently reduced to zero or

the Commitment is otherwise terminated prior to the Final Date, including as a result of the occurrence of a Special Event of Default, and (v) the date on which the City issues Notes (or other commercial paper notes) or bonds, the proceeds of which could be used to repay such Term Loan.

“*Term Loan Rate*” shall mean Base Rate plus 1.00% per annum; provided however, that in no event shall the Term Loan Rate be less than the highest per annum rate of interest applicable to any Outstanding Notes.

Section 1.02. Incorporation of Certain Definitions by Reference. Any terms with an initial capital letter which are used herein and which are not otherwise defined herein shall have the meaning assigned to them in the Ordinance as in effect on the Effective Date unless the context shall indicate a contrary meaning.

Section 1.03. Accounting Terms. All accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles applied on a basis consistent (except for changes concurred in by the City’s independent public accountants) with the most recent financial statements of the System delivered pursuant to Section 5.01.

Section 1.04. Interpretations. The table of contents and article and section headings of this Agreement are included herein for convenience of reference purposes only and shall not constitute a part of this Agreement or affect its interpretation in any respect. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa. References to any constitutional, statutory or regulatory provision means such provision as it exists on the Effective Date and any future amendments thereto or successor provisions thereof. All references to time herein shall refer to local time in New York, New York.

ARTICLE II

REVOLVING CREDIT; TERM LOANS

Section 2.01. Commitment to Lend.

(a) *Revolving Credit.* The Lender agrees that it will, during the Revolving Credit Period, on the terms and conditions set forth in this Agreement, advance to the Issuing and Paying Agent, as an extension of credit for the account of the City, from time to time amounts up to, but not to exceed, an aggregate amount at any one time outstanding equal to its Commitment. Each Loan Advance by the Lender under this Section 2.01(a) shall be made in such amount equal to the Loan Advance as may be requested by the Issuing and Paying Agent to enable the City to pay the principal of the maturing Notes during the Revolving Credit Period and on the date of the Loan Advance. The aggregate of all Loan Advances made on any date shall not exceed the Available Commitment on such date. Any Loan Advance may be paid by the City on any date, but shall be paid not later than its Loan Advance Maturity Date, subject to the provisions of Section 2.04(a). The City may borrow under this Section 2.01(a), prepay under Section 2.07, and reborrow under this Section 2.01(a) at any time and from time to time during the Revolving Credit Period;

provided, however, that the aggregate principal amount of all Loan Advances and Term Loans shall not exceed the Commitment at any time.

(b) *Term Loans.* Subject to the conditions set forth in Section 3.03 hereof, the Lender agrees that it will, on the terms and conditions set forth in this Agreement, convert the unpaid Loan Advance, on its Loan Advance Maturity Date, to a Term Loan; *provided, however*, that the aggregate principal amount of the Lender's outstanding Term Loans and Loan Advances shall at no time exceed the Commitment. The principal amount outstanding under each Term Loan shall be repaid in twelve (12) equal quarterly installments commencing on the date which is three (3) months after the date that the related Loan Advance was made, and ending on the Term Loan Maturity Date.

(c) *Repayment.* All outstanding Loans and all other amounts owing to the Lender hereunder shall be due and payable, if not sooner paid, on the Substitution Date.

Section 2.02. Method of Borrowing.

(a) *Revolving Credit.* Each Loan Advance shall be made to the Issuing and Paying Agent (or as directed by it) pursuant to a completed Notice of Loan signed by the Issuing and Paying Agent acting on behalf of the City made to the Lender not later than 11:30 a.m. of the Business Day on which a Loan Advance is to be made to the Issuing and Paying Agent. The Issuing and Paying Agent will act as the City's agent for the purpose of executing and delivering each Notice of Loan. The City irrevocably appoints the Issuing and Paying Agent as the City's attorney-in-fact, with full authority in the place of the City and in the name of the City to execute and deliver each Notice of Loan. A completed and signed Notice of Loan shall be made to the Lender by delivery of a facsimile, or other written form containing the information prescribed in Exhibit "B" hereto. Notwithstanding the foregoing, the Lender agrees subject to the conditions set forth in this Section and in Section 3.02 to honor a Notice of Loan made to the Lender on any date the Lender has not delivered a No-Issuance Notice pursuant to Section 2.14, which is also a date upon which Notes are due and payable.

Upon receipt by the Lender of a Notice of Loan, the request for a Loan Advance as therein set out shall not be revocable by the City (or by the Issuing and Paying Agent). At or prior to 2:00 p.m. on the date for which the Loan Advance is requested, and subject to satisfaction of the applicable conditions set forth in Sections 2.02 and 3.02, the Lender shall make available, in federal or other immediately available funds, to the Issuing and Paying Agent the funds necessary for such Loan Advance, for the account of the City with instructions to deposit such funds in the Note Payment Fund.

(b) *Term Loans.* Subject to the conditions set forth in Section 3.03 hereof, the City may request that a Loan Advance on its Loan Advance Maturity Date be converted to a Term Loan pursuant to a completed and signed Request for Term Loan made to the Lender not later than three (3) Business Days prior to the Loan Advance Maturity Date. A completed and signed Request for Term Loan shall be made to the Lender by delivery of a facsimile or other written form containing the information prescribed in Exhibit "B-1" hereto.

Section 2.03. Loan Note. (a) The Loans made by the Lender shall be evidenced by a single Loan Note payable to the order of the Lender in a principal amount equal to the Commitment. The Loan Note shall bear interest on the aggregate principal balance of the outstanding Loans and shall be due and payable on the dates, in the amounts (which amounts shall not exceed the principal amount of outstanding Loans made by the Lender), and under the circumstances set forth herein and in the Loan Note. No interest shall begin to accrue on the Lender's Loan Note until such time as the Lender has disbursed the Loan proceeds in accordance with this Agreement. The payment of the principal of and interest on the Loan Note shall constitute payment of the principal of and interest on the related Loans and the payment of the principal of and interest on the Loans shall constitute the payment of principal and interest on the Loan Note and the failure to make any payment on any Loan when due shall be a failure to make any payment on the Loan Note when due shall be a failure to make a payment on the related Loan.

(b) The Lender shall record, and prior to any transfer of its Loan Note shall endorse on the schedules forming a part thereof, appropriate notations to evidence the date, amount, type, and maturity of each Loan made by it and the date and amount of each payment of principal made by the City with respect thereto; *provided, however*, that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the City hereunder or under the Loan Note. In any legal action or proceeding in respect of this Agreement or a Loan Note, the notations made on such Loan Note or as provided by the Lender's accounting records shall be presumptive evidence of the existence and amount due thereunder. The Lender is hereby authorized by the City so to endorse its Loan Note and to attach to and make a part of its Loan Note a continuation or substitution of any such schedule as and when required.

Section 2.04. Interest. (a) Interest Accrual. (i) Each Loan Advance shall bear interest on the outstanding principal amount thereof for each day from the date such Loan Advance is made until it becomes due at the Advance Rate or Default Rate, as applicable.

(ii) Each Term Loan shall bear interest on the outstanding principal amount thereof for each day from the date such Term Loan is made until it becomes due at the Term Loan Rate or the Default Rate, as applicable.

(b) Payment Dates. (i) Interest on each Advance shall be payable monthly in arrears on the first Business Day of each month (commencing on the first such date to occur after the making of the related Advance) and on the Loan Advance Maturity Date thereof.

(ii) Interest on each Term Loan shall be payable monthly in arrears on the first Business Day of each month (commencing on the first such date to occur after the making of the related Term Loan) and on the Term Loan Maturity Date.

(c) Notwithstanding anything contained herein or in the Loan Note to the contrary:

(i) to the extent permitted by law, if at any time the Base Rate, the Advance Rate, the Term Loan Rate or Default Rate, as the case may be, exceeds the Maximum Interest Rate, then (x) interest at the Maximum Interest Rate shall be due and payable and (y) interest at the rate equal to the difference between (A) the

applicable rate and without regard to the limitation of this Section 2.04(c) and (B) the Maximum Interest Rate (the “*Excess Interest Amount*”) shall be deferred until such date as the applicable rate ceases to exceed the Maximum Interest Rate, at which time the City shall pay to the Lender, with respect to amounts then payable to the Lender that are required to accrue interest hereunder, such portion of the Excess Interest Amount as will cause the rate of interest then paid to the Lender to equal the Maximum Interest Rate, which payments of the Excess Interest Amount shall continue to apply to such unpaid amounts hereunder and under the Ordinance, to the greatest extent permitted by law, until all Excess Interest Amount is fully paid to the Lender; provided, however, that no payment of any portion of the Excess Interest Amount shall occur after the final maturity of the Loan Notes. Upon the termination of this Agreement, to the extent permitted by applicable law, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Lender a fee equal to the amount of all unpaid portions of the Excess Interest Amount; provided, that such fee shall not cause the net effective interest rate on the Notes to exceed the Maximum Interest Rate.

(ii) in all events, all interest accruing on or becoming payable in respect of the Loan Advance, Loan Note or any Loan evidenced thereby, including not only amounts so denominated herein but also any other payment, consideration, value, benefit, or other compensation for the use, forbearance, or detention of money, shall never exceed an amount or produce a rate in excess of the Maximum Interest Rate.

(d) To the extent permitted by law, any overdue principal of and overdue interest on any Loan, and any other amount due and payable hereunder that is not paid when due, shall bear interest, payable on demand, for each day the same is overdue until paid, at a rate per annum equal to the Default Rate.

(e) All computations of interest in respect of Loans under this Agreement shall be made on a 365/366-day year basis and actual days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof. Each determination of an interest rate by the Lender pursuant to any provision of this Agreement shall be conclusive and binding on the City in the absence of manifest error. In addition, any calculation made pursuant to this Section 2.04(e) that would cause the interest (including amounts described in Section 2.04(d)) paid, payable, or accruing on the indebtedness of the City under this Agreement and the Loan Note to exceed the Maximum Interest Rate shall be adjusted so as to reduce the interest paid, payable, and accruing hereunder to such Maximum Interest Rate, as more fully set out in Section 2.04(c) of this Agreement. All sums paid or agreed to be paid to the Lender for the use, forbearance, or detention of the indebtedness evidenced by the Loan Note shall, to the extent permitted by law (including, to the extent applicable, Chapter 1204, as amended, Texas Government Code), be amortized, prorated, allocated, and spread through the full term of the Loan Note.

(f) Notwithstanding anything contained herein to the contrary, the interest rates applicable to Loans may be changed at any time upon the mutual written agreement of the City and the Lender. If any such change in the interest rates applicable to Loans is so agreed to, this Agreement and the Loan Note shall remain outstanding and continue in full force and effect, with

no modification other than as to the change in the interest rates applicable to Loans, and all Loans will continue to be made under the Loan Note in accordance with this Agreement, modified only to reflect the agreement of the parties with respect to the changed interest rate applicable to Loans.

Section 2.05. Commitment Fees; Other Fees. The City will pay to the Lender the nonrefundable Commitment Fee at the times and in the amounts set forth in the Fee Letter, the terms of such Fee Letter being incorporated herein by reference as if fully set forth herein. The City shall also pay to the Lender all other fees at the times and in the amounts set forth in the Fee Letter.

Section 2.06. Termination or Reduction of Commitment. (a) During the Revolving Credit Period, the City may, upon at least thirty (30) days' notice to the Lender and any rating agency which has issued a rating on the Notes, and subject to the terms and provisions of the Fee Letter, reduce from time to time the aggregate unused Commitment by an aggregate amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof; *provided* that the City may not reduce the Commitment if the unused portion of the Commitment as proposed to be reduced would be less than the sum of the aggregate principal of all Outstanding Notes. The notice delivered pursuant to the preceding sentence must certify that the conditions set forth in the proviso to such sentence have been satisfied and the Lender shall be entitled to rely upon such certification without any further investigation.

(b) The Lender's Commitment shall terminate on the Final Date.

(c) If the Lender's Commitment is terminated in its entirety, all Loans, accrued but unpaid Commitment Fees and any other amounts owing to the Lender hereunder shall be payable on the effective date of such termination. If the Lender's Commitment is reduced, Commitment Fees on the amount by which such Commitment is reduced shall be payable on the effective date of such termination and Commitment Fees on the amount by which the Commitment is reduced shall cease to accrue on the date of such reduction.

(d) Notwithstanding any provisions of this Agreement to the contrary, the City agrees not to terminate this Agreement or reduce the Commitment, except upon (i) the payment of any amounts required to be paid pursuant to the terms of this Agreement and the Fee Letter in the amounts, at the times and in the manner set forth herein and therein including the "Termination Fee" or "Reduction Fee", as applicable (as described in the Fee Letter)(if any), (ii) the payment to the Lender of all obligations payable hereunder and under the Fee Letter, and (iii) the City providing the Lender with thirty (30) days' prior written notice of its intent to terminate this Agreement or reduce the Commitment; *provided* that all payments to the Lender referred to in clauses (i) and (ii) above shall be payable in immediately available funds, on the effective date of such termination or reduction, as applicable (subject to Section 2.08(c) hereof).

(e) In the event the City elects not to issue Notes up to the Maximum Rate, or otherwise limits the interest rate on an issuance of Notes to a rate of interest less than the Maximum Rate and, after any such action, the Lender is not reimbursed for a Loan Advance the proceeds of which were used to pay maturing Notes, then the Available Commitment shall be permanently reduced by such principal amount and the City shall repay the related Loan Advance within 30 days of such non-reimbursement.

Section 2.07. Prepayment of Loans.

(a) *Optional Prepayments.* The City may, at its option, at any time and from time to time, upon at least one Business Day notice to the Lender prepay Loans, in whole or in part, without premium or penalty. Each partial prepayment permitted above shall be in the principal amount of \$1,000,000 or any integral multiple of \$100,000 in excess thereof plus accrued interest thereon. Upon the Lender's receipt of any such prepayment, the Loans shall be reduced by an amount equal to the prepayment attributable to the prepayment of principal.

(b) *Mandatory Prepayments.* The principal amount of the Loans shall be prepaid upon the subsequent issuance of any Notes on the date of such issuance, in an amount equal to the proceeds of such issuance, plus accrued interest on the principal amount prepaid. Upon the Lender's receipt of any such prepayment, the Loans shall be reduced by an amount equal to the prepayment attributable to the prepayment of principal.

(c) Upon receipt by the Lender of a notice of prepayment pursuant to this Section, such notice shall not be revocable by the City.

Section 2.08. General Provisions as to Payment. The following general provisions shall apply to all payments of Commitment Fees and payments under the Loan Note:

(a) The Lender shall calculate and notify the City in writing of the amounts payable by the City hereunder and the Fee Letter within three (3) Business Days preceding any payment date (*provided, however*, that any failure by the Lender to do so shall not affect or impair the obligations of the City to pay such amounts). Such calculations will be based on the assumptions that the applicable rates will not change from the date of calculation to the payment date. In the event any of the foregoing assumptions change between the date of notification and the payment date, any overpayment or underpayment resulting from such change will be applied to the next ensuing payment or reimbursed or charged, as the case may be.

(b) The City shall make each payment due to the Lender hereunder by paying not later than 1:00 p.m. on the day when due, in federal or other funds immediately available, by wire transfer to such account as the Lender may from time to time designate; *provided, however*, if the City provides the Lender with a Fed wire reference number with respect to any payment before 1:00 p.m., any payment actually received by the Lender by wire after 12:00 noon shall be deemed to have been received before 1:00 p.m. on the same Business Day.

(c) Whenever any payment due hereunder shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for the payment or prepayment of amounts due hereunder is extended by the preceding sentence, or by operation of law, or otherwise, interest thereon shall be payable for the period of such extension at the rate applicable thereto under other provisions of this Agreement.

Section 2.09. Security for Loan Note. The Loan Note and all other amounts due under this Agreement are special obligations of the City payable from and secured solely by the funds pledged therefor pursuant to the Ordinance, including specifically Section 2.10 thereof, and this Agreement. To provide security for the payment of the principal of and interest on the Notes, the

Loan Note and all other amounts due under this Agreement, as the same shall become due and payable, the City has granted a lien on and pledge of the following:

- (a) the proceeds from (i) the sale of Bonds issued by the City for the purpose of such provision of security for such Notes and other amounts due under this Agreement and (ii) the sale of Notes issued by the City for such purpose;
- (b) the proceeds from Loans (for the payment of principal of the Notes only);
- (c) the amounts held in the Note Payment Fund until the amounts therein are used for authorized purposes; *provided, however*, that amounts in the Note Payment Fund attributable to and derived from the proceeds of the Loans are pledged to, and shall be used only to pay, the principal of (but no redemption premium) the Notes in full prior to any application to the Loan Note; and
- (d) the amounts remaining on deposit in the Note Construction Fund after the payment of all Project Costs.

To provide additional security for the payment of the principal of and interest on the Loan Note and any other amounts due under this Agreement or the Fee Letter as the same shall become due and payable, the City has pledged and granted, pursuant to Section 2.10 of the Ordinance, a lien on and pledge of the Net Revenues, such lien on and pledge of Net Revenues to secure the Loan Note and all other amounts due under this Agreement and the Fee Letter, however, being subordinate only to the lien and pledge of the Pledged Revenues securing the payment of the Senior Lien Obligations. The Loan Note, being secured by and payable from the lien on the Net Revenues as described in the preceding sentence, shall constitute a Subordinate Lien Obligation on a parity with the Additional Subordinate Lien Obligations from time to time issued and Outstanding. The Ordinance creates the valid lien and pledge which it purports to create on the Net Revenues for, among others, the benefit of the Holders of the Loan Note. All of such sources and pledges are herein called the "*Collateral.*" The Loan Note shall further be entitled to the benefits of this Agreement. The Lender shall not be entitled to any funds of the City raised or to be raised by taxation.

Chapter 1208, Texas Government Code, applies to the Notes and the Loan Note and the made pursuant to the Ordinance and described under this Section 2.09, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Note or Loan Note is outstanding and unpaid such that the pledge made by the City under the Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the Lender the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 2.10. Extension of Revolving Credit Period. At any time during the period from the 180th day through and including the 90th day preceding the Final Date, the City may submit a written request in the form of Exhibit "H" hereto to the Lender that the Final Date to be extended for a term to be agreed by the City and the Lender. Any such written request may be accompanied

by requests to increase or decrease the amount, or otherwise modify the terms and conditions, of the Commitment. The Lender agrees to use commercially reasonable efforts to deliver a response in writing to the City within thirty (30) days from the date of receipt of such request. If the Lender, in its sole discretion, agrees to extend the Final Date, then the Lender and the City shall enter into an amendment of this Agreement and deliver a copy of any such amendment, executed by the parties thereto, to the Issuing and Paying Agent. Except as may be otherwise expressly provided in a particular amendment to this Agreement, each extension of the Final Date, and the provision of the Commitment during the time of each such extension, shall be on the same terms and conditions as those set forth in this Agreement. Notwithstanding anything in this paragraph to the contrary, if the Lender fails to deliver written notice to the City of the Lender's decision within 30 days of any request by the City, the Lender shall be deemed to have rejected such request.

Section 2.11. Notice of Issuing and Paying Agent. The City will give written notice to the Lender of the appointment of any new or substitute Issuing and Paying Agent, which notice shall specify the name and address of the Issuing and Paying Agent and the name of a person to contact at the Issuing and Paying Agent.

Section 2.12. Failure of the Lender to Loan. The failure of the Lender to make any requested Loan required to be made under the Loan Note shall not release the Lender from its agreement to make such Loans, nor shall receipt and acceptance by the City of any Loan or portion thereof from the Lender be a release, discharge, or waiver of any claim, demand or cause of action of, or for the benefit of, the City arising out of or in connection with any such failure to advance funds.

Section 2.13. Compliance with Law. Notwithstanding any other term or provision of this Agreement, the Fee Letter or of the Loan Note, the maximum amount of interest which may be payable by, charged to, or collected from the City, or any other person either primarily or conditionally liable for the payment of the Loan Note, shall be limited to, and shall in no event or under any circumstance exceed, the Maximum Interest Rate so that, notwithstanding any other term or provision of this Agreement, the Fee Letter or the Loan Note, the aggregate of the interest on any Loan, including all fees and other amounts which constitute interest under Texas law (and any applicable federal statutes), shall never exceed the Maximum Interest Rate. Accordingly, the City and the Lender stipulate and agree that this Agreement, the Fee Letter and the Loan Note shall not be construed to create a contract to pay interest for the use, forbearance, or detention of money at a rate in excess of the Maximum Interest Rate.

Specifically and without limiting the generality of the foregoing, it is further agreed among the City and the Lender that the maximum amount of interest contracted for and payable on or under this Agreement and the Loan Note, now or hereafter shall be calculated in order that such rate shall not exceed the Maximum Interest Rate, and such parties agree that:

(a) In the event of voluntary prepayment of any Loan or payment prior to the Loan Advance Maturity Date or the Term Loan Maturity Date, if the aggregate amount of any interest calculated thereunder or thereon, plus any other amounts which constitute interest on such Loan would, in the aggregate, if charged or paid, exceed the Maximum Interest Rate, then in such event the amount of such excess shall not be charged, payable or due (if not previously paid) or (if paid) shall be credited toward the payment of the principal of the Loan Advance involved so as to

reduce the amount thereof and if, and to the extent, the entire principal amount has been paid in full, refunded to the City.

(b) The provisions of this Section 2.13 shall control over any other provisions of this Agreement, the Fee Letter, the Loan Note, any other instrument or writing evidencing, respecting or affecting the Loans, and the Lender further agrees that any limitations or restrictions imposed on it, or on payments which it may receive by reason of this Section 2.13 shall apply and be recognized in all circumstances and to all payments, regardless of the source or payor thereof.

(c) All fees prescribed in the Fee Letter shall constitute exclusively the consideration for the Lender's agreement to have available funds in the amount committed by the Lender in respect of Loans and to make such Loans in the future as provided herein and shall not constitute or be treated as compensation for the use of, forbearance, or detention of money actually loaned and advanced hereunder.

Section 2.14. No-Issuance Notice. If:

(a) a Default shall have occurred and be continuing; or

(b) the representations and warranties of the City set forth in Article IV hereof are not true and correct in all material respects on and as of the date of the No-Issuance Notice referred to below with the same effect as though made on and as of the date of such notice.

The Lender may deliver a notice to that effect ("*No-Issuance Notice*") to the Issuing and Paying Agent (a copy of which shall be delivered by the Lender to the City and each Dealer), and the City will not issue any additional Notes after the delivery of such No-Issuance Notice. A No-Issuance Notice shall be given in writing, delivered to the Issuing and Paying Agent (and to the City and each Dealer), substantially in the form of Exhibit "C" hereto. The Lender agrees that if, after the delivery of a No-Issuance Notice, the event or condition of the character described in clause (a) or (b) of this Section shall no longer be continuing and the Lender shall have received written notice from an Authorized Representative to that effect, then the Lender shall deliver a written notice (a copy of which shall be delivered by the Lender to the City and each Dealer) to the Issuing and Paying Agent rescinding such No-Issuance Notice.

ARTICLE III

CONDITIONS

Section 3.01. Conditions to Closing and Commencement of Revolving Credit Period. This Agreement shall be delivered to, and binding upon, the City and the Lender on the date (the "*Closing Date*") on which the conditions set out in Subsection (a) of this Section 3.01 shall have been satisfied. The Revolving Credit Period shall commence on the date on which the conditions set out in Subsections (a) and (b) of this Section 3.01 shall have been satisfied.

(a) On the Closing Date, the Lender shall have received all of the following:

(i) a counterpart of this Agreement and Fee Letter duly executed by an Authorized Representative on behalf of the City and the Lender;

(ii) a duly executed Loan Note for the Lender, dated as of the Effective Date, complying with the provisions of Section 2.03 and substantially in the form set out in Exhibit “A” hereto;

(iii) a certified copy of the Ordinance, including amendments thereto, if any, which have been adopted as of the Closing Date;

(iv) a certificate of an Authorized Representative in form and substance satisfactory to the Lender, dated the Closing Date, and substantially in the form of Exhibit “D” hereto;

(v) an opinion of the City Attorney, addressed to the Lender, dated the Closing Date, and substantially in the form of Exhibit “E” hereto, with such changes, modifications, deletions, or additions as may be acceptable to such counsel and counsel for the recipients thereof;

(vi) an opinion of Bond Counsel, dated the Closing Date, substantially in the form of Exhibit “F” hereto, with such changes, modifications, deletions, or additions as may be acceptable to Bond Counsel and counsel for the Lender;

(vii) the Dealers and the Issuing and Paying Agent have been appointed and are acceptable to the Lender, and the Lender shall have received certified copies of the Issuing and Paying Agent Agreement and each Dealer Agreement, including amendments thereto, if any;

(viii) copies of all approvals or authorizations by, or consents of, or notices to or registrations with, any Governmental Authority required for the City to enter into this Agreement and the Related Documents and of all such approvals, authorizations, consents, notices, or registrations required to be obtained or made prior to the Closing Date in connection with the transactions described herein and in the Related Documents;

(ix) payment, in immediately available funds, of the amounts described in the Fee Letter that are due and owing on the Effective Date, and

(x) evidence (1) on the Effective Date from Moody’s, S&P and Fitch which confirm that the Senior Lien Obligations have received long ratings of “Aa1” by Moody’s and “AA” by S&P and Fitch; a rating letter from Moody’s, as to the Rating on the Notes of “P1”; and (2) the Loan Note (and its related CUSIP Number) have been assigned a long term rating of at least “Baa3” or “BBB-,” respectively, from one of Moody’s or Fitch;

(xi) such financial information, budgets and projections of the City relating to the System as the Lender may reasonably request;

(xii) a CUSIP number to be obtained from Standard & Poor’s CUSIP Service for the Loan Note;

(xiii) and (ii) a fully executed copy of the JPMorgan Note Purchase Agreement; and

(xiv) such other documents, opinions, or certificates reasonably requested by the Lender.

(b) On the Effective Date, the following items, in addition to the items listed in paragraph (a) of this Section 3.01, shall have been delivered to the City and the Lender:

(i) evidence satisfactory to the Lender that the Attorney General of the State of Texas shall have approved this Agreement as required by the Act; and

(ii) a certificate of incumbency, dated on or before the Effective Date, executed by the City Clerk of the City or the Secretary of the Board.

Section 3.02. Conditions to Loans During Revolving Credit Period. The obligation of the Lender to make any Loan Advance, when so requested hereunder during the Revolving Credit Period, is subject to receipt by the Lender of a Notice of Loan as required by Section 2.02(a) and to the satisfaction of the further conditions that no Special Event of Default or Suspension Event has occurred and is continuing. In addition, the Lender shall not have any obligation to make a Loan Advance to the City to pay the principal of any Notes which were issued by the City after receipt by the Issuing and Paying Agent of a No-Issuance Notice delivered thereto by the Lender.

Section 3.03. Conditions to Term Loan. The obligation of the Lender to make any Term Loan is subject to receipt by the Lender of a Request for Term Loan as required by Section 2.02(b) and to the satisfaction of the further conditions that (A) no Default or Event of Default has occurred and is continuing, (B) the representations and warranties of the City contained in Article IV hereof are true and correct in all respects as of the date of the conversion of a Loan Advance to a Term Loan, and (C) the City's delivery to the Lender of a certificate to the effect of the foregoing on such date.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE CITY

Section 4.01. Organization and Powers. The City (a) is duly established and validly existing under the laws of the State of Texas under and pursuant to the Constitution of the State of Texas and is a home-rule city under authority of the laws of the State of Texas, and (b) has full power and authority to adopt the Ordinance; to execute, deliver, and perform the Ordinance, this Agreement, and the Related Documents; to borrow hereunder, and to execute, deliver, and perform the Loan Note. The City and the System are solvent. The Board has full power and authority to operate the System and to acquire, construct, finance, and operate the Eligible Projects;

Section 4.02. Authorization: Contravention. The execution, delivery, and performance by the City of the Ordinance, this Agreement, the Loan Note, and the Related Documents and the making of the payments under the Loan Note have been duly authorized by all necessary action by the City and the Board and do not contravene, or result in the violation of, or constitute a default under, any provision of applicable law or regulation, or any order, rule, or regulation of any court,

governmental agency, or instrumentality or any agreement, resolution, or instrument to which the City or the Board is a party or by which it or any of its property is bound.

Section 4.03. Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency, or instrumentality that has not been obtained or issued is or will be necessary for the valid adoption, execution, delivery or performance by the City of the Ordinance, the Related Documents, this Agreement, and the Loan Note.

Section 4.04. Binding Effect. This Agreement, the Loan Note, the Ordinance, and the other Related Documents constitute valid and binding obligations of the City, assuming this Agreement and the other Related Documents that are bilateral agreements are valid and binding agreements of the counterparties thereto, enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by principles of sovereign immunity and by the City's bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles relating to or limiting creditor's rights and remedies generally.

Section 4.05. Federal Reserve Regulations. No part of the proceeds of any Loan will be used for the purpose, whether immediate, incidental, or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time), or to extend credit to others for the purpose of purchasing or carrying any margin stock, or for any other purpose which would violate any of the regulations of said Board of Governors.

Section 4.06. Litigation. There is no action, suit, or proceeding pending in any court in Comal County, Texas or Guadalupe County, Texas, or, to the knowledge of the City, pending or threatened against or affecting the City, the Board, the System, or relating to other applicable laws or regulations, or this Agreement or the Related Documents in any court or before or by any Governmental Authority the resolution of which could reasonably be expected to materially and adversely affect the ability or authority of the City or the System to perform its obligations under this Agreement or the Related Documents, or which in any manner questions the validity or enforceability of this Agreement, the Loan Note, the Ordinance, or the Related Documents or the granting, perfection, enforceability, or priority of the lien on and pledge of the Collateral pursuant to the Ordinance and described in Section 2.09, except any action, suit, or proceeding (i) as described in the Offering Memorandum prepared by the City relating to the Program Notes (including the Notes) or (ii) which may be brought prior to the Effective Date as to which the Lender has received an opinion of counsel satisfactory to the Lender, in form and substance satisfactory to the Lender and its counsel, to the effect that such action, suit, or proceeding is without substantial merit.

Section 4.07. No Event of Default under the Ordinance. No "Event of Default" specified in the Ordinance and no event which, with the giving of notice or lapse of time or both would become such an Event of Default, has occurred and is continuing.

Section 4.08. Financial Statements. Since the effective date of the financial information provided by the City to the Lender in connection with this Agreement, there has been no material

adverse change in the business, properties, condition (financial or otherwise), or operations, present or prospective, of the City, the Board or the System.

Section 4.09. Complete and Correct Information. All information, reports, and other papers and data with respect to the City, the Board, and the System furnished by the City to the Lender in connection with this Agreement were, at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Lender a true and accurate knowledge of the subject matter. No document furnished or statement made by the Board in connection with the negotiations, preparation, or execution of this Agreement contains any untrue statement of a fact material to its creditworthiness or omits to state a material fact necessary in order to make the statements contained therein not misleading.

Section 4.10. Sale or Encumbrance of System. During the term of this Agreement, and as long as any Senior Lien Obligations, the Loan Note, or any interest thereon, remain Outstanding, the City will not sell, dispose of or, except as permitted hereunder or under the Ordinance, further encumber the System; *provided, however,* that this provision shall not prevent the City from disposing of any portion of the System which is being replaced or is deemed by the City to be obsolete or unsuited for the efficient operation of the System. Net proceeds from any such disposition shall be used only for System purposes. Any agreement pursuant to which the City or the Board contracts with a Person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

Section 4.11. Incorporation by Reference. The representations and warranties made by the City and the Board, as applicable, in the Related Documents are hereby incorporated herein by reference and made for the benefit of the Lender.

Section 4.12. Legislation. There is no amendment or, to the knowledge of the City, proposed amendment to the constitution of the State of Texas or any administrative interpretation of the constitution of the State of Texas or any State of Texas law, or any legislation that has passed either house of the legislature of the State of Texas, or any judicial decision interpreting any of the foregoing, the effect of which will materially adversely affect the issuance of any of the Notes or the Loan Notes, the security for any of the Notes, the Loan Notes or the City's obligations hereunder or under any of the Related Documents to which it is a party, or the City's ability to repay when due its obligations under this Agreement, any Notes, the Loan Note or any other any Related Document.

Section 4.13. Collateral. The provisions of the Ordinance and of this Agreement are effective to create in favor of the Lender a legal, valid, and enforceable pledge of all of the City's right, title, and interest in the lien on and pledge of the Net Revenues, pursuant to Section 2.10 of the Ordinance, to secure, at the level of priority described in Section 2.09 hereof, the Loan Note and all other amounts due under this Agreement. The Ordinance creates the valid lien and pledge which it purports to create on the Net Revenues for the benefit of the Holders of the Loan Note. All documents or instruments required to be filed or recorded in any public office, and all notifications required to be given to any Person, in order to provide notice of such pledge to present and future creditors and otherwise protect and perfect the pledge in favor of the owners of the Notes and the Lender, have been filed, recorded or given, as the case may be.

Section 4.14. Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Notes from gross income for federal income tax purposes.

Section 4.15. Environmental Matters. Except as otherwise disclosed in the Offering Memorandum, the neither the City nor the System has received notice to the effect that the System's operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the assets, financial condition, or operations of the City or the System or the City or the System's (as applicable) ability to perform its obligations under the Related Documents.

Section 4.16. Sovereign Immunity. As long as such obligations are not uncertain or in dispute, the City is not entitled to claim immunity on the grounds of sovereignty, or similar grounds, from relief by writ of mandamus to perform its obligations under this Agreement, the Fee Letter, the Ordinance, the Loan Notes or the Notes.

Section 4.17. The Issuing and Paying Agent and the Dealers. The Issuing and Paying Agent is the duly appointed and acting Issuing and Paying Agent under the Issuing and Paying Agent Agreement and the Ordinance. Each Dealer is a duly appointed and acting dealer with respect to the Notes under its respective Dealer Agreement and the Ordinance.

Section 4.18. Anti-Terrorism Laws. Neither the City nor any of its Affiliates is in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

- (a) Neither the City nor any of its Affiliates is any of the following:
 - (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
 - (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
 - (iii) a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
 - (iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or
 - (v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the Office of Foreign Asset Control ("*OFAC*") or any list of Persons issued by OFAC pursuant to the Executive

Order at its official website or any replacement website or other replacement official publication of such list;

(b) Neither the City nor any of its Affiliates (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 4.19. Anti-Corruption Laws. To the best of the undersigned's knowledge, the City and the System and the City Council and the Board and their officers and employees are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. To the knowledge of the City and the System, no Notes, use of proceeds or other transaction described by this Agreement will be used in a manner that would violate Anti-Corruption Laws or applicable Sanctions.

ARTICLE V

COVENANTS OF THE CITY

The City and the Board, as applicable, agree that during the term of this Agreement and while any amount payable under the Loan Note remain unpaid:

Section 5.01. Information. The Board will deliver to the Lender:

(a) as soon as reasonably available after the end of each Fiscal Year, and in any event within 180 days after the end of such Fiscal Year, a copy of the annual report of the Board and the System prepared in accordance with generally accepted accounting principles applicable to political subdivisions such as the City, consistently applied, and audited by independent certified public accountants of recognized standing, including a balance sheet of the Board and the System as of the end of such Fiscal Year and related statements of revenues, expenses, and changes in retained earnings and cash flows for the Fiscal Year ended;

(b) as soon as available and in any event within 180 days after the close of each Fiscal Year of the Board and within 30 days of the end of each fiscal quarter, a certificate of an Authorized Representative (i) to the effect that as of the date of such certificate no Default has occurred, or (ii) if a Default has occurred specifying the nature of such Default, the period of its existence, and the action which the Board is taking or proposes to take with respect thereto unless such Default has previously been reported pursuant to 5.01(d) below, and no change in the status of such Default has occurred;

(c) as soon as practicable but in any event within ten Business Days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum, or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the City makes available in connection with the offering, issuance or incurrence of Senior Lien Obligations, or Subordinate Lien Obligations, and, on request, copies

of such other financial reports that the Board shall customarily and regularly provide to the public (this provision (c) may be satisfied by sending notice to the Lender that the documents have been posted on EMMA or sending the Lender the website link to such documents);

(d) forthwith upon the occurrence of any Event of Default a certificate of an Authorized Representative setting forth the details thereof and the action which the Board is taking or proposes to take with respect thereto, a report showing the aggregate amount and maturities of Commercial Paper Notes outstanding at the end of the preceding month and a summary of the aggregate principal amount of Commercial Paper Notes issued, rolled over and retired in such period;

(e) promptly any change in the Rating (as defined in the Fee Letter);

(f) upon written request of the Lender, information relating to the Net Revenues or any other financial information (including but not limited to any rate studies) reasonably requested;

(g) unaudited quarterly financial reports relating to System operations, which includes (in addition to other updated information) a statement of revenues, expenses, and changes in equity, balance sheet, statement of cash flows, updated investment portfolio, and certain key financial ratios; and

(h) as soon as available, and in any event within 60 days following the beginning of the Fiscal Year, the adopted annual budget of the System.

Section 5.02. Access to Records. The Board will furnish to the Lender such information regarding the financial condition, results of operations, or business of the System as the Lender may reasonably request and will permit any officers, employees, or agents of the Lender to visit and inspect during the regular operating hours of the Board any of the properties of the System and to discuss matters reasonably pertinent to an evaluation of the credit of the Board, all at such reasonable times as the Lender may reasonably request. All information received by or provided to the Lender pursuant to this Agreement, unless otherwise made public by the Board, will be held as confidential information by the Lender.

Section 5.03. Limitation on Debt. The City will not issue any additional Debt except in accordance with the Ordinance and the City ordinances authorizing the issuance of the Senior Lien Obligations.

Section 5.04. Proceeds of Commercial Paper Notes. The proceeds of the Notes will be used by the City, acting by and through the Board or an Authorized Representative, solely for the purposes described in the Ordinance.

Section 5.05. No Amendment of Certain Contracts or Ordinances. The City will not consent to any amendment to or modification or waiver of any of the provisions of the Ordinance or the Related Documents without the prior written consent of the Lender. The City will give the Lender notice as promptly as practicable (but in no event less than ten Business Days) of any proposed amendments to or modifications or waivers of any provisions of the Ordinance and of

any meeting of the Board or the City Council, as applicable, at which any of the foregoing will be discussed or considered.

Section 5.06. Rates, Sales of Obligations. The City shall, prior to any date on which principal of the Loan Note becomes due, fix, charge and collect rates and charges for the use and services of the System, or, to the extent permitted by law, use its best efforts to offer and sell bonds or other evidences of indebtedness, or undertake a combination of both of the foregoing, to produce amounts sufficient, together with other funds available therefor, to pay on such date the principal amount of the Loan Note which is due on such date plus accrued interest thereon and all other amounts due to the Lender hereunder in respect thereof or in respect of the Commitment, not previously paid from other funds available to the City.

Section 5.07. Other Covenants. The City shall fully and faithfully perform each of the covenants required of it pursuant to the provisions of the Ordinance.

Section 5.08. Taxes and Liabilities. The City will pay all the indebtedness and obligations of the System promptly and in accordance with its terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments, and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal, or mixed, or upon any part thereof, before the same shall become in default, except for those matters which are reasonably being contested in good faith by appropriate action or proceedings or for which the City, whether through itself or through the System, has established adequate reserves in accordance with generally accepted accounting principles applicable to governmental entities.

Section 5.09. Supplemental Ordinances and Further Assurances. The City will not adopt any supplemental ordinances, pursuant to the Ordinance, or otherwise, which would adversely affect the ability of the City to make payments of the Loan Note when due, or that would otherwise materially adversely affect the rights, remedies, security or interests of the Lender under this Agreement or the Ordinance. The City will at any and all times, insofar as it may be authorized so to do by law, pass, make, do, execute, acknowledge, and deliver all and every such further resolutions, acts, assignments, recordings, filings, transfers, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, revenues, and other funds and the Collateral hereby pledged or assigned to the payment of the Loan Note, or intended so to be, of which the City may become bound to pledge or assign.

Section 5.10. Efforts to Pay. In the event that any Loan is not paid at maturity, the City shall as quickly as possible take all action reasonably necessary to allow payment from any available System funds, including proceeds from Bonds.

Section 5.11. Restrictions on Use of Proceeds. The proceeds of the Loans will be applied by the City only to pay the principal of the Notes coming due during the Revolving Credit Period. None of the funds borrowed by virtue of this Agreement will be used in any manner or for any purpose except in the manner and for the purposes authorized by Texas law, this Agreement and the Ordinance. The City shall not use the proceeds of any credit extension relating to the System, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying margin

stock or to refund indebtedness originally incurred for such purpose, in each case in violation of, or for a purpose which violates, or would be inconsistent with, Regulation T, U or X of the Board of Governors of the Federal Reserve System.

Section 5.12. Performance and Compliance with Other Covenants. The City shall perform and comply with each of the covenants contained in the Related Documents.

Section 5.13. Compliance with Rules and Regulations. The City shall comply with all laws, ordinances, orders, rules, investment policies and guidelines and regulations (including, without limitation, any applicable environmental law, ordinance, order, rule or regulation) of duly constituted public authorities which if not complied with would have a materially adverse effect on the City's ability to perform its obligations hereunder and under the Related Documents.

Section 5.14. Maintenance and Operation of the System. The City covenants that it will at all times, acting by and through the Board, maintain the System, or within the limits of its authority cause the same to be maintained, in good condition and working order and will operate the same, or cause the same to be operated, in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. In operating and maintaining the System, the City, acting by and through the Board, will comply with all contractual provisions and agreements entered into by it and with all valid rules, regulations, directions or orders of any governmental, administrative or judicial body promulgating same, noncompliance with which would materially and adversely affect the operation of the System.

Section 5.15. Insurance. The City will keep the System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available. All net proceeds of such insurance shall be applied to repair or replace the insured property that is damaged or destroyed, or shall be deposited in the System Fund (as defined in Section 4.3 of the Ordinance), or shall be used to redeem Outstanding Bonds. The cost of all such insurance, together with any additional insurance, shall be a Maintenance and Operation Expense.

Section 5.16. Rates and Charges. So long as the Commitment or any Loans remain Outstanding, the City shall fix, charge and collect rates and charges for the use and services of the System in accordance with the Ordinance.

Section 5.17. Investments Generally. The Board shall comply with the provisions of the Public Funds Investment Act (Chapter 2256, as amended, Texas Government Code) and, in addition, shall not:

(a) borrow money (by, without limitation, obtaining loans, issuing debt, purchasing securities on margin, entering into repurchase agreements or similar agreements) solely for the purpose of investment, in an amount at any time greater than 20% of the total of the Board's unleveraged investment portfolio; or

(b) knowingly maintain any of the Board's investment portfolio in a pool of investments managed by another person whose investment practices would result in the indirect violation of the limitation set forth in Subsection (a) above; or

(c) invest in any instrument or execute any agreement commonly known as a derivative (such as, by way of example, an inverse floater or any other variable rate or floating rate security the interest rate on which is not determined on a basis designed to result in a value of the security approximately equal to par) or invest in any other security with a derivative embedded in it (such as by way of example a structured note), except to the extent that any such investments or agreements do not exceed 20% of the Board's unleveraged investment portfolio and except that for the purposes of this subsection the term "derivative" shall not include principal or interest strips of direct obligations of the United States which, if held to maturity, would yield to the Board the face amount of such security; *provided, however*, notwithstanding the foregoing provision, the Board shall have the right to enter into transactions, agreements or investments without regard to the limitations set forth in this Subsection (c) for legitimate hedging purposes with respect to the Board's investment portfolio, consistent with sound investment practices for investors similarly situated.

In determining whether the Board's investment in a pool of investments described in Subsection (b) above would cause a violation of Subsection (a) above, the amount of the Board's investment in the pool will be considered borrowed money for the purposes of Subsection (a) above in an amount equal to the product of the amount of such investment times the percentage by which such pool is leveraged.

Section 5.18. Alternate Credit Facility. In the event that the Notes will at such time be outstanding (or shall be maturing and the City has not provided for their payment from another source), the City agrees to use its best efforts to obtain an Alternate Credit Facility to replace this Agreement in the event (i) the Lender shall decide not to extend the Final Date pursuant to Section 2.10 hereof or (ii) the City terminates this Agreement pursuant to Section 2.06 hereof. The City shall not cause an Alternate Liquidity Facility to become effective with respect to less than all the Notes then outstanding or to thereafter be outstanding without the prior written consent of the Lender.

The City agrees that, as a condition to the effectiveness of any Alternate Credit Facility, the City whether from its own funds or the provider of an Alternate Credit Facility shall provide funds to the extent necessary, in addition to other funds available, on the effective date of such Alternate Credit Facility, to make the payments set forth in Article II hereof to the Lender on such effective date; *provided, however*, that this Agreement does not create a lien or pledge of City funds other than as provided in the Ordinance and as described in Section 2.09 hereof. On such effective date, any and all obligations due hereunder and all principal and interest due on the Loan Note shall be payable in full to the Lender.

Section 5.19. Liens. The City shall not create or suffer to exist any lien upon or with respect to any of the funds or accounts created under the Ordinance except those liens specifically permitted under the Ordinance, and will cause the lien created under the Ordinance for the benefit of the payment of the principal of and interest on the Loan Note and all other amounts due under this Agreement to remain in full force and effect. The City shall not permit any lien on any of the funds or accounts created under the Ordinance securing any swap termination payments (other than with respect to Swap Agreements in existence on the date hereof) to be *pari passu* with or senior to the lien created under the Ordinance for the benefit of the Notes and the Lender.

Section 5.20. Maintenance of Tax-Exempt Status of Notes. The City will not take any action or omit to take any action, which, if taken or omitted, would adversely affect the exclusion of interest on the Notes issued under the Ordinance from gross income for purposes of federal income taxation.

Section 5.21. Offering Memorandum. Other than the Offering Memorandum and its audited financial statements, the City shall not refer to the Lender in any official statement or any similar offering document or make any changes in reference to the Lender in any official statement or any similar offering document without the Lender's prior written consent thereto; *provided, however,* the City will not need to obtain such consent from the Lender to merely describe this Agreement and the financial transactions described herein, or to describe J.P. Morgan Securities LLC as Dealer under the City's Commercial Paper Program, in any official statement or similar offering document of the City.

Section 5.22. Further Assurances. The City shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the request of the Lender all such instruments and documents as in the reasonable judgment of the Lender are necessary or advisable to carry out the intent and purpose of this Agreement and the other Related Documents.

Section 5.23. Credit Facilities. In the event that the City shall, directly or indirectly, enter into or otherwise consent to any amendment, supplement or other modification of any credit agreement, reimbursement agreement or other agreement or instrument under which, directly or indirectly, any Person undertakes to make or provide funds to make payment of, or to purchase, Debt of the City secured by Pledged Revenues which includes remedies not included in this Agreement or covenants that are more restrictive as to the City than those contained in this Agreement (excluding any additional or more restrictive (i) events of default under any agreement the remedy for which is an immediate termination or suspension of the obligations of the related liquidity provider and (ii) conditions to funding thereunder), the City shall give prompt written notice thereof to the Lender and shall enter into an amendment or amendments to this Agreement to incorporate such remedies and covenants to the extent applicable hereto. Notwithstanding anything to the contrary set forth in this Agreement, the obligations of the Lender hereunder may not be immediately terminated or suspended other than as a result of a Special Event of Default or a Suspension Event (in each case, as such terms are defined as of the Effective Date or as amended pursuant to any amendment hereto and, in connection with such amendment, the then-current ratings on the Notes have been confirmed by each Rating Agency then rating the Notes). If this Agreement shall be amended to add any additional conditions to funding other than what is in Section 3.02 hereof on the Effective Date, such amendment shall not be effective until the then-current ratings on the Notes have been confirmed by each Rating Agency then rating the Notes.

Section 5.24. Litigation; Material Change. The City shall promptly notify the Lender of (i) the existence and status of any litigation which individually or in the aggregate could, in the event of an unfavorable outcome, have a material adverse effect on (A) the financial condition or operations of the System or its obligation to perform its obligations hereunder or under any of the Related Documents, (B) the Notes, (C) the payment of the principal of and interest on the Loan Note and all other amounts due under this Agreement, (D) its ability to establish, charge and collect Gross Revenues, or (E) the enforceability or validity of any of the Related Documents, or (ii) any

change in any material fact or circumstance represented or warranted in this Agreement or in any of the Related Documents.

Section 5.25. Replacement of Certain Entities. The City shall obtain the prior written consent of the Lender to the replacement of the Issuing and Paying Agent or any Dealer, which consent shall not be unreasonably withheld or delayed.

Section 5.26. Total Outstanding. At no time shall the City permit the sum of (i) the aggregate principal amount of the Notes and the Series 2019B Notes Outstanding to exceed the Available Commitment; and (ii) the sum of (A) the aggregate principal amount of the Notes and the Series 2019B Notes Outstanding and all interest to accrue on the Notes through the maturity dates thereof, and (B) the aggregate principal amount of all outstanding and unpaid Loan Advances and Term Loans, to exceed the Commitment.

Section 5.27. Incorporation by Reference. From and after the date hereof and so long as this Agreement is in effect, except to the extent compliance in any case or cases is waived in writing by the Lender pursuant to the terms hereof, the City agrees that it will, for the benefit of the Lender, comply with, abide by, and be restricted by all of the agreements, covenants, obligations and undertakings of the City contained in the Ordinance and the Related Documents, which provisions, together with the related definitions, and ancillary provisions, are hereby incorporated herein by reference, and made a part hereof to the same extent and with the same force and effect as if the same had been herein set forth in their entirety and it will be deemed to continue in effect for the benefit of the Lender, without regard or giving effect to any amendment or modification of such provisions or any waiver of compliance therewith, no such amendment, modification or waiver are to any manner constitute an amendment, modification or waiver of the provisions thereof as incorporated herein.

Section 5.28. Commercial Paper Dealer. The City will appoint, or cause to be appointed, at all times, a Dealer which is reasonably acceptable to the Lender. The City agrees to cause the Dealer to use its best efforts to sell Notes up to the maximum rate applicable to Notes in order to repay maturing Notes. If a Dealer fails to perform its duties under a Dealer Agreement or any Notes remain outstanding for a period of thirty (30) consecutive calendar days or any Dealer fails to sell Notes or otherwise fails to perform its duties under the related Dealer Agreement, after being directed to do so by the City (subject to the provisions of the applicable Dealer Agreement), at the written direction of the Lender the City shall cause the related Dealer (that has been unable to sell Notes or fails to perform its duties) to be replaced with a Dealer satisfactory to the Lender within thirty (30) calendar days of the receipt of such written direction; provided that so long as the remaining Dealer(s) for the Notes are satisfactory to the Lender, it shall be sufficient for the City only to remove the Dealer that has been unable to sell rollover Notes or fails to perform its duties. The City shall at all times exercise commercially reasonable efforts to cause each Dealer Agreement entered into after the date hereof, to contain satisfactory third-party beneficiary provisions in favor of the Lender. Any Dealer Agreement executed after the date hereof, and any amendment to any Dealer Agreement in effect on the date hereof, shall provide that (a) such Dealer may resign upon at least sixty (60) days prior written notice to the Issuing and Paying Agent, the Lender and the City, (b) such Dealer shall use its best efforts to sell the Notes without regard to the Bank Rate (*i.e.*, whether or not the rate to be on the Notes is less than the Bank Rate) and (c) the Lender is third party beneficiary of such Dealer Agreement. The City shall ensure that any

Dealer that has not been appointed on or prior to the Effective Date shall be a Person with a minimum of \$250,000,000 of net available capital. The Lender hereby affirms the Dealers in place on the Effective Date are acceptable to the Lender.

Section 5.29. Performance of This and Other Agreements. The City shall punctually pay or cause to be paid all amounts payable under this Agreement, the Loan Note and the other Related Documents and observe and perform all of the conditions, covenants and requirements set forth in this Agreement, the Loan Note and the other Related Documents.

Section 5.30. Bonding Capacity. The City shall at all times maintain the ability under the Ordinance to issue Bonds and/or other additional indebtedness in an amount at least equal to the sum of (i) the aggregate principal amount of the Program Notes authorized under the Ordinance, plus (ii) the Obligations hereunder and under the Fee Letter, plus (iii) any other obligations (other than with respect to principal and interest on commercial paper notes authorized under the Ordinance) owing to any credit enhancer or liquidity provider on any Parity Debt.

Section 5.31. Notices. The City, acting by and through the Board, will promptly notify the Lender of (i) the occurrence of any Default known to the City or which, with the exercise of reasonable diligence by the City, should have become known to the City, specifying the details of such Default and the action that the City proposes to take with respect thereto; (ii) the failure by the Issuing and Paying Agent or by any Dealer to perform in any material respect any of their respective obligations under the Issuing and Paying Agent Agreement or a Dealer Agreement; (iii) the (x) existence and status of any litigation or proceeding which individually or in the aggregate could, in the event of any unfavorable outcome, have a material adverse effect on or (y) passage of any state or local ordinance, law or rule not of general applicability to all Persons, either of which could reasonably be expected to have a material adverse effect on (A) the financial condition or operations of the City, (B) the Commercial Paper Notes or (C) the enforceability or validity of any of this Agreement or the Related Documents, and, if any of the following is reasonably likely to materially and adversely affect the rights of the Lender under this Agreement, the City will promptly notify the Lender; (iv) any change in any material fact or circumstance represented or warranted in this Agreement or in any of the Related Documents; (v) any communications, reports or financial statements delivered or received by it from any taxing authority or rating agency with respect to the transactions described herein (together with a copy of such communication, report, or statement); (vi) any amendment to the Act or any governing instruments of the City, which would have a material adverse effect on the City, the Commercial Paper Notes, this Agreement, the pledge of the City's Pledged Revenues or the rights of the Lender hereunder or under the Loan Note, (vii) any proposed amendment, modification or supplement to the Ordinance at least ten (10) Business Days prior to the effective date of such amendment, modification or supplement, (viii) any proposed substitution of this Agreement and (ix) any other fact or situation which could be reasonably expected to result in a material adverse effect on the City or the System.

Section 5.32. Sovereign Immunity. To the extent permitted by applicable law and to the extent that it hereinafter has or acquires any such immunity, the City shall waive immunity on the grounds of sovereignty or similar grounds from relief by writ of mandamus to perform its obligations under this Agreement, the Fee Letter, Loan Notes or Notes.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. If one or more of the following events (“*Events of Default*”) shall have occurred and be continuing:

(a) the City shall fail to pay (i) any normally scheduled interest on the Notes when due, (ii) any normally scheduled principal or interest on an Advance or the Loan Note when due, (iii) any principal or interest under the Loan Note which is declared due and payable pursuant to the provisions of this Section 6.01 or (iv) any Commitment Fee or any other amount payable hereunder or under the Fee Letter and, with respect to clause (iv) hereof only, such failure shall continue for a period of five Business Days from the date of notice given by the Lender under Section 2.08(a);

(b) any representation, warranty, certification, or statement made by the City or the Board in this Agreement or in any certificate, financial statement, or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made;

(c) breach by the City or the Board of any covenant, agreement, or condition contained in Section 5.02 through Section 5.32;

(d) breach by the City or the Board of any other covenant, agreement, or condition (other than those referred to or contained in clauses (a), (b), or (c) above) contained in this Agreement or the Loan Note and the continuation thereof for more than ten days after written notice thereof has been given to the City or the Board, as applicable, by the Lender without cure or correction to the satisfaction of the Lender; *provided, however*, such breach shall not constitute an Event of Default after such ten day period of time as, if in the sole reasonable judgment of the Lender, the City or the Board, as applicable, is diligently pursuing a cure or correction of such breach; *provided, further*, that such cure period shall not exceed thirty (30) days from the date of such breach without prior receipt of the Lender’s written consent to such extension;

(e) (i) a final unappealable judgment or order for the payment of money in excess of \$25,000,000 payable from the Net Revenues shall be rendered against the City or the Board and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days, or (ii) the City or the Board shall have failed promptly to lift any execution, garnishment, or attachment pursuant to such judgment or order as, in the written opinion of the System’s Chief Executive Officer or Chief Financial Officer will impair the ability of the City, acting through the Board, to carry on System business;

(f) (i) default by the City in the payment of any Specified Debt when due or within any applicable grace period or the occurrence of any event under any ordinance, resolution, or instrument giving rise to any Specified Debt, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the City, including the right to declare the acceleration of any maturity thereof, or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof, in each case, as a result of a payment default of any nature or (ii) default by the

City in the payment of any Indebtedness (other than any Specified Debt) in excess of \$5,000,000 when due or within any applicable grace period or the occurrence of any event under any ordinance, resolution, or instrument giving rise to any such Indebtedness (other than any Specified Debt), which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the City, including the right to declare the acceleration of any maturity thereof, or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof, or which results in the forfeiture by the City of any of its rights under any such ordinance, resolution, or instrument;

(g) the City shall commence a voluntary case or other proceeding seeking (i) liquidation, reorganization, or other relief with respect to the System or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or (ii) the appointment of a receiver, liquidator, custodian, or other similar official with respect to the City or any substantial part of its property, or shall consent to or acquiesce in such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it;

(h) a receiver, liquidator, custodian, or other official, appointed in an involuntary case or proceeding commenced against the City, appointed without consent or acquiescence of the City, takes charge of a substantial part of the System and such action as to the System is not stayed, discharged, or vacated for a period of 60 days;

(i) the City shall make a general assignment for the benefit of creditors, or declare a moratorium with respect to the System's debts or its debts, or shall fail generally to pay the System's debts or its debts as they become due, or shall take any action to authorize any of the foregoing;

(j) an involuntary case or other proceeding shall be commenced against the City seeking (i) liquidation, reorganization, or other relief with respect to the City's debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect, or (ii) the appointment of a custodian, receiver, liquidator, trustee or other similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof or an order of relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect;

(k) (i) any provision of this Agreement or any other Related Document relating to the City's ability to repay any Loan Advance or Term Loan to the Lender hereunder, to make payments on the Notes or to raise funds to meet such payment obligations or relating to the validity or enforceability of the lien on and pledge of Net Revenues shall at any time for any reason cease to be valid and binding on the City as a result of federal or state legislative or administrative action, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable or (ii) any other material provision of this Agreement shall at any time for any reason cease to be valid and binding on the City as a result of federal or state legislative or administrative action, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable, or (iii) the City shall publicly contest any provision of this Agreement or any other Related Document relating to the City's ability to make payments of principal or interest on the Notes as provided herein or relating to the validity or enforceability of the lien on and pledge of

Net Revenues, or the City shall publicly deny that it has any obligation to make payments on the Notes;

(l) the powers of the City or the Board shall be limited in any way or the Ordinance shall be modified or amended in any way without the prior written consent of the Lender, in either case, which prevents the City or the Board from fixing, charging or collecting rates and charges for the use and services of the System in an amount sufficient to pay its Debts as they become due;

(m) S&P, Fitch and Moody's shall (i) to the extent then rating Specified Debt, assigned any Specified Debt a rating below BBB- (S&P and Fitch) and Baa3 (Moody's), or (ii) suspended or withdrawn their ratings of any Specified Debt for credit related reasons;

(n) S&P, Fitch or Moody's shall have assigned any Debt that is senior to or on a parity with the Notes a rating below A- (S&P and Fitch) or A3 (Moody's);

(o) any "event of default" under any Related Document (as defined respectively therein) shall have occurred;

(p) any "event of default" under the JPMorgan Note Purchase Agreement; or

(q) any "event of default" under any agreement with one or more banks or financial institution providing liquidity or credit for, or the direct purchase or private placement of, the City's Series 2019B Commercial Paper Notes.

then, and in any such event, other than an Event of Default specified in paragraphs (g) through (j) the Lender may declare the Loan Note, all accrued interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Loan Note and such interest and all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the City and the Board. If any Event of Default specified in paragraphs (g) through (j) shall occur, without any notice to the City or the Board or any other act by the Lender, the Loan Note, together with accrued interest thereon, and all other amounts payable under this Agreement, shall become forthwith due and payable, without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by the City and the Board.

Upon the occurrence of any Special Event of Default, the Commitment shall terminate and the Lender shall have no obligation to make Loans to fund then outstanding Notes.

Upon the occurrence of an Event of Default that is not a Special Event of Default, the Lender may by notice to the City (in conjunction with the delivery of a No-Issuance Notice if one has not been previously delivered to the Issuing and Paying Agent) terminate the Commitment, if any (except as provided below), and the Commitment shall thereupon terminate, *provided however* the Commitment shall not terminate, and the right of the Lender to accelerate the maturity of the Loan Note shall not affect the obligation of the Lender to make Loans in the aggregate amount equal to the Commitment in accordance with the terms of Article II hereof, to the extent, but only to the extent, necessary for the City to make required payments of principal of the Notes issued and sold prior to the time a No-Issuance Notice is received by the Issuing and Paying Agent,

provided further that if any Loans are made that would not have been made but for the application of the immediately preceding provision, such Loans shall be immediately due and payable on the date they are made.

Upon the occurrence of an Event of Default under Section 6.01(k)(iii) hereof, the obligations of the Lender to make Loans hereunder shall be suspended from the time of the occurrence of such Event of Default, and in the event any provision of this Agreement or any other Related Document related to the City's ability to make payments on the Notes as provided herein or relating to the validity or enforceability of the lien on and pledge of Net Revenues shall at any time for any reason cease to be valid and binding on the City as a result of a ruling, finding, decree, order, legislative act or similar action by a Government Authority having jurisdiction over the City, or it is determined that the City has no liability under this Agreement or any other Related Document (but with respect to a determination that the City has no liability as to the JPMorgan Note Purchase Agreement, the Fee Letter, the Dealer Agreement and any exhibits, schedules, instruments or agreements relating to the Related Documents, only a determination that the City has no liability under such documents as to the Notes, the Series 2019B Notes or as to the lien on and pledge of Net Revenues to payment of the interest and/or principal on the Notes or the Series 2019B Notes shall trigger the remedies provided for in this paragraph), in either case by a court or other Governmental Authority with competent jurisdiction, then the obligations of the Lender under this Agreement will terminate in accordance with Section 6.01 hereof; *provided, however*, that if such provisions are upheld in their entirety, then the Lender's obligations to make Loans under this Agreement shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Default which gave rise to the suspension of the obligations of the Lender hereunder has not been cured or does not cease to exist prior to the three-year anniversary of such occurrence, the obligations of the Lender hereunder shall be terminated upon written notice from the Lender, to the City, and thereafter the Lender shall have no further obligations hereunder.

Upon the occurrence of an event that with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default under Section 6.01(h) or (j) hereof, the obligations of the Lender to make Loans hereunder shall be suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligations of the Lender to make Loans hereunder shall be reinstated and the terms of this Agreement will continue in full force and effect (unless the obligations of the Lender to make Loans hereunder shall have otherwise expired or terminated in accordance with the terms hereof or there has occurred a Special Event of Default) as if there had been no such suspension.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of, or the right to take action in the future in regard to, such or subsequent Events of Default.

Section 6.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of the Loan Note shall be entitled to proceed to protect and enforce such Holders' rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit, in equity, or by action at law, whether for the specific performance of any covenant or agreement

contained in this Agreement, or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the Holder by this Agreement or the Loan Note or by law. The provisions of this Agreement shall be a contract with each and every Holder and the duties of the City and the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action, or proceeding in any court of competent jurisdiction.

Section 6.03. Cross Defaults. If there shall be an event of default under any other document evidencing a Debt by the City, the City shall not issue any additional Notes until such event of default is cured or remedied and made good.

Section 6.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Additional Costs. (a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, capital or liquidity ratio, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Lender or any Holder;

(ii) subject to the Lender or any Holder to any Tax of any kind whatsoever with respect to this Agreement, the Loan Note, any Loan made by it or the Notes, or change the basis of taxation of payments to the Lender or such Holder in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 7.02 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Lender or such Holder); or

(iii) impose on the Lender or any Holder any other condition, cost or expense affecting this Agreement or the Notes;

and the result of any of the foregoing shall be to increase the cost to the Lender or such Holder of making Loans or maintaining the Commitment, or to reduce the amount of any sum received or receivable by the Lender or such Holder hereunder, the Loan Note, any Loan or under the Notes (whether of principal, interest or any other amount) then, upon written request of the Lender or such Holder, the City shall promptly pay to the Lender or such Holder, as the case may be, such additional amount or amounts as will compensate the Lender or such Holder, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If the Lender or any Holder determines that any Change in Law affecting the Lender or such Holder or the Lender's or such Holder's parent or holding company, if any, regarding capital or liquidity requirements, has or would have the effect

of reducing the rate of return on the Lender's or such Holder's or the Lender's or such Holder's parent or holding company holding, if any, as a consequence of this Agreement, or of making Loans or maintaining the Commitment, to a level below that which the Lender or such Holder or the Lender's or such Holder's parent or holding company could have achieved but for such Change in Law (taking into consideration the Lender's or such Holder's policies and the policies of the Lender's or such Holder's parent or holding company with respect to capital or liquidity adequacy), then from time to time upon written request of the Lender or such Holder the City shall promptly pay to the Lender or such Holder, as the case may be, such additional amount or amounts as will compensate the Lender or such Holder or the Lender's or such Holder's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Lender or any Holder setting forth the amount or amounts necessary to compensate the Lender or any such Holder or the Lender's or any such Holder's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section in reasonable detail setting forth the computation of such compensation (including the reason therefor), and delivered to the City, shall be conclusive absent manifest error. The City shall pay the Lender or any such Holder, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Lender or any such Holder to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's or any such Holder's right to demand such compensation.

Section 7.02. Taxes.

(a) *Payments Free of Taxes.* Any and all payments to the Lender or other Holder by or on account of any obligation of the City hereunder or under the Loan Note shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if the City shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender or such Holder receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) *Payment of Other Taxes by the City.* Without limiting the provisions of paragraph (a) above, the City shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Indemnification by the City.* The City, to the extent permitted by applicable Law, shall indemnify the Lender and the other Holders, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender or such Holder and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount

of such payment or liability delivered to the City by the Lender or such Holder shall be conclusive absent manifest error. In addition, the City, to the extent permitted by applicable Law, shall indemnify the Lender and the other Holders, within ten (10) days after demand therefor, for any incremental Taxes that may become payable by the Lender as a result of any failure of the City to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the Lender and the other Holders, pursuant to clause (d), documentation evidencing the payment of Taxes.

(d) *Evidence of Payments.* As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the City to a Governmental Authority, the City shall deliver to the Lender and such other Holder, as applicable, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender or such Holder, as applicable.

(e) *Treatment of Certain Refunds.* If the Lender or any other Holder determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified pursuant to this Section (including additional amounts paid by the City pursuant to this Section), it shall pay to the applicable indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Lender or such Holder, as applicable, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the applicable indemnifying party, upon the request of the Lender or such Holder, as applicable, agrees to repay the amount paid over pursuant to this Section (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender or such Holder, as applicable, in the event the Lender or such Holder, as applicable, is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the Lender or such Holder, as applicable, be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the Lender or such Holder, as applicable, in a less favorable net after-Tax position than the Lender or such Holder, as applicable, would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Lender or such Holder, as applicable, to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the City or any other Person.

(f) *Survival.* Without prejudice to the survival of any other agreement of the City hereunder, the agreements and obligations of the City contained in this Section shall survive the termination of this Agreement and the payment in full of the Notes and the obligations of the City thereunder and hereunder.

Section 7.03. Notices and Accounts. Except as otherwise provided herein, all notices, requests, and other communications to any party hereunder shall be in writing (including email, facsimile, bank wire, or similar writing) and shall be given to such party at its address set forth on the signature pages hereof or such other address, email or facsimile number as such party may hereafter specify for the purpose of giving notice. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number hereafter specified by any party for the purpose of giving notice and the

appropriate acknowledgment is received, (ii) if given by mail, 72 hours after such communication is deposited in the United States mail with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; *provided, however,* that notices to the Lender under Article II hereof shall not be effective until received. Notices to other parties shall be given at the following addresses or facsimile numbers or such other address or facsimile number hereinafter specified by such parties:

If to the City:

City of New Braunfels, Texas
c/o New Braunfels Utilities
263 E. Main Plaza (PO Box 310289)
New Braunfels, TX 78130-5135 (78131-0289)
Attention: Chief Financial Officer

If to the Issuing and Paying Agent: Zions Bancorporation, National Association
Amegy Bank Division
1801 Main Street, Suite 1190
Houston, TX 77002

If to the Dealer:

Piper Jaffray & Co.
345 Park Avenue Suite 1200
New York, NY 10154

If to the Lender:

JPMorgan Chase Bank, National Association
383 Madison Avenue, Floor 03
Mail Code: NY1-M165
New York, NY 10179

and

JPMorgan Chase Bank, National Association
JPM-Delaware Loan Operations
500 Stanton Christiana Road, NCC5, Floor 01
Newark, DE 19713-2107

If to Fitch:

Fitch Ratings, Inc.
33 Whitehall Street
N.Y., N.Y. 10004.
Attn: Municipal Structured Finance
Telephone: (212) 908-0500
Facsimile: (212) 480-4421
Email: msf.surveillance@fitchratings

If to Moody's:

Moody's Investors Service, Inc.
7 World Trade Center,
250 Greenwich Street
Public Finance Group, 23rd Floor
New York, New York 10007
Attn: MSPG Surveillance Team
Telephone: (214) 553-7738
Facsimile: (214) 233-6263
Email: MSPGSurveillance@moodys.com

If to S&P:

S&P Global Ratings
55 Water Street, 38th Floor
New York, NY 10014-0003
Attn: Public Finance Department
Telephone: (214) 871-1400
Facsimile: (212) 438-0140
Email: USPF RatingRequest@spglobal.com

Section 7.04. No Waivers. No failure or delay by the Lender in exercising any right, power, or privilege hereunder or under the Loan Note or otherwise shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 7.05. Expenses. The City shall pay (i) to the Lender all reasonable out of pocket expenses of the Lender, including the costs of legal counsel to the Lender, in connection with the preparation of this Agreement as set forth in the Fee Letter, (ii) the reasonable fees and disbursements of counsel to the Lender with respect to advising the Lender as to the rights and responsibilities under this Agreement and the Related Documents after the occurrence of a Default or an Event of Default, and (iii) all reasonable costs and expenses, if any, in connection with any amendment, modifications or waivers of the provisions hereof or the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the reasonable fees and disbursements of counsel to the Lender. In addition, the City shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security described in the Related Documents and agrees, to the extent permitted by law, to hold the Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. Additionally, the City agrees, to the extent permitted by applicable law, to pay, after the occurrence of an Event of Default, all costs and expenses (including, without limitation, attorneys' fees, costs of settlement and out-of-pocket travel expenses) incurred by the Lender in enforcing any obligations or in collecting any payments due from the City hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The amounts set forth in (i) and (ii) above are payable within 30 days of receipt by the City of an invoice of such fees and expenses (following final execution of this Agreement).

Section 7.06. Amendments or Modification. Any provision of this Agreement or the Loan Note may be amended or modified if, but only if, such amendment or modification is in writing and is signed by the City and the Lender. The City shall promptly notify Moody's, S&P and Fitch of any amendments or modifications of this Agreement.

Section 7.07. Severability. Any provision of this Agreement which is prohibited, unenforceable, or not authorized shall be ineffective to the extent of such prohibition, unenforceability, or nonauthorization without invalidating the remaining provisions hereof.

Section 7.08. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 7.09. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Complete sets of counterparts shall be lodged with the City, and the Lender.

Section 7.10. Payments in Dollars. All payments made or advanced under this Agreement shall be in United States currency only.

Section 7.11. GOVERNING LAWS; JURY TRIAL. (a) This Agreement shall be governed by, and construed in accordance with, the laws of the state of Texas.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER RELATED DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 7.12. Successor and Assigns, Participation. (a) The Lender's rights and obligations under this Agreement may not be assigned by the Lender, other than by operation of law to a successor or merged institution, unless (i) the City has received written notice from all nationally recognized credit rating agencies then rating the Notes that the ratings of the Notes, if any, issued by such rating agencies will not be lowered or withdrawn as a result of such assignment; and (ii) the City has given its consent to such assignment, which consent shall be evidenced by a writing signed by an Authorized Representative and shall not be unreasonably withheld. If such conditions have been satisfied and the assignor and assignee have consummated the assignment, then (i) the assignee shall be a Lender for all purposes hereunder with a Commitment equal to the amount specified to the City, (ii) the assignor shall have no further obligation hereunder with respect to its Commitment; (iii) the assignor shall deliver its Loan Note to the City, (iv) the City shall pay the assignor all unpaid accrued interest on such Loan Note; (v) the City shall execute and deliver to the assignee a new Loan Note, payable to the order of the assignee, dated the date of such assignment and in the maximum principal amount of the assignee's Commitment; and (vi) if such assignment is not an assignment of all of the assignor's rights and obligations hereunder, then the City shall execute and deliver to the assignor a new Loan Note payable to the order of the assignor, dated the date of such assignment and in the maximum principal amount of the assignor's remaining Commitment.

(b) The Lender has advised the City that they contemplate entering into participation agreements with certain other Participants. The City agrees, subject to the penultimate sentence of this paragraph, that the Lender may enter into participation agreements with Participants upon giving written notice to, but without the consent of, the City. The Lender promptly shall notify the City of the names of any Participants with whom the Lender enters into participation agreements. Accordingly, the City confirms that all of its representations, warranties, covenants, certifications, and obligations under this Agreement and the Loan Note as well as all rights under the lien and pledge securing the payment of the Loan Note and granted to the Lender

pursuant to the Ordinance, as described in Section 2.09 of this Agreement, are for the benefit of the Participants as well as for the benefit of the Lender. No assignee, Participant, or other transferee of a Lender's rights shall be entitled to receive any greater payment under Section 7.01 than the Lender would have been entitled to receive with respect to the rights transferred, unless the transfer is made with the City's prior written consent to that effect. Any costs incurred by the City in connection with any assignment or participation of this Agreement shall be paid by the Lender making such assignment or granting such participation. The Lender shall make all Loan Advances with its own funds whether or not it has entered into participation agreements. The Lender agrees that the City and the Issuing and Paying Agent shall only be required to deal with the Lender with respect to matters under this Agreement and the Related Documents.

Section 7.13. LIABILITY OF THE LENDER. As between the Lender and the City, the City assumes, to the extent permitted by applicable law, all risks of the acts or omissions of the issuing and paying agent and the dealer with respect to the use of any money made available by the Lender in accordance with this Agreement and shall not preclude the City from pursuing such rights and remedies as it may have against the Issuing and Paying Agent or the Dealer under any other agreements. Neither the Lender nor any of its officers or directors shall be liable or responsible for (a) the use which may be made of any money made available by the Lender in accordance with this Agreement or for any acts or omissions of the Issuing and Paying Agent, and the dealer in connection therewith; (b) the validity, sufficiency, or genuineness of any documents, determined in good faith by the Lender to be valid, sufficient or genuine, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent, or forged; (c) payment by the Lender against presentation of documents determined in good faith by the lender to be valid, sufficient or genuine, which do not strictly comply with the terms of this agreement; or (d) any other circumstances whatsoever in making or failing to make payment under this agreement, except only that the City shall have a claim against the Lender, and the Lender shall be liable to the City, to the extent, but only to the extent, of any direct, as opposed to consequential or punitive, damages suffered by the City which the City proves were caused by (i) the Lender's negligence or willful misconduct in determining whether documents presented under this agreement comply with the terms of this agreement or (ii) the Lender's negligent or willful failure to pay under this Agreement after the presentation to it by an authorized representative of documents strictly complying with the terms and conditions of this Agreement. In furtherance, and not in limitation of the foregoing, the Lender may accept documents that appear on their face to be in order without responsibility for further investigation unless the Lender has received actual notice or information to the contrary.

Section 7.14. INDEMNIFICATION. With the mutual acknowledgment of and agreement by the parties to this Agreement that any payment obligation of the City arising under this Section 7.14 shall be subject to Section 2.09 hereof, in addition to any and all rights of reimbursement, indemnification, subrogation, or any other rights pursuant hereto or under law or equity, the City hereby agrees, to the extent permitted by law, to indemnify and hold harmless the Lender and its officers, directors, and agents (the "*Indemnified Parties*") from and against any and all claims, damages, losses, liabilities, reasonable costs, or reasonable expenses whatsoever (including reasonable attorneys' fees) which they may incur (or which may be claimed against them by any person or entity whatsoever) by reason of or in connection with (a) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the information supplied by the City to the Lender or to the dealer in connection with the

performance of their duties under this Agreement or the related documents, including any disclosure document, or the omission or alleged omission to state in such information a material fact necessary to make such statements, in the light of circumstances under which they are or were made, not misleading; or (b) the execution, delivery and performance of this Agreement and the Loan Note and the other Related Documents and the transactions described herein and thereby or payment or failure to pay under the Commitment; *provided, however*, that the City shall not be required to indemnify any indemnified party for any claims, damages, losses, liabilities, costs, or expenses to the extent, but only to the extent, caused by the Indemnified Party's negligence or willful misconduct. If any proceeding shall be brought or threatened against any indemnified party by reason of or in connection with the events described in clause (a) or (b), such indemnified party shall promptly notify the City in writing and the City shall assume the defense thereof, including the employment of counsel satisfactory to such indemnified party and the payment of all costs of litigation. Notwithstanding the preceding sentence, such indemnified party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment of such counsel shall have been authorized in writing by the City or (ii) the City, after due notice of the action shall not have employed counsel to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for such indemnified party shall be borne by the City. The City shall not be liable for any settlement of any such action effected without its consent. Nothing under this section is intended to limit the City's payment obligations contained elsewhere in this agreement. This section shall survive the termination of this Agreement.

Section 7.15. Emailed Documents. At the request of the City, this Agreement provides that demands for payment hereunder may be presented to the Lender by, among other methods, email. The City acknowledges and assumes all risks relating to the use of such emailed demands for payment (i) which are emailed by the City or Issuing and Paying Agent by an authorized representative of such party

Section 7.16. Term of the Agreement. The term of this Agreement shall be until the payment in full of all principal of and interest on the Loan Note the Commitment Fees, and all other amounts payable under this Agreement; *provided, however*, that notwithstanding any termination of this Agreement, the provisions of Sections 7.01, 7.02, 7.05 and 7.14 shall survive payment of the Loan Note and shall remain in full force and effect.

Section 7.17. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to the transactions described herein and supersedes and is in full substitution for any and all prior agreements and understandings between said parties relating to such transactions.

THIS AGREEMENT AND THE RELATED DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN AGREEMENTS BETWEEN THE PARTIES.

Section 7.18. Patriot Act. Each Lender hereby notifies the City that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “*Patriot Act*”), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Lender to identify the City in accordance with the Patriot Act, and the City hereby agrees to take any action necessary to enable the Lender to comply with the requirements of the Patriot Act.

Section 7.19. Right of Setoff. If an Event of Default shall have occurred and be continuing, the Lender and its Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Lender or any such affiliate to or for the credit or the account of the City or any other party against any and all of the obligations of the City or such party now or hereafter existing under this Agreement or any other Related Document to the Lender, irrespective of whether or not the Lender shall have made any demand under this Agreement or any other Related Document and although such obligations of the City or such party may be contingent or unmatured or are owed to a branch or office of the Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Lender and its affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Lender or its affiliates may have. The Lender agrees to notify the City promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 7.20. Payments Set Aside. To the extent that any payment by or on behalf of the City is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

Section 7.21. Assignment to Federal Reserve Bank. The Lender may assign and pledge all or any portion of the obligations owing to it hereunder, under the Notes, the Loan Note or under the Fee Letter to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the City to the Lender in accordance with the terms of this Agreement shall satisfy the City’s obligations hereunder in respect of such assigned obligation to the extent of such payment. No such assignment shall release the Lender from its obligations hereunder.

Section 7.22. No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the City acknowledges and agrees that: (i) (A) the arranging and other services regarding this Agreement provided by the Lender are

arm's length commercial transactions between the City, on the one hand, and the Lender on the other hand, (B) the City has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the City is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents; (ii) (A) the Lender has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor (including as a municipal advisor), agent or fiduciary for the City, or any other Person and (B) the Lender does not have any obligation to the City with respect to the transactions herein described except those obligations expressly set forth herein and in the other Related Documents; and (iii) the Lender and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the City, and the Lender does not have any obligation to disclose any of such interests to the City. To the fullest extent permitted by laws of the State of Texas, the City hereby waives and releases any claims that it may have against the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction herein described.

Section 7.23. No Boycott Israel. In *Amawi v. Pflugerville Independent School District* (1:18-cv-01091), the United States District Court for the Western District of Texas issued a preliminary injunction (the "NBI Injunction") preventing the defendants (including the State) from enforcement of Texas Government Code §2270.001 et. seq, or any "No Boycott of Israel" clause in any state contract. On May 7, 2019, H.B. 793, 86th Texas Legislature, Regular Session, became law, amending Texas Government Code, §2270.001 et. seq. On May 10, 2019, the State Attorney General filed a Motion to Stay the NBI Injunction with the United States Court of Appeals for the Fifth Circuit. In light of the foregoing recent developments, the following representation is provided by the Lender to avoid any uncertainty regarding the authority of the City to enter into this Agreement.

The Lender hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, to the extent this Agreement is a contract for goods or services, will not boycott Israel during the term of this Agreement. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing 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 Lender understands 'affiliate' to mean an entity that controls, is controlled by, or is under common control with the Lender and exists to make a profit.

Section 7.24. Iran, Sudan and Foreign Terrorist Organizations. The Lender represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website:

<https://comptroller.texas.gov/purchasing/docs/sudan-list.pdf>,
<https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or
<https://comptroller.texas.gov/purchasing/docs/fto-list.pdf>.

The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the Lender and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The Lender understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the Lender and exists to make a profit.

Section 7.25. Disclosure. In the event the City files with EMMA, this Agreement, or any description of the material terms thereof or notice of any agreement to covenants, events of default, remedies, priority rights or other similar terms, either voluntarily or as required pursuant a continuing disclosure agreement or Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the “Rule”) (each such posting, an “EMMA Posting”), the City shall (i) provide Lender with a copy of each EMMA Posting prior to submitting or posting on EMMA and (ii) shall not file or permit the filing of any EMMA Posting that includes Confidential Information (as defined herein). City acknowledges and agrees that although Lender may request review, edits or redactions of such materials prior to filing, Lender is not responsible for the City’s or any other entity’s (including, but not limited to, any broker-dealer’s) compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with any continuing disclosure agreement or any applicable securities or other laws, including, but not limited to, those relating to the Rule. For purpose of this section, “Confidential Information” means any sensitive or confidential information regarding the City, Lender or any affiliate of Lender including, without limitation, address and account information, e-mail addresses, telephone numbers, facsimile numbers, names and signatures of officers, employees and signatories.

[Signatures begin on next page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CITY OF NEW BRAUNFELS, TEXAS,
ACTING BY AND THROUGH NEW
BRAUNFELS UTILITIES

By _____
Chief Executive Officer

Address:
City of New Braunfels, Texas
c/o New Braunfels Utilities
263 E. Main Plaza (PO Box 310289)
New Braunfels, Texas 78130 (78131-0289)
Attention: Chief Financial Officer

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____

EXHIBIT A

FORM OF LOAN NOTE

**City of New Braunfels, Texas Utility System
Revolving Credit Agreement**

\$ _____ New Braunfels, Texas _____, 2019

CUSIP No: _____

For value received, the CITY OF NEW BRAUNFELS, TEXAS (the “City”), a home-rule city of the State of Texas, organized and existing under and by virtue of the laws of the State of Texas, promises to pay, solely from the funds hereafter referred to, to the order of JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the “Lender”), at the address provided, in the Agreement (hereinafter defined), the aggregate unpaid principal amount of all Loans hereunder and under the Agreement, not to exceed SEVENTY-FIVE MILLION DOLLARS (\$75,000,000) in principal amount at any one time outstanding, made by the Lender to the City hereunder, in lawful money of the United States of America, in federal or other immediately available funds, and to pay interest at the rates set forth in the Agreement on the actual unpaid principal amount hereof for each day outstanding from the date hereof until this Loan Note is paid in full, in like money and funds at such office. Interest shall be payable on the dates set forth in the Agreement. Principal on this Loan Note shall be payable in accordance with the Agreement.

This Loan Note is subject to prepayment, and amounts prepaid prior to the last day of the Revolving Credit Period may be reborrowed, all pursuant to the terms and under the conditions of the Revolving Credit Agreement, dated as of March 25, 2019 (but effective as of May 29, 2019), between the City and JPMorgan Chase Bank, National Association, as the Lender (the “Agreement,” the terms of which are hereby incorporated by reference in this Loan Note). All terms used herein and not defined shall have the same meaning as in the Agreement. Reference is made to the Agreement for provisions as to the prepayment hereof and for reborrowing. Reference is also made to the Agreement for provisions providing for additional interest and other amounts to be payable under certain circumstances. If the Holder enforces this Loan Note upon default, the City shall reimburse the Holder for reasonable costs and expenses incurred by the Holder in collection, including attorneys’ fees and expenses as set out in Section 7.05 of the Agreement. This Loan Note shall be construed under and governed by laws of the State of Texas but Chapter 346, Texas, Finance Code, as amended, shall not apply.

This Loan Note, including the interest hereon, is payable solely from and secured by a lien upon the pledge of certain revenues and certain other available funds and money of the City, pursuant to Section 2.10 of the Ordinance (as defined in the Agreement) and described in Section 2.09 of the Agreement. This Loan Note does not constitute a general obligation or indebtedness of the City within the meaning of any constitutional, charter, or statutory limitations or provisions (and the Holder hereof shall never have the right to require or compel the levy of ad valorem taxes for the payment of the principal of and interest on this Loan Note). Further reference is made to the Agreement and the Ordinance for the provisions relating to the security of this Loan Note and the duties and obligations of the City.

Made and executed at New Braunfels, Texas, as of the date and year first above written.

CITY OF NEW BRAUNFELS, TEXAS

By _____
Mayor

ATTEST:

By _____
City Secretary

**SCHEDULE FOR LOAN NOTE,
DATED AS OF _____ 2019
OF CITY OF NEW BRAUNFELS, TEXAS
PAYABLE TO _____**

DATE OF LOAN	TYPE OF LOAN	AMOUNT OF LOAN	MATURITY OF LOAN	DATES OF PAYMENT	AMOUNT OF PAYMENT	NAMES AND SIGNATURE OF BANK OFFICER
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EXHIBIT B

NOTICE OF LOAN

To: JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, under the Revolving Credit Agreement, dated as of March 25, 2019 (but effective as of May 29, 2019), between JPMorgan Chase Bank, National Association, as the Lender and the City of New Braunfels, Texas (the “City”) (the “Agreement”)

_____ (the “Issuing and Paying Agent”), acting herein by the undersigned, pursuant to Section 2.02 and related provisions of the Agreement, issues this Notice of Loan to be made under the Agreement as follows:

1. Business Day on which Loan is to be made (“Loan Date”):

_____;

2. Aggregate Principal Amount of Loan:

_____;

3. Maturity Date:

_____;

The Loans shall be available for the account of Holders of the Notes at the Issuing and Paying Agent.

In connection with this Notice of Loan the City certifies to the Lender that at the issuance of this Notice of Loan no Special Event of Default or Suspension Event has occurred and is continuing. Capitalized terms herein are used with the meaning given in the Agreement.

Date of this Notice of Loan: _____

[ISSUING AND PAYING AGENT]

By _____
[Authorized Officer]

EXHIBIT B-1

REQUEST FOR TERM LOAN

To: JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the “*Lender*”) under the Revolving Credit Agreement, dated as of March 25, 2019 (but effective as of May 29, 2019) between the Lender, as the Lender, and the City of New Braunfels, Texas (the “*City*”) (the “*Agreement*”)

The City, acting herein by the undersigned Authorized Representative, pursuant to Section 2.02 and related provisions of the Agreement, issues this Request for Term Loan to be made under the Agreement as follows:

1. Loan Date:

_____;

2. Aggregate Principal Amount of Loan:

_____;

3. Term Loan Maturity Date:

_____;

The City acknowledges that the Lender’s obligations to make Term Loans to the City are subject to the satisfaction of the conditions set forth in Section 3.03 of the Agreement on the date a Loan is converted to a Term Loan.

Capitalized terms herein are used with the meaning given in the Agreement.

Date of this Request for Term Loan: _____

CITY OF NEW BRAUNFELS, TEXAS
ACTING BY AND THROUGH NEW
BRAUNFELS UTILITIES

By _____
Authorized Representative

EXHIBIT C

NO-ISSUANCE NOTICE

_____, 20__

[Paying Agent]

Ladies and Gentlemen:

JPMorgan Chase Bank, National Association, as the lender, and the City of New Braunfels, Texas (the “City”), have entered into to that certain Revolving Credit Agreement dated as of March 25, 2019, (but effective as of May 29, 2019) (the “Agreement”). Any term defined in the Agreement and used in this letter shall have the meanings ascribed to it in the Agreement.

[There exists a Default] [The representations and warranties of the City set forth in Article IV of the Agreement are not true and correct in all material respects on and as of the date of this No-Issuance Notice] and this letter constitutes your notice thereof pursuant to Section 2.14 of the Agreement. [Describe Default or untrue representation.] Effective as of the earlier of your receipt of this notice or your receipt of oral advice of the contents hereof, and until you receive written notice from the Lender that this notice has been rescinded, you are instructed not to authenticate or deliver any Notes.

Very truly yours,

JPMORGAN CHASE BANK, NATIONAL
ASSOCIATION

By: _____
Name: _____
Title: _____

cc: City of New Braunfels, Texas
c/o New Braunfels Utilities

Attention:
Facsimile:

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EXHIBIT D

CLOSING CERTIFICATE AS REQUIRED BY SECTION 3.01(a)(iv) OF THE CREDIT AGREEMENT

I, the undersigned Authorized Representative of the City of New Braunfels, Texas (the “City”), pursuant to the Revolving Credit Agreement, dated as of March 23, 2019 (but effective as of May 29, 2019), between the City and JPMorgan Chase Bank, National Association, as the lender, (the “*Credit Agreement*”), defined terms of which are herein incorporated by reference, does hereby certify as follows:

1. (a) Each of the representations and warranties of the City contained in the Credit Agreement is true and correct in all material respects on and as of the date hereof as though made on and as of this date, and (b) as of the date hereof no Default has occurred or is continuing;
2. Except as heretofore disclosed by the City or as disclosed in the Memorandum (hereafter defined), no litigation is pending in any court in Texas, or, to my knowledge, pending or threatened in any court to restrain or enjoin the issuance or delivery of the City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A and the Loan Note issued in connection therewith (collectively, the “*Notes*”) or the collection of the revenues and assets of the City pledged or to be pledged to pay the principal of and interest on the Notes or the pledge thereof, or in any way contesting or affecting the validity of the Notes, the Ordinance authorizing the Notes (the “*Ordinance*”), or the Credit Agreement, or contesting the powers of the City or contesting the authorization of the Notes or the Ordinance or contesting in any way the accuracy, completeness, or fairness of the Offering Memorandum prepared in connection with the issuance of the Notes (the “*Memorandum*”)
3. In accordance with Section 3.01(a)(vii) of the Credit Agreement, attached hereto is a true and correct copy of the Issuing and Paying Agent Agreement and all amendments thereto and true and correct copies of each of the Dealer Agreements and all amendments thereto;
4. To the best of my knowledge, the statements and representations in the Memorandum are true and accurate (except for information provided by the Bank for inclusion in the Memorandum and the information regarding The Depository Trust Company), and insofar as the City and its affairs, including its financial affairs, are concerned, the Memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
5. There has not been any material and adverse change in the affairs or financial condition of the City, including particularly the System, including the Net Revenues derived therefrom, from that described in the Memorandum;
6. None of the Pledged Revenues or Net Revenues are pledged or encumbered to the payment of any debt or obligation of the City or the System, except (i) in connection with the outstanding Senior Lien Obligations, (ii) in connection with the Notes, with such pledge securing

the Loan Note being subordinate only to the lien on and pledge of Pledged Revenues securing the payment of the Senior Lien Obligations and (iii) in connection with the Subordinate Lien Obligations; and

7. All conditions to the Closing Date in the Credit Agreement have been met.

WITNESS MY HAND this ____ day of _____, 2019.

CITY OF NEW BRAUNFELS, TEXAS
ACTING BY AND THROUGH NEW
BRAUNFELS UTILITIES

Chief Executive Officer

EXHIBIT E

FORM OF OPINION OF CITY ATTORNEY

_____, 2019

JPMorgan Chase Bank, National Association

Re: City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A (the “Notes”)

Ladies and Gentlemen:

I am the duly appointed City Attorney of the City of New Braunfels, Texas (the “City”), and this opinion is rendered on behalf of the City pursuant to and in connection with the authorization of the Notes as defined in and authorized to be issued pursuant to Ordinance No. _____ adopted by the City Council of the City (the “Council”) on March 25, 2019 (the “Ordinance”) and the execution and delivery of the Revolving Credit Agreement, dated as of March 25, 2019 (but effective as of May 29, 2019 (the “Credit Agreement”) between the City and JPMorgan Chase Bank, National Association, as the lender. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement.

I or my designated attorneys have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials, and other instruments, and we have conducted such other investigation of fact and law as I have found necessary or advisable for the purpose of this opinion.

Under the Ordinance and the Credit Agreement, the proceeds of the loans made under the Credit Agreement are to be applied to the payment of the principal of the Notes.

I have also made such further investigation of law and facts as I have deemed necessary or advisable for purposes of the opinions herein expressed.

Based upon the foregoing, I am of the opinion that:

1. The City (a) is an incorporated city operating under a home-rule charter adopted pursuant to Article XI, Section 5, of the Constitution of Texas; (b) has full power and authority to execute, deliver, and perform the Credit Agreement, the Loan Note, the Ordinance and the Notes and to borrow under the Notes, the Loan Note and the Credit Agreement; (c) has all requisite power and authority to own and operate the System; and (d) has all requisite power and authority to pledge and grant a lien on the Net Revenues to the Loan Note to secure payment of the Loans and has lawfully exercised such power.

2. The System is a municipally owned utility as defined in the Act; the Notes have been or shall be issued, sold, and delivered to finance the costs and expenses incurred in relation to the acquisition and construction of improvements, additions, and extensions for an “eligible

project” (as defined in the Act) and for the payment of previously issued obligations; the Notes are or will be when issued “obligations” (as defined in the Act) and were duly authorized to be issued by the Council, which is authorized by law to issue bonds for or on behalf of the City and is the “governing body” (as defined in the Act) of the City; and the Council has authorized and approved the Credit Agreement and the Loan Note as “credit agreements” (as such term is defined in the Act) in connection with the issuance, security, and payment of the Notes.

3. The execution, delivery, and performance of the Credit Agreement, the Loan Note, the Notes, and the borrowing under the Credit Agreement, the Loan Note and the Notes by the City have been duly authorized by all necessary action of the City and the Council.

4. All authorizations, consents, approvals, licenses, permissions, and registrations, if any, of or with any person, including any governmental authority and the residents of the City, required in connection with (a) the execution, delivery, and performance of the Credit Agreement, the Loan Note and the Notes and (b) the passage of the Ordinance by the Council authorizing the execution, delivery, and performance of the Credit Agreement, the Loan Note and the Notes have, in each case, been obtained.

5. The Credit Agreement (a) is a valid and binding obligation of the City enforceable in accordance with its terms except as limited by principles of sovereign immunity and by bankruptcy, insolvency, moratorium, and similar laws affecting creditors’ rights generally and except to the extent enforceability thereof may be limited under Texas law with respect to the indemnification provisions; (b) will not result in a default under or a breach of any ordinance of the City or, to the best of my knowledge, any other agreement or instrument binding upon the City or the System; and (c) will not conflict with or result in any violation of any legal requirement.

6. The Ordinance is in full force and effect and to the best of my knowledge there exists no breach, default, or event of default thereunder or any event which with the lapse of time or action by a third party could result in a breach, default, or event of default thereunder.

7. To the best of my knowledge and except as set forth in the Offering Memorandum delivered in connection with the issuance of the Notes, there is no litigation or legal or administrative proceeding pending, or threatened against, or any outstanding judgment, order, writ, injunction, decree, or award affecting the City before any court, governmental authority, or arbitral body (a) which prohibits or affects, or if adversely determined could reasonably be expected to prohibit or affect, the ability or authority of the City to execute, deliver, or perform any part of the Credit Agreement or (b) which in the aggregate have, or if adversely determined would have, any material adverse effect on the System. To the best of my knowledge, the City is not in default with respect to any order, writ, injunction, or decree of any court or other governmental authority which would adversely affect the City’s ability to execute, deliver, or perform any part of the Credit Agreement, the Loan Note, the Notes, or the Ordinance. The liens on and pledges of the Net Revenues of the System created pursuant to the Ordinance and the Credit Agreement are legal, valid and binding liens on and pledges of such Net Revenues.

The opinions expressed above are qualified to the extent that the enforceability of the rights and remedies set forth in the Credit Agreement and the Related Documents may be limited by bankruptcy, reorganization, or other similar laws of general application relating to or affecting the

enforcement of creditors' rights. I express no opinion as to the extent to which any indemnification provision contained in the Credit Agreement or any other document used in connection with the issuance of the Notes is enforceable under Texas law or as to the specific remedy that any court, governmental authority, or board of arbitration may grant, impose, or render in connection with the above-described instruments.

The opinions herein expressed and the statements herein made are limited in all respects to the laws of the State of Texas and applicable federal law. This opinion is solely for the benefit of and may be relied upon by the addressees. This opinion may not be relied upon by any other person, without my written consent.

Very truly yours,

City Attorney

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EXHIBIT F

FORM OF OPINION OF BOND COUNSEL

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EXHIBIT G

FORM OF OPINION OF COUNSEL TO THE LENDER

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EXHIBIT H

FORM OF FINAL DATE EXTENSION REQUEST

[Dated Date]

JPMorgan Chase Bank, National Association

Re: City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A
Final Date Extension Request

Ladies and Gentlemen:

Pursuant to Section 2.10 of that certain Revolving Credit Agreement, dated as of March 25, 2019 (but effective as of May 29, 2019), between the City of New Braunfels, Texas (the “City”), JPMorgan Chase Bank, National Association and the City requests that the Final Date (as defined in the Revolving Credit Agreement) be extended to _____.

Very truly yours,

CITY OF NEW BRAUNFELS, TEXAS
ACTING BY AND THROUGH NEW
BRAUNFELS UTILITIES

By _____
Authorized Representative

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APPENDIX B
FORM OF OPINION OF BOND COUNSEL

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[date of first issuance/draw]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the “City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019A” and “City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019B” in the aggregate principal amount of not to exceed \$75,000,000 (collectively, the “Notes”), we have examined into their issuance by the City of New Braunfels, Texas (the “City”), solely to express legal opinions as to the validity of the Notes and the exclusion of the interest on the Notes from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Notes, or the sufficiency of the security for or the value or marketability of the Notes.

THE NOTES are issued in fully registered form only and in denominations of \$100,000 or in any integral multiple of \$1,000 greater than \$100,000, dated the dates, bearing interest, maturing on the dates and principal amounts, and transferable and exchangeable as set out in the Notes and in the ordinance adopted by the City Council of the City authorizing the issuance of the Notes (the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Notes, including the Ordinance, (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Notes and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Notes, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Notes have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and are payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the sale of other Notes issued for such purpose and (b) the sale of a series or issue of Bonds to be issued by the City for such purpose, (ii) drawings under and pursuant to a Revolving Credit Agreement, between the City and JPMorgan Chase Bank, National Association, relating to the Series 2019A Notes, pursuant to which such bank has agreed to provide credit to the City under the terms and conditions set forth therein, (iii) purchases under and pursuant to a Note Purchase Agreement, between the City and JPMorgan Chase Bank, National Association, relating to the

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Series 2019B Notes, pursuant to which such bank has agreed to provide credit to the City under the terms and conditions set forth therein, (v) amounts in certain funds established pursuant to the Ordinance and (vi) the Net Revenues of the System, such lien and pledge of the Net Revenues, however, being subordinate to the lien and pledge of the Net Revenues securing the payment of the outstanding Senior Lien Obligations, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Notes for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION concerning the effect on excludability of interest of subsequent action which under the terms of the Ordinance may be taken only upon receipt of an opinion of counsel of nationally recognized standing in the field of municipal bond law.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Financial Advisory Services
Provided By:

