

ORDINANCE NO. 20070322-_____

AN ORDINANCE authorizing the issuance and sale of "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2007"; pledging the net revenues of the City's Electric Utility System to the payment of principal of and interest on said Bonds; establishing procedures for the sale and delivery of the Bonds; and delegating matters relating to the sale and issuance of the Bonds to an authorized City officer or employee; to wit: establishing the terms and details related to the issuance and sale of the Bonds, including, (1) selection of the specific maturities or series of bonds or other obligations to be refunded; (2) the form and designation of the Bonds; (3) the principal amount of the Bonds and the amount of the Bonds to mature in each year; (4) the dates, price, interest rates, interest payment dates, principal payment dates, and redemption features of the Bonds; and (5) any other details relating to the issuance and sale or exchange of the Bonds as specified by the City Council of the City in this Ordinance; and providing an effective date.

WHEREAS, the City has heretofore authorized and issued the following described obligations (hereinafter referred to as the "Refunded Bonds"), which are being paid in whole or in part from the revenues of the City's Electric Utility System, to wit: City of Austin, Texas, Combined Utility Systems Revenue Refunding Bonds, Series 1997, dated August 1, 1997; and

WHEREAS, pursuant to the provisions of V.T.C.A., Government Code, Chapter 1207, as amended, the City Council is authorized to issue refunding bonds and deposit the proceeds of sale directly with the place of payment for the Refunded Bonds, or other authorized depository, and such deposit, when made in accordance with said statute, and ordinances authorizing the issuance of the Refunded Bonds, shall constitute the making of firm banking and financial arrangements for their discharge and final payment; and

WHEREAS, the City shall by this Ordinance, in accordance with the provisions of Section 1207.007, Texas Government Code, as amended, delegate to a Pricing Officer (hereinafter designated) the authority to select the specific maturities (whole or part) of the Refunded Bonds to be refunded; and

WHEREAS, the City Council hereby finds and determines that it is a public purpose and in the best interests of the City to refund the Refunded Bonds in order to achieve a present value debt service savings of not less than 4.25%, with such savings, among other information and terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the Pricing Officer (hereafter designated), all in accordance with the provisions of Section 1207.007, Texas Government Code, as amended; and

WHEREAS, the delivery of the Bonds herein authorized is to be delayed to a date that falls within ninety (90) days of the first date the Refunded Bonds can be redeemed (November 15, 2007) in accordance with the redemption terms applicable to such Refunded Bonds and permit the interest on the Bonds herein authorized to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended; and

WHEREAS, the City Council further finds and determines the refunding bonds herein authorized to be issued can and shall be on a parity with the outstanding "Parity Electric Utility

Obligations" issued in accordance with and under the terms and provisions of Ordinance No. 010118-53A (the "Master Ordinance") and the Prior Supplements; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

SECTION 1: DEFINITIONS. In addition to the definitions set forth in the preamble of this Ordinance (hereinafter referred to as the "Seventh Supplement"), the terms used herein and not otherwise defined shall have the meanings given in the Master Ordinance, the Prior Supplements or in Exhibit A to this Seventh Supplement.

SECTION 2: AUTHORIZATION DESIGNATION PRINCIPAL AMOUNT - PURPOSE. Revenue bonds of the City shall be and are hereby authorized to be issued in the maximum aggregate principal amount hereinafter set forth to be designated and bear the title "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2007" (hereinafter referred to as the "Bonds"), for the purpose of refinancing and refunding the Refunded Bonds (described in the preamble hereof [and finally identified in the Pricing Certificate] and referred to as the "Refunded Bonds"), and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207, as amended.

SECTION 3: FULLY REGISTERED OBLIGATIONS - AUTHORIZED DENOMINATIONS - STATED MATURITIES - DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated (the "Bond Date") as provided in the Pricing Certificate and, other than the single fully registered Initial Bond referenced in Section 9 hereof, shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from One (1) upward and shall become due and payable on May 15 and/or November 15 in each of the years and in principal amounts (the "Stated Maturities") and bear interest at the rate(s) per annum in accordance with the details of the Bonds as set forth in the Pricing Certificate..

The Bonds shall bear interest on the unpaid principal amounts from the date of their delivery to the initial purchasers (anticipated, August 17, 2007) or the most recent interest payment date to which interest has been paid or duly provided for, at the rate(s) per annum as specified in the Pricing Certificate (calculated on the basis of a 360 day year of twelve 30 day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing on the date set forth in the Pricing Certificate.

SECTION 4: DELEGATION OF AUTHORITY TO PRICING OFFICER.

(a) As authorized by Section 1207.007, Texas Government Code, as amended, the City Manager or Chief Financial Officer of the City (either, the "Pricing Officer") is hereby authorized to act on behalf of the City in selling and delivering the Bonds and carrying out the other procedures specified in this Seventh Supplement, including selection of the specific maturities or series (whole or part) of the Refunded Bonds to be refunded, determining the aggregate principal amount of the Bonds, the date of the Bonds, any additional or different designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, the rate of interest to be borne by each such maturity, the first interest payment date, the price and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the City, as well as any mandatory sinking fund redemption provisions, the designation of a paying agent/registrar, the designation of an escrow agent satisfying the requirements of

1 V.T.C.A., Chapter 1207, Government Code, as amended, and all other matters relating to the
2 issuance, sale, and delivery of the Bonds all of which shall be specified in the Pricing Certificate,
3 provided that:

4 (i) the aggregate original principal amount of the Bonds shall not exceed
5 \$_____;

6 (ii) the Bonds shall bear interest at a rate not greater than 15.0% per annum and the
7 net effective interest rate (as defined in V.T.C.A., Chapter 1204, Government Code, as
8 amended) for the Bonds shall not exceed 15.0%; and

9 (iii) the refunding must produce present value debt service savings of at least 4.25%,
10 net of any Issuer contribution.

11 The execution of the Pricing Certificate shall evidence the sale date of the Bonds by the
12 City to the Purchasers (hereinafter defined).

13 (b) In establishing the aggregate principal amount of the Bonds, the Pricing Officer
14 shall establish an amount not exceeding the amount authorized in Subsection (a)(i) above,
15 which shall be sufficient in amount to provide for the purposes for which the Bonds are
16 authorized and to pay costs of issuing the Bonds. The delegation made hereby shall expire if
17 not exercised by the Pricing Officer on September 22, 2007. The Bonds shall be sold by
18 negotiated sale to the underwriter(s) named in the Pricing Certificate (the "Purchaser"), at such
19 price and with and subject to such terms as set forth in the Pricing Certificate.

20 **SECTION 5: TERMS OF PAYMENT - PAYING AGENT/REGISTRAR.** The principal of,
21 premium, if any, and the interest on the Bonds, due and payable by reason of maturity,
22 redemption or otherwise, shall be payable only to the registered owners or holders of the Bonds
23 (hereinafter called the "Holders") appearing on the registration and transfer books maintained by
24 the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the
25 United States of America, which at the time of payment is legal tender for the payment of public
26 and private debts, and shall be without exchange or collection charges to the Holders.

27 The selection and appointment of the Paying Agent/Registrar for the Bonds shall be as
28 provided in the Pricing Certificate. Books and records relating to the registration, payment,
29 exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and
30 maintained on behalf of the City by the Paying Agent/Registrar, all as provided herein, in
31 accordance with the terms and provisions of a "Paying Agent/Registrar Agreement,"
32 substantially in the form attached to the Pricing Certificate and such reasonable rules and
33 regulations as the Paying Agent/Registrar and the City may prescribe. The Pricing Officer is
34 hereby authorized to execute and deliver such Agreement in connection with the delivery of the
35 Bonds. The City covenants to maintain and provide a Paying Agent/Registrar at all times until
36 the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a
37 commercial bank, trust company, financial institution, or other entity qualified and authorized to
38 serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon
39 any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a
40 written notice thereof to be sent to each Holder by United States Mail, first class postage
41 prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

42 Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities
43 or upon earlier redemption thereof, only upon presentation and surrender of the Bonds to the

1 Paying Agent/Registrar at its designated offices providing in the Pricing Certificate (the
2 "Designated Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders
3 whose names appear in the Security Register at the close of business on the Record Date (the
4 last business day of the month next preceding each interest payment date), and such interest
5 shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class
6 postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such
7 other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and
8 expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds
9 shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city
10 where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are
11 authorized by law or executive order to close, then the date for such payment shall be the next
12 succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking
13 institutions are authorized to close; and payment on such date shall have the same force and
14 effect as if made on the original date payment was due.

15 In the event of a non payment of interest on one or more maturities on a scheduled
16 payment date, and for thirty (30) days thereafter, a new record date for such interest payment
17 for such maturity or maturities (a "Special Record Date") will be established by the Paying
18 Agent/Registrar, if and when funds for the payment of such interest have been received from
19 the City. Notice of the Special Record Date and of the scheduled payment date of the past due
20 interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5)
21 business days prior to the Special Record Date by United States Mail, first class postage
22 prepaid, to the address of each Holder of such maturity or maturities appearing on the Security
23 Register at the close of business on the last business day next preceding the date of mailing of
24 such notice.

25 **SECTION 6: REGISTRATION - TRANSFER - EXCHANGE OF BONDS -**
26 **PREDECESSOR BONDS.** The Paying Agent/Registrar shall obtain, record, and maintain in the
27 Security Register the name and address of each registered owner of the Bonds issued under
28 and pursuant to the provisions of this Seventh Supplement. Any Bond may, in accordance with
29 its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized
30 denominations upon the Security Register by the Holder, in person or by his duly authorized
31 agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation,
32 accompanied by a written instrument of transfer or request for exchange duly executed by the
33 Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

34 Upon surrender for transfer of any Bond (other than the Initial Bond(s) authorized in
35 Section 9 hereof) at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the
36 Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or
37 transferees, one or more new Bonds, executed on behalf of, and furnished by, the City of
38 authorized denominations and having the same Stated Maturity and of a like aggregate principal
39 amount as the Bond or Bonds surrendered for transfer.

40 At the option of the Holder, Bonds (other than the Initial Bond(s) authorized in Section 9
41 hereof) may be exchanged for other Bonds of authorized denominations and having the same
42 Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the
43 Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the
44 Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Bonds are
45 surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds,
46 executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

1 All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the
2 Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States
3 Mail, first class postage prepaid, to the Holder and, upon the delivery thereof, the same shall be
4 valid obligations of the City, evidencing the same obligation to pay, and entitled to the same
5 benefits under this Seventh Supplement, as the Bonds surrendered in such transfer or
6 exchange.

7 All transfers or exchanges of Bonds pursuant to this Section shall be made without
8 expense or service charge to the Holder, except as otherwise herein provided, and except that
9 the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or
10 exchange of any tax or other governmental charges required to be paid with respect to such
11 transfer or exchange.

12 Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof
13 are hereby defined to be "Predecessor Bonds," evidencing all or a portion, as the case may be,
14 of the same obligation to pay evidenced by the Bond or Bonds registered and delivered in the
15 exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any
16 mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued,
17 registered and delivered in lieu thereof pursuant to Section 19 hereof and such new
18 replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost,
19 destroyed, or stolen Bond.

20 Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange
21 any Bond called for redemption, in whole or in part, within 45 days of the date fixed for
22 redemption of such Bond; provided, however, such limitation of transfer shall not be applicable
23 to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in
24 part.

25 **SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND TRANSACTIONS.**

26 Notwithstanding the provisions contained in Sections 5 and 6 hereof relating to the payment,
27 redemption and transfer/exchange of the Bonds, the City hereby approves and authorizes the
28 use of "Book-Entry-Only" securities clearance, settlement and transfer system provided by The
29 Depository Trust Company (DTC), a limited purpose trust company organized under the laws of
30 the State of New York, in accordance with the operational arrangements referenced in the
31 Blanket Issuer Letter of Representation, by and between the City and DTC (the "Depository
32 Agreement").

33 Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be
34 deposited with DTC who shall hold said Bonds for its participants (the "DTC Participants").
35 While the Bonds are held by DTC under the Depository Agreement, the Holder of the Bonds on
36 the Security Register for all purposes, including payment and notices, shall be Cede & Co., as
37 nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each
38 Bond (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

39 In the event DTC determines to discontinue serving as securities depository for the
40 Bonds or otherwise ceases to provide book entry clearance and settlement of securities
41 transactions in general or the City determines that DTC is incapable of properly discharging its
42 duties as securities depository for the Bonds, the City covenants and agrees with the Holders of
43 the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to
44 be issued and delivered to DTC Participants and Beneficial Owners, as the case may be.
45 Thereafter, the Bonds in definitive form shall be assigned, transferred and exchanged on the

1 Security Register maintained by the Paying Agent/Registrar and payment of such Bonds shall
2 be made in accordance with the provisions of Sections 5 and 6 hereof.

3 **SECTION 8: EXECUTION - REGISTRATION.** The Bonds shall be executed on behalf
4 of the City by the Mayor under its seal reproduced or impressed thereon and countersigned by
5 the City Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds
6 bearing the manual or facsimile signatures of individuals who are or were the proper officers of
7 the City on the date of adoption of this Seventh Supplement shall be deemed to be duly
8 executed on behalf of the City, notwithstanding that such individuals or either of them shall
9 cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with
10 respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and
11 provided in V.T.C.A., Government Code, Chapter 1201, as amended.

12 No Bond shall be entitled to any right or benefit under this Seventh Supplement, or be
13 valid or obligatory for any purpose, unless there appears on such Bond either a certificate of
14 registration substantially in the form provided in Section 10(c), manually executed by the
15 Comptroller of Public Accounts of the State of Texas or his or her duly authorized agent, or a
16 certificate of registration substantially in the form provided in Section 10(d), manually executed
17 by an authorized officer, employee or representative of the Paying Agent/Registrar, and either
18 such certificate upon any Bond duly signed shall be conclusive evidence, and the only evidence,
19 that such Bond has been duly certified, registered and delivered.

20 **SECTION 9: INITIAL BOND(S).** The Bonds shall be initially issued either (i) as a single
21 fully registered bond in the total principal amount referenced in Section 2 hereof with principal
22 installments to become due and payable as provided in the Pricing Certificate and numbered T-
23 1, or (ii) as multiple fully registered bonds, being one bond for each year of maturity in the
24 applicable principal amount and denomination and to be numbered consecutively from T-1 and
25 upward (hereinafter called the "Initial Bond(s)") and, in either case, the Initial Bond(s) shall be
26 registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bond(s)
27 shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for
28 approval, certified and registered by the Office of the Comptroller of Public Accounts of the
29 State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial
30 Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial
31 purchaser(s), or the designee thereof, shall cancel the Initial Bond(s) delivered hereunder and
32 exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal
33 amounts and bearing applicable interest rates for transfer and delivery to the Holders named at
34 the addresses identified therefor; all pursuant to and in accordance with such written
35 instructions from the initial purchaser(s), or the designee thereof, and such other information
36 and documentation as the Paying Agent/Registrar may reasonably require.

37 **SECTION 10: FORMS.**

38 (a) Forms Generally. The Bonds, the Registration Certificate of the Comptroller of
39 Public Accounts of the State of Texas, the Certificate of Registration, and the form of
40 Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in
41 this Section with such appropriate insertions, omissions, substitutions, and other variations as
42 are permitted or required by this Seventh Supplement and may have such letters, numbers, or
43 other marks of identification (including identifying numbers and letters of the Committee on
44 Uniform Securities Identification Procedures of the American Bankers Association) and such
45 legends and endorsements (including insurance legends in the event the Bonds, or any
46 maturities thereof, are purchased with insurance and any reproduction of an opinion of counsel)

thereon as may, consistently herewith, be established by the City or determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds and the Initial Bond(s) shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

(b) Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
SERIES 2007

Bond Date: _____, 2007 Interest Rate: _____ Stated Maturity: _____ CUSIP NO: _____

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, solely from the revenues hereinafter identified, on the Stated Maturity date specified above the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the date of delivery to the initial purchasers [_____, 2007]) at the per annum rate of interest specified above computed on the basis of a 360 day year of twelve 30 day months; such interest being payable on May 15 and November 15 of each year, commencing _____. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Seventh Supplement hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest

1 payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United
2 States Mail, first class postage prepaid, to the address of the registered owner recorded in the
3 Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested
4 by, and at the risk and expense of, the registered owner. If the date for the payment of the
5 principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when
6 banking institutions in the city where the Designated Payment/Transfer Office of the Paying
7 Agent/Registrar is located are authorized by law or executive order to close, then the date for
8 such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal
9 holiday, or day when banking institutions are authorized to close; and payment on such date
10 shall have the same force and effect as if made on the original date payment was due. All
11 payments of principal of, premium, if any, and interest on this Bond shall be without exchange or
12 collection charges to the owner hereof and in any coin or currency of the United States of
13 America which at the time of payment is legal tender for the payment of public and private
14 debts.

15 This Bond is one of the series specified in its title issued in the aggregate principal
16 amount of \$_____ (herein referred to as the "Bonds") for the purpose of refinancing and
17 refunding the Refunded Bonds (identified and defined in the Seventh Supplement hereinafter
18 referenced) and paying costs of issuance, in conformity with the Constitution and laws of the
19 State of Texas, including V.T.C.A., Government Code, Chapter 1207, as amended, and
20 pursuant to a Master Ordinance and Seventh Supplement adopted by the City Council of the
21 City (herein collectively referred to as the "Ordinances").

22 The Bonds maturing on the dates hereinafter identified (the "Term Bonds") are subject to
23 mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund
24 established and maintained for the payment thereof in the Ordinance, and shall be redeemed in
25 part prior to maturity at the price of par and accrued interest thereon to the date of redemption,
26 and without premium, on the dates and in the principal amounts as follows:

| <u>Term Bonds due</u> | <u>Principal Amount</u> | <u>Term Bonds due</u> | <u>Principal Amount</u> |
|------------------------|-------------------------|------------------------|-------------------------|
| <u>Redemption Date</u> | | <u>Redemption Date</u> | |

27 The particular Term Bonds of a Stated Maturity to be redeemed on each redemption
28 date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal
29 amount of Term Bonds for a Stated Maturity required to be redeemed on a mandatory
30 redemption date may be reduced, at the option of the City, by the principal amount of Term
31 Bonds of like Stated Maturity which, at least 50 days prior to a mandatory redemption date, (1)
32 shall have been acquired by the City at a price not exceeding the principal amount of such Term
33 Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying
34 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional
35 redemption provisions appearing below and not theretofore credited against a mandatory
36 redemption requirement.

37 The Bonds maturing on and after _____, may be redeemed prior to their
38 Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or
39 any integral multiple thereof (and if within a Stated Maturity by lot by the Paying
40 Agent/Registrar), on _____, or on any date thereafter, at the redemption price of
41 par plus accrued interest thereon to the redemption date.

1 At least thirty days prior to the date fixed for any redemption of Bonds, the City shall
2 cause a written notice of such redemption to be sent by United States Mail, first class postage
3 prepaid, to the registered owners of each Bond to be redeemed at the address shown on the
4 Security Register and subject to the terms and provisions relating thereto contained in the
5 Ordinances. If a Bond (or any portion of its principal sum) shall have been duly called for
6 redemption and notice of such redemption duly given, then upon such redemption date such
7 Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and
8 interest thereon shall cease to accrue from and after the redemption date therefor, provided
9 moneys for the payment of the redemption price and the interest on the principal amount to be
10 redeemed to the date of redemption are held for the purpose of such payment by the Paying
11 Agent/Registrar.

12 In the event a portion of the principal amount of a Bond is to be redeemed and the
13 registered owner is someone other than Cede & Co., payment of the redemption price of such
14 principal amount shall be made to the registered owner only upon presentation and surrender of
15 such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new
16 Bond or Bonds of like maturity and interest rate in any authorized denominations provided by
17 the Ordinances for the then unredeemed balance of the principal sum thereof will be issued to
18 the registered owner, without charge. If a Bond is selected for redemption, in whole or in part,
19 the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an
20 assignee of the registered owner within 45 days of the redemption date therefor; provided,
21 however, such limitation on transferability shall not be applicable to an exchange by the
22 registered owner of the unredeemed balance of a Bond redeemed in part.

23 The Bonds are special obligations of the City payable solely from and, together with the
24 Previously Issued Electric Utility Obligations and Prior Subordinate Lien Obligations currently
25 Outstanding, equally and ratably secured by a parity lien on and pledge of, the Net Revenues of
26 the Electric Utility System in the manner provided in the Ordinances. Additionally, the Bonds,
27 together with the Previously Issued Electric Utility Obligations, shall be secured by a lien on the
28 funds, if any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance
29 with the terms of the Ordinances. The Bonds do not constitute a legal or equitable pledge,
30 charge, lien or encumbrance upon any property of the City or the Electric Utility System, except
31 with respect to the Net Revenues. The holder hereof shall never have the right to demand
32 payment of this obligation out of any funds raised or to be raised by taxation.

33 Subject to satisfying the terms and conditions prescribed therefor, the City has reserved
34 the right to issue additional revenue obligations payable from and equally and ratably secured
35 by a parity lien on and pledge of the Net Revenues of the Electric Utility System, in the same
36 manner and to the same extent as the Previously Issued Electric Utility Obligations and the
37 Bonds.

38 Reference is hereby made to the Ordinances, copies of which are on file with the
39 Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance
40 hereof hereby assents, for definitions of terms; the description of and the nature and extent of
41 the security for the Bonds; the properties constituting the Electric Utility System; the Net
42 Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and
43 extent and manner of enforcement of the lien and pledge securing the payment of the Bonds;
44 the terms and conditions for the issuance of additional revenue obligations; the terms and
45 conditions relating to the transfer or exchange of this Bond; the conditions upon which the
46 Ordinances may be amended or supplemented with or without the consent of the Holders; the
47 rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and

1 provisions upon which the liens, pledges, charges and covenants made therein may be
2 discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer
3 Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized
4 terms used herein have the same meanings assigned in the Ordinances.

5 This Bond, subject to certain limitations contained in the Ordinances, may be transferred
6 on the Security Register only upon its presentation and surrender at the Designated
7 Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly
8 endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the
9 Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized
10 agent. When a transfer on the Security Register occurs, one or more new fully registered
11 Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of
12 interest, and of the same aggregate principal amount will be issued by the Paying
13 Agent/Registrar to the designated transferee or transferees.

14 The City and the Paying Agent/Registrar, and any agent of either, may treat the
15 registered owner hereof whose name appears on the Security Register (i) on the Record Date
16 as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as
17 the owner entitled to payment of principal hereof at its Stated Maturity or its redemption, in
18 whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the
19 City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the
20 contrary. In the event of non payment of interest on a scheduled payment date and for thirty
21 (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will
22 be established by the Paying Agent/Registrar, if and when funds for the payment of such
23 interest have been received from the City. Notice of the Special Record Date and of the
24 scheduled payment date of the past due interest (which shall be 15 days after the Special
25 Record Date) shall be sent at least five (5) business days prior to the Special Record Date by
26 United States Mail, first class postage prepaid, to the address of each Holder appearing on the
27 Security Register at the close of business on the last business day next preceding the date of
28 mailing of such notice.

29 It is hereby certified, recited, represented and covenanted that the City is a duly
30 organized and legally existing municipal corporation under and by virtue of the Constitution and
31 laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all
32 acts, conditions and things required to exist and be done precedent to and in the issuance of the
33 Bonds to render the same lawful and valid obligations of the City have been properly done, have
34 happened and have been performed in regular and due time, form and manner as required by
35 the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not
36 exceed any constitutional or statutory limitation; and that due provision has been made for the
37 payment of the Bonds by a pledge of the Net Revenues of the Electric Utility System as
38 aforestated. In case any provision in this Bond or any application thereof shall be invalid, illegal,
39 or unenforceable, the validity, legality, and enforceability of the remaining provisions and
40 applications shall not in any way be affected or impaired thereby. The terms and provisions of
41 this Bond and the Ordinances shall be construed in accordance with and shall be governed by
42 the laws of the State of Texas.

43 IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be duly
44 executed under the official seal of the City.

45 CITY OF AUSTIN, TEXAS
46

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Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond(s) only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

| | | |
|---------------------------|---|--------------------|
| OFFICE OF THE COMPTROLLER |) | |
| |) | |
| OF PUBLIC ACCOUNTS |) | REGISTER NO. _____ |
| |) | |
| THE STATE OF TEXAS |) | |

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

1 (d) Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds only.

2 REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

3 This Bond has been duly issued and registered in the name of the Registered Owner
4 shown above under the provisions of the within mentioned Ordinances; the bond or bonds of the
5 above entitled and designated series originally delivered having been approved by the Attorney
6 General of the State of Texas and registered by the Comptroller of Public Accounts, as shown
7 by the records of the Paying Agent/Registrar.

8 The designated offices of the Paying Agent/Registrar in _____ is the
9 Designated Payment/Transfer Office" for this Bond.

10 _____,
11 _____,
12 as Paying Agent/Registrar

13 Registration date:

14 _____

15 By _____
16 Authorized Signature

17 (e) Form of Assignment.

18 ASSIGNMENT

19 FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto
20 (Print or typewrite name, address, and zip code of transferee): _____
21 _____
22 _____

23 (Social Security or other identifying number: _____) the within Bond
24 and all rights thereunder, and hereby irrevocably constitutes and
25 appoints _____ attorney to transfer the within Bond on the books
26 kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature guaranteed:

NOTICE: The signature on this
assignment must correspond with the
name of the registered owner as it
appears on the face of the within Bond in
every particular.

(f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

REGISTERED
NO. T-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
SERIES 2007

Bond Date: _____, 2007

Registered Owner:

Principal Amount:

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, solely from the revenues hereinafter identified, the Principal Amount hereinabove stated on _____ in each of the years and in principal installments in accordance with the following schedule:

| <u>YEAR</u> | <u>PRINCIPAL INSTALLMENTS</u> | <u>INTEREST RATE</u> |
|-------------|-----------------------------------|--------------------------|
|-------------|-----------------------------------|--------------------------|

(Information to be inserted from schedule in Section 3 hereof).

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest on the unpaid principal amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the date of delivery to the initial purchasers [_____, 2007]) at the per annum rate of interest specified above computed on the basis of a 360 day year of twelve 30 day months; such interest being payable on May 15 and November 15 in each year, commencing _____. Principal installments of this Bond are payable in the year of maturity or on a redemption date to the registered owner hereof _____ (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in _____ (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located

1 are authorized by law or executive order to close, then the date for such payment shall be the
2 next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking
3 institutions are authorized to close; and payment on such date shall have the same force and
4 effect as if made on the original date payment was due. All payments of principal of, premium, if
5 any, and interest on this Bond shall be without exchange or collection charges to the owner
6 hereof and in any coin or currency of the United States of America which at the time of payment
7 is legal tender for the payment of public and private debts.

8 **SECTION 11: CRITERIA FOR ISSUANCE OF PARITY ELECTRIC UTILITY**
9 **OBLIGATIONS.** The City has provided certain criteria and established certain covenants and
10 agreements in relation to the issuance of Parity Electric Utility Obligations of the Electric Utility
11 System pursuant to the Master Ordinance. This Seventh Supplement provides for the
12 authorization, issuance, sale, delivery, form, characteristics, provisions of payment and
13 redemption, and security of the Bonds which are a series of Parity Electric Utility Obligations.
14 The Master Ordinance is incorporated herein by reference and made a part hereof for all
15 purposes, except to the extent modified and supplemented by the Prior Supplements and this
16 Seventh Supplement, and the Bonds are hereby declared to be Parity Electric Utility Obligations
17 under the Master Ordinance and the Prior Supplements. The City hereby determines that it will
18 have sufficient funds to meet the financial obligations of the Electric Utility System, including
19 sufficient Net Revenues to pay the Annual Debt Service Requirements of the Bonds and to
20 meet all financial obligations of the City relating to the Electric Utility System.

21 **SECTION 12: PLEDGE.** Subject to the prior claim on and lien on the Net Revenues of
22 the Electric Utility System to the payment and security of the Prior First Lien Obligations
23 currently Outstanding, including the funding and maintenance of the special funds established
24 and maintained for the payment and security of such Prior First Lien Obligations, the Net
25 Revenues of the Electric Utility System are hereby pledged to the payment of the Bonds, and
26 the Bonds, together with the Prior Subordinate Lien Obligations and the Previously Issued
27 Electric Utility Obligations currently Outstanding, shall be equally and ratably secured by a parity
28 lien on and pledge of the Net Revenues of the Electric Utility System in accordance with the
29 terms of the Master Ordinance and this Seventh Supplement. Additionally, the Bonds and the
30 Previously Issued Electric Utility Obligations shall be secured by a lien on the funds, if any,
31 deposited to the credit of the Debt Service Fund and the Reserve Fund in accordance with and
32 to the extent required by the terms of the Master Ordinance, the Prior Supplements and this
33 Seventh Supplement. The Bonds are and will be secured by and payable only from the Net
34 Revenues of the Electric Utility System, and are not secured by or payable from a mortgage or
35 deed of trust on any properties, whether real, personal, or mixed, of the Electric Utility System.
36 It is hereby ordained that the Parity Electric Utility Obligations, and the interest thereon, shall
37 constitute a lien on the Net Revenues of the Electric Utility System and be valid and binding and
38 fully perfected from and after the date of adoption of this Seventh Supplement without physical
39 delivery or transfer or transfer of control of the Net Revenues, the filing of this Seventh
40 Supplement or any other act, all as provided in Chapter 1208 of the Texas Government Code,
41 as amended. The owners of the Parity Electric Utility Obligations shall never have the right to
42 demand payment out of funds raised or to be raised by taxation, or from any source other than
43 specified in the Master Ordinance, the Prior Supplements and this Seventh Supplement.

44 Chapter 1208, Government Code, as amended, applies to the issuance of the Bonds
45 and the pledge of the Net Revenues of the Electric Utility System granted by the City under this
46 Section 12, and such pledge is therefore valid, effective and perfected. If Texas law is amended
47 at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the
48 Electric Utility System granted by the City under this Section 12 is to be subject to the filing

requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds 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, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 13: DEBT SERVICE FUND. By reason of the issuance of the Bonds, the City need not establish any special accounts within the Debt Service Fund and, following the delivery of the Bonds, the City hereby agrees and covenants to cause to be deposited to the credit of the Debt Service Fund an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and principal of the Bonds falling due on or before each maturity, mandatory redemption date and interest payment date, and such deposits shall be made in substantially equal monthly amounts on or before the 14th day of each month beginning on or before the 14th day of the month next following the month the Bonds are delivered to the initial purchaser.

The required monthly deposits to the Debt Service Fund for the payment of principal of and interest on the Bonds shall continue to be made in the manner provided herein until such time as (i) the total amount on deposit in the Debt Service Fund is equal to the amount required to fully pay and discharge all Parity Electric Utility Obligations then Outstanding or (ii) the Bonds are no longer outstanding, i.e., fully paid as to principal and interest or all the Bonds have been refunded.

Accrued interest received from the initial purchaser(s) of the Bonds shall be deposited in the Debt Service Fund, and shall be taken into consideration and reduce the amount of the monthly deposits that would otherwise be required to be deposited to the credit of such Debt Service Fund from the Net Revenues of the Electric Utility System.

SECTION 14: RESERVE FUND.

(a) Establishment. A Reserve Fund shall not be required to be established or maintained by the City for the payment of the Parity Electric Utility Obligations so long as the "Pledged Net Revenues" of the System for a Fiscal Year (the Net Revenues of the System in a Fiscal Year remaining after deducting the amounts, if any, expended to pay the annual debt service requirements for Prior First Lien Obligations and Prior Subordinate Lien Obligations in such Fiscal Year) equal or exceed one hundred fifty per cent (150%) of the Annual Debt Service Requirements of the Parity Electric Utility Obligations due and payable in such Fiscal Year. If for any Fiscal Year such "Pledged Net Revenues" do not exceed 150% of the Annual Debt Service Requirements of the Parity Electric Utility Obligations, the City shall be obligated to establish and maintain on the books of the City a separate fund or account designated as the "Electric Utility System Revenue Obligation Reserve Fund" (the "Reserve Fund"). Upon being established and except as provided in subsection (f) below, the amount on deposit to the credit of the Reserve Fund shall be maintained for the benefit of the owners of the Parity Electric Utility Obligations. There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. The amounts deposited to the credit of the Reserve Fund shall be in a special fund maintained at an official depository of the City. Reserve Fund Obligations in the Reserve Fund shall be used for the purpose of retiring the last of the Parity Electric Utility Obligations as they become due or paying principal of and interest on the Parity Electric Utility Obligations when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose.

1 When a Reserve Fund is required to be established as noted above and while the same
2 is required to be maintained, the Required Reserve Amount to be accumulated and maintained
3 in such Fund shall be determined and redetermined as follows:

4 (i) ten per cent (10%) of the Maximum Debt Service Requirement for all
5 Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the
6 previous Fiscal Year were less than 150% of the annual Debt Service Requirement for
7 such Fiscal Year, but greater than or equal to 140% of the annual Debt Service
8 Requirement for such Fiscal Year;

9 (ii) twenty per cent (20%) of the Maximum Debt Service Requirement for all
10 Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the
11 previous Fiscal Year were less than 140% of the annual Debt Service Requirement for
12 such Fiscal Year, but greater than or equal to 130% of the annual Debt Service
13 Requirement for such Fiscal Year;

14 (iii) thirty per cent (30%) of the Maximum Debt Service Requirement for all
15 Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the
16 previous Fiscal Year were less than 130% of the annual Debt Service Requirement for
17 such Fiscal Year, but greater than or equal to 120% of the annual Debt Service
18 Requirement for such Fiscal Year;

19 (iv) forty per cent (40%) of the Maximum Debt Service Requirement for all
20 Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the
21 previous Fiscal Year were less than 120% of the annual Debt Service Requirement for
22 such Fiscal Year, but greater than or equal to 110% of the annual Debt Service
23 Requirement for such Fiscal Year;

24 (v) fifty per cent (50%) of the Maximum Debt Service Requirement for all
25 Parity Electric Utility Obligations then Outstanding if the Pledged Net Revenues for the
26 previous Fiscal Year were less than 110% of the annual Debt Service Requirement for
27 such Fiscal Year;

28 If at any time the City is required to fund the Required Reserve Amount, or to increase
29 the Required Reserve Amount pursuant to a Supplement, the Required Reserve Amount or
30 increase in the Required Reserve Amount, as applicable, may be funded in up to twelve (12)
31 substantially equal consecutively monthly deposits commencing not later than the month
32 following that receipt of audited financial statements for the System for the preceding Fiscal
33 Year.

34 (b) Credit Facility. The City may initially fund the Reserve Fund or replace or
35 substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in
36 substitution for or replacement of any existing Credit Facility. Upon such replacement or
37 substitution, the cash or Eligible Investments on deposit in the Reserve Fund, taken together
38 with the face amount of any existing Credit Facilities, in excess of the Required Reserve
39 Amount may be withdrawn by the City, at its option, and transferred to the System Fund unless
40 such excess was funded with the proceeds of sale of Parity Electric Utility Obligations in which
41 case such excess shall be deposited to the credit of the Debt Service Fund; provided that the
42 face amount of any Credit Facility may be reduced at the option of the City in lieu of such
43 transfer.

1 (c) Priority of Draws. If the City is required to make a withdrawal from the Reserve
2 Fund for any of the purposes described in this Section, the City shall promptly notify the issuer
3 of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such
4 purposes, and shall make such withdrawal FIRST from available moneys and cash resulting
5 from the sale or liquidation of Eligible Investments then on deposit in the Reserve Fund, and
6 NEXT from a drawing under any Credit Facility to the extent of such deficiency.

7 In the event of a draw on a Credit Facility, the City shall reimburse the issuer of such
8 Credit Facility for such draw, in accordance with the terms of any agreement pursuant to which
9 the Credit Facility is issued, from Net Revenues, however, such reimbursement from Net
10 Revenues shall be subject to the provisions of Section 14(d) below and shall be subordinate
11 and junior in right of payment to the payment of principal of and premium, if any, and interest on
12 the Parity Electric Utility Obligations.

13 (d) Reserve Amount Deficiency. In the event of a deficiency in the Reserve Fund, or
14 in the event that on the date of termination or expiration of any Credit Facility there is not on
15 deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at
16 least equal to the Required Reserve Amount, then the City shall, subject to satisfying or making
17 provision for the uses having a priority on the Gross Revenues before any deposits for the
18 payment and security of the Parity Electric Utility Obligations and after making required deposits
19 to the Debt Service Fund in accordance with the terms of this Seventh Supplement and any
20 Supplement, cause the aggregate Required Reserve Amount then required to be on deposit in
21 the Reserve Fund to be fully restored within 12 months from the date such deficiency,
22 termination or expiration occurred by (i) making substantially equal cash deposits to the
23 Reserve Fund on or before the last day of each month from the available Net Revenues, (ii)
24 depositing Eligible Investments or Credit Facility to the credit of the Reserve Fund or (iii) a
25 combination of (i) and (ii).

26 (e) Excess Required Reserve. As Parity Electric Utility Obligations secured by the
27 Reserve Fund are paid, redeemed or defeased and cease to be Outstanding under the terms of
28 the Master Ordinance or any Supplement, the Required Reserve Amount may be recalculated
29 and redetermined, and any Reserve Fund Obligations on deposit in the Reserve Fund in excess
30 of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to
31 (i) the System Fund, if an amount equal to such excess was funded with Net Revenues, or (ii)
32 the Debt Service Fund.

33 (f) Application to Commercial Paper/Credit Agreements. For the purpose of
34 this Section, the Reserve Fund shall not secure Parity Electric Utility Obligations issued in the
35 form of commercial paper, or any Credit Agreement issued in support of such Parity Electric
36 Utility Obligations issued in the form of commercial paper, except as otherwise may be provided
37 in any Supplement.

38 **SECTION 15: PAYMENT OF BONDS.** On or before the first scheduled interest
39 payment date, and on or before each interest payment date and principal payment date
40 thereafter while any of the Bonds are Outstanding, the City shall cause an amount to be
41 transferred to the Paying Agent/Registrar in immediately available funds from the Debt Service
42 Fund sufficient to pay such interest on and such principal amount of the Bonds, as shall become
43 due on such dates, respectively, at maturity or by redemption prior to maturity. The Paying
44 Agent/Registrar shall destroy all paid Bonds and furnish the City with an appropriate certificate
45 of cancellation or destruction.

1 **SECTION 16: COVENANTS TO MAINTAIN TAX EXEMPT STATUS.**

2 (a) Definitions. When used in this Section, the following terms have the following
3 meanings:

4 “Closing Date” means the date on which the Bonds are first authenticated
5 and delivered to the Underwriters against payment therefor.

6 “Code” means the Internal Revenue Code of 1986, as amended by all
7 legislation, if any, effective on or before the Closing Date.

8 “Computation Date” has the meaning set forth in Section 1.148-1(b) of the
9 Regulations.

10 “Gross Proceeds” means any proceeds as defined in Section 1.148-1(b)
11 of the Regulations, and any replacement proceeds as defined in Section 1.148
12 1(c) of the Regulations, of the Bonds.

13 “Investment” has the meaning set forth in Section 1.148-1(b) of the
14 Regulations.

15 “Nonpurpose Investment” means any investment property, as defined in
16 section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested
17 and which is not acquired to carry out the governmental purposes of the Bonds.

18 “Rebate Amount” has the meaning set forth in Section 1.148-1(b) of the
19 Regulations.

20 “Regulations” means any proposed, temporary, or final Income Tax
21 Regulations issued pursuant to Sections 103 and 141 through 150 of the Code,
22 and 103 of the Internal Revenue Code of 1954, which are applicable to the
23 Bonds. Any reference to any specific Regulation shall also mean, as
24 appropriate, any proposed, temporary or final Income Tax Regulation designed
25 to supplement, amend or replace the specific Regulation referenced.

26 “Yield” of (1) any Investment has the meaning set forth in Section 1.148-
27 5 of the Regulations and (2) the Bonds has the meaning set forth in Section
28 1.148-4 of the Regulations.

29 (b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use
30 of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition,
31 construction or improvement of which is to be financed directly or indirectly with Gross
32 Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any
33 Bond to become includable in the gross income, as defined in section 61 of the Code, of the
34 owner thereof for federal income tax purposes. Without limiting the generality of the foregoing,
35 unless and until the City receives a written opinion of counsel nationally recognized in the field
36 of municipal bond law to the effect that failure to comply with such covenant will not adversely
37 affect the exemption from federal income tax of the interest on any Bond, the City shall comply
38 with each of the specific covenants in this Section.

1 (c) No Private Use or Private Payments. Except as permitted by section 141 of the
2 Code and the Regulations and rulings thereunder, the City shall at all times prior to the last
3 Stated Maturity of Bonds:

4 (1) exclusively own, operate and possess all property the acquisition,
5 construction or improvement of which is to be financed or refinanced directly or
6 indirectly with Gross Proceeds of the Bonds (including property financed with
7 Gross Proceeds of the Refunded Bonds), and not use or permit the use of such
8 Gross Proceeds (including all contractual arrangements with terms different than
9 those applicable to the general public) or any property acquired, constructed or
10 improved with such Gross Proceeds in any activity carried on by any person or
11 entity (including the United States or any agency, department and instrumentality
12 thereof) other than a state or local government, unless such use is solely as a
13 member of the general public; and

14 (2) not directly or indirectly impose or accept any charge or other
15 payment by any person or entity who is treated as using Gross Proceeds of the
16 Bonds or any property the acquisition, construction or improvement of which is to
17 be financed or refinanced directly or indirectly with such Gross Proceeds
18 (including property financed with Gross Proceeds of the Refunded Bonds), other
19 than taxes of general application within the City or interest earned on
20 investments acquired with such Gross Proceeds pending application for their
21 intended purposes.

22 (d) No Private Loan. Except to the extent permitted by section 141 of the Code and
23 the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to
24 make or finance loans to any person or entity other than a state or local government. For
25 purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a
26 person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is
27 sold or leased to such person or entity in a transaction which creates a debt for federal income
28 tax purposes; (2) capacity in or service from such property is committed to such person or entity
29 under a take or pay, output or similar contract or arrangement; or (3) indirect benefits, or
30 burdens and benefits of ownership, of such Gross Proceeds or any property acquired,
31 constructed or improved with such Gross Proceeds are otherwise transferred in a transaction
32 which is the economic equivalent of a loan.

33 (e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of
34 the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the
35 final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment
36 (or use Gross Proceeds to replace money so invested), if as a result of such investment the
37 Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money
38 replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Bonds.

39 (f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of
40 the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any
41 action which would cause the Bonds to be federally guaranteed within the meaning of section
42 149(b) of the Code and the Regulations and rulings thereunder.

43 (g) Information Report. The City shall timely file the information required by section
44 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and
45 in such place as the Secretary may prescribe.

1 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section
2 148(f) of the Code and the Regulations and rulings thereunder:

3 (1) The City shall account for all Gross Proceeds (including all
4 receipts, expenditures and investments thereof) on its books of account
5 separately and apart from all other funds (and receipts, expenditures and
6 investments thereof) and shall retain all records of accounting for at least six
7 years after the day on which the last Outstanding Bond is discharged. However,
8 to the extent permitted by law, the City may commingle Gross Proceeds of the
9 Bonds with other money of the City, provided that the City separately accounts
10 for each receipt and expenditure of Gross Proceeds and the obligations acquired
11 therewith.

12 (2) Not less frequently than each Computation Date, the City shall
13 calculate the Rebate Amount in accordance with rules set forth in section 148(f)
14 of the Code and the Regulations and rulings thereunder. The City shall maintain
15 such calculations with its official transcript of proceedings relating to the issuance
16 of the Bonds until six years after the final Computation Date.

17 (3) As additional consideration for the purchase of the Bonds by the
18 Underwriters and the loan of the money represented thereby and in order to
19 induce such purchase by measures designed to insure the excludability of the
20 interest thereon from the gross income of the owners thereof for federal income
21 tax purposes, the City shall pay to the United States out of the Debt Service Fund
22 or its general fund, as permitted by applicable Texas statute, regulation or
23 opinion of the Attorney General of the State of Texas, the amount that when
24 added to the future value of previous rebate payments made for the Bonds
25 equals (i) in the case of a Final Computation Date as defined in Section 1.148-
26 3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount
27 on such date; and (ii) in the case of any other Computation Date, ninety percent
28 (90%) of the Rebate Amount on such date. In all cases, the rebate payments
29 shall be made at the times, in the installments, to the place and in the manner as
30 is or may be required by section 148(f) of the Code and the Regulations and
31 rulings thereunder, and shall be accompanied by Form 8038-T or such other
32 forms and information as is or may be required by Section 148(f) of the Code and
33 the Regulations and rulings thereunder.

34 (4) The City shall exercise reasonable diligence to assure that no
35 errors are made in the calculations and payments required by paragraphs (2) and
36 (3), and if an error is made, to discover and promptly correct such error within a
37 reasonable amount of time thereafter (and in all events within one hundred eighty
38 (180) days after discovery of the error), including payment to the United States of
39 any additional Rebate Amount owed to it, interest thereon, and any penalty
40 imposed under Section 1.148-3(h) of the Regulations.

41 (i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of
42 the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the
43 earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that
44 reduces the amount required to be paid to the United States pursuant to Subsection (h) of this
45 Section because such transaction results in a smaller profit or a larger loss than would have

1 resulted if the transaction had been at arm's length and had the Yield of the Bonds not been
2 relevant to either party.

3 (j) Elections. The City hereby directs and authorizes the Mayor, City Manager,
4 Chief Financial Officer or City Treasurer, individually or jointly, to make elections permitted or
5 required pursuant to the provisions of the Code or the Regulations, as they deem necessary or
6 appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or
7 other appropriate certificate, form or document.

8 (k) Bonds Not Hedge Bonds. (1) At the time the original obligations refunded by the
9 Bonds were issued, the City reasonably expected to spend at least 85% of the spendable
10 proceeds of such original obligations within three years after such obligations were issued and
11 (2) not more than 50% of the proceeds of the original obligations refunded by the Bonds were
12 invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4
13 years or more.

14 (l) Current Refunding. The payment and discharge of the Refunded Bonds will
15 occur within ninety (90) days after the issuance of the Bonds and, therefore, the Bonds are a
16 current refunding of the Refunded Bonds.

17 **SECTION 17: AMENDMENT OF SEVENTH SUPPLEMENT.**

18 (a) Required Owner Consent for Amendments. The owners of a majority in
19 Outstanding Principal Amount of the Bonds shall have the right from time to time to approve any
20 amendment to this Seventh Supplement which may be deemed necessary or desirable by the
21 City; provided, however, nothing contained herein shall permit or be construed to permit the
22 amendment of the terms and conditions in this Seventh Supplement so as to:

- 23 (1) Make any change in the maturity of any of the Outstanding Bonds;
24 (2) Reduce the rate of interest borne by any of the Outstanding Bonds;
25 (3) Reduce the amount of the principal payable on the Bonds;
26 (4) Modify the terms of payment of principal of, premium, if any, or interest on the
27 Outstanding Bonds or impose any conditions with respect to such payment;
28 (5) Affect the rights of the owners of less than all of the Bonds then Outstanding;
29 (6) Amend this subsection (a) of this Section; or
30 (7) Change the minimum percentage of the principal amount of Bonds necessary for
31 consent to any amendment;
32

33 unless such amendment or amendments be approved by the owners of all of the Bonds affected
34 by the change or amendment then Outstanding.

35 (b) Notice of Amendment Requiring Consent. If at any time the City shall desire to
36 amend the Seventh Supplement under this Section, the City shall cause notice of the proposed
37 amendment to be published in a financial newspaper or journal published in The City of New
38 York, New York, and a newspaper of general circulation in the City, once during each calendar
39 week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of
40 the proposed amendment and shall state that a copy thereof is on file with the Paying Agent
41 for the Bonds. Such publication is not required, however, if notice in writing is given by mail, first
42 class postage prepaid, to each owner of the Bonds.

1 (c) Time Period for Obtaining Consent. If within one year from (i) the date of the
2 first publication of said notice or (ii) the date of the mailing by the Paying Agent of written notice
3 to the owners of the Bonds, whichever date first occurs if both methods of giving notice are
4 used, the City shall receive an instrument or instruments executed by the owners of at least a
5 majority in Outstanding Principal Amount of the Bonds consenting to and approving such
6 amendment in substantially the form of the copy thereof on file with each Paying Agent, the
7 governing body of the City may pass the amendatory ordinance in substantially the same form.

8 (d) Revocation of Consent. Any consent given by the owner of a Bond pursuant to
9 the provisions of this Section shall be irrevocable for a period of six months from the date for
10 measuring the one year period to obtain consents noted in paragraph (c) above, and shall be
11 conclusive and binding upon all future owners of the same Bonds during such period. At any
12 time after six months from the date for measuring the one year period to obtain consents noted
13 in paragraph (c) above, such consent may be revoked by the owner who gave such consent, or
14 by a successor in title, by filing written notice thereof with the Paying Agent for such Bonds and
15 the City, but such revocation shall not be effective if the owners of at least a majority in
16 Outstanding Principal Amount of the then Outstanding Bonds as determined in accordance with
17 this Section have, prior to the attempted revocation, consented to and approved the
18 amendment.

19 (e) Implementation of Amendment. Upon the passage of any amendatory ordinance
20 pursuant to the provisions of this Section, this Seventh Supplement shall be deemed to be
21 amended, and the respective rights, duties and obligations of the City under this Seventh
22 Supplement and all the owners of then Outstanding Bonds shall thereafter be determined,
23 exercised and enforced hereunder, subject in all respects to such amendment.

24 (f) Amendment without Consent. The foregoing provisions of this Section
25 notwithstanding, the City by action of its governing body may amend this Seventh Supplement
26 for any one or more of the following purposes:

27 (1) To vest the management and control of the Electric Utility System
28 in an independent board of trustees or similar board pursuant to authority
29 conferred by V.T.C.A., Government Code, Section 1502.070 et seq. or other law
30 now or hereafter enacted;

31 (2) To add to the covenants and agreements of the City in this
32 Seventh Supplement contained, other covenants and agreements thereafter to
33 be observed, grant additional rights or remedies to the owners of the Bonds or to
34 surrender, restrict or limit any right or power herein reserved to or conferred upon
35 the City;

36 (3) To make such provisions for the purpose of curing any ambiguity,
37 or curing, correcting or supplementing any defective provision contained in this
38 Seventh Supplement, or in regard to clarifying matters or questions arising under
39 this Seventh Supplement, as are necessary or desirable and not contrary to or
40 inconsistent with this Seventh Supplement and which shall not adversely affect
41 the interests of the owners of the Bonds then Outstanding;

42 (4) To modify any of the provisions of this Seventh Supplement in any
43 other respect whatever, provided that such modification shall be, and be

expressed to be, effective only after all the Bonds Outstanding at the date of the adoption of such modification shall cease to be Outstanding;

(5) To make such amendments to this Seventh Supplement as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(6) To make such changes, modifications or amendments as may be necessary or desirable in order to allow the owners of the Bonds to thereafter avail themselves of a book entry system for payments, transfers and other matters relating to the Bonds, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of this Seventh Supplement and which shall not adversely affect the interests of the owners of the Bonds;

(7) To make such changes, modifications or amendments as may be necessary or desirable in order to obtain or maintain the granting of a rating on the Bonds by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

(8) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Bonds, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Bonds. Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds shall be established by the Security Register maintained by the Paying Agent. Furthermore, the owner of any Bonds insured as to the payment of principal of and interest thereon shall be deemed to be the insurance company providing the insurance coverage on such Bonds; provided such amendment to this Seventh Supplement is an amendment that can be made with the consent of a majority in Outstanding Principal Amount of the Bonds and such insurance company is not in default with respect to its obligations under its insurance policy.

SECTION 18: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. All or any of the Bonds shall be deemed to be paid, retired and no longer Outstanding within the meaning of this Seventh Supplement when payment of the principal of such Bonds, redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such

1 amounts and at such times as will insure the availability, without reinvestment, of sufficient
2 money to make such payment, and all necessary and proper fees, compensation and expenses
3 of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid
4 or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. At such time
5 as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by
6 or entitled to the benefit of this Seventh Supplement, the Master Ordinance or a lien on and
7 pledge of the Net Revenues of the Electric Utility System, and shall be entitled to payment
8 solely from such money or Government Obligations.

9 Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow
10 agent, may at the direction of the City also be invested in Government Obligations, maturing in
11 the amounts and at the times as hereinbefore set forth, and all income from all Government
12 Obligations not required for the payment of the Bonds, and interest thereon, with respect to
13 which such money has been so deposited, shall be turned over to the City or deposited as
14 directed by the City. The City covenants that no deposit will be made or accepted under clause
15 (ii) of this Section and no use made of any such deposit which would cause the Bonds to be
16 treated as arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of
17 1986, as amended.

18 Notwithstanding any other provisions of this Seventh Supplement, all money or
19 Government Obligations set aside and held in trust pursuant to the provisions of this Section for
20 the payment of the Bonds, the redemption premium, if any, and interest thereon, shall be
21 applied to and used for the payment of such Bonds, the redemption premium, if any, and
22 interest thereon and the income on such money or Government Obligations shall not be
23 considered to be "Gross Revenues" under this Seventh Supplement.

24 **SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.**

25 In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying
26 Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same
27 principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or
28 destroyed Bond, in replacement for such Bond in the manner hereinafter provided. An
29 application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be
30 made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the
31 applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar
32 such security or indemnity as may be required by them to save each of them harmless from any
33 loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond,
34 the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their
35 satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of
36 damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for
37 cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond,
38 the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and
39 other expenses in connection therewith. Every replacement bond issued pursuant to the
40 provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall
41 constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond
42 shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits
43 of this Seventh Supplement equally and proportionately with any and all other Bonds duly
44 issued under this Seventh Supplement.

45 Notwithstanding the foregoing provisions of this Section, in the event any such Bond
46 shall have matured, and no default has occurred which is then continuing in the payment of the
47 principal of, redemption premium, if any, or interest on the Bond, the City may authorize the

1 payment of the same (without surrender thereof except in the case of a damaged or mutilated
2 Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as
3 above provided in this Section. Furthermore, in accordance with V.T.C.A., Government Code,
4 Section 1206.022, this Section shall constitute authority for the issuance of any such
5 replacement bond without necessity of further action by the governing body of the City or any
6 other body or person, and the duty of the replacement of such bonds is hereby authorized and
7 imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate
8 and deliver such bonds in the form and manner and with the effect, as provided in Section 6 of
9 this Seventh Supplement for Bonds issued in exchange for other Bonds.

10 **SECTION 20: SEVENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL**
11 **SECURITY.** In consideration of the acceptance of the Bonds, the issuance of which is
12 authorized hereunder, by those who shall hold the same from time to time, this Seventh
13 Supplement shall be deemed to be and shall constitute a contract between the City and the
14 Holders from time to time of the Bonds and the pledge made in this Seventh Supplement by the
15 City and the covenants and agreements set forth in this Seventh Supplement to be performed
16 by the City shall be for the equal and proportionate benefit, security, and protection of all
17 Holders, without preference, priority, or distinction as to security or otherwise of any of the
18 Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or
19 maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or
20 permitted by this Seventh Supplement.

21 **SECTION 21: CONTINUING DISCLOSURE UNDERTAKING.**

22 (a) Definitions. As used in this Section, the following terms have the meanings
23 ascribed to such terms below:

24 "MSRB" means the Municipal Securities Rulemaking Board.

25 "NRMSIR" means each person whom the SEC or its staff has determined
26 to be a nationally recognized municipal securities information repository within
27 the meaning of the Rule from time to time.

28 "Rule" means SEC Rule 15c2-12, as amended from time to time.

29 "SEC" means the United States Securities and Exchange Commission.

30 "SID" means any person designated by the State of Texas or an
31 authorized department, officer, or agency thereof as, and determined by the SEC
32 or its staff to be, a state information depository within the meaning of the Rule
33 from time to time.

34 (b) Annual Reports. The City shall provide annually to each NRMSIR and any SID,
35 within six months after the end of each fiscal year (beginning with the fiscal year ending
36 September 30, 2007) financial information and operating data with respect to the City of the
37 general type included in the final Official Statement approved by the Pricing Officer, being the
38 information described in the Pricing Certificate. Financial statements to be provided shall be (1)
39 prepared in accordance with the accounting principles described in the Pricing Certificate and
40 (2) audited, if the City commissions an audit of such statements and the audit is completed
41 within the period during which they must be provided. If audited financial statements are not
42 available at the time the financial information and operating data must be provided, then the City

1 shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and
2 any SID with the financial information and operating data and will file the annual audit report
3 when and if the same becomes available.

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

7 The financial information and operating data to be provided pursuant to this Section may
8 be set forth in full in one or more documents or may be included by specific reference to any
9 document (including an official statement or other offering document, if it is available from the
10 MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

11 (c) Material Event Notices. The City shall notify any SID and either each NRMSIR or
12 the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such
13 event is material within the meaning of the federal securities laws:

- 14 (1) Principal and interest payment delinquencies;
- 15 (2) Non-payment related defaults;
- 16 (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 17 (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 18 (5) Substitution of credit or liquidity providers, or their failure to perform;
- 19 (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- 20 (7) Modifications to rights of holders of the Bonds;
- 21 (8) Bond calls;
- 22 (9) Defeasances;
- 23 (10) Release, substitution, or sale of property securing repayment of the Bonds; and
- 24 (11) Rating changes.
- 25

26 The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner,
27 of any failure by the City to provide financial information or operating data in accordance with
28 subsection (b) of this Section by the time required by such Section.

29 (d) Limitations, Disclaimers, and Amendments. The City shall be obligated to
30 observe and perform the covenants specified in this Section while, but only while, the City
31 remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except
32 that the City in any event will give the notice required by subsection (c) hereof of any Bond calls
33 and defeasance that cause the City to be no longer such an "obligated person."

34 The provisions of this Section are for the sole benefit of the Holders and beneficial
35 owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or
36 any legal or equitable right, remedy, or claim hereunder to any other person. The City
37 undertakes to provide only the financial information, operating data, financial statements, and
38 notices which it has expressly agreed to provide pursuant to this Section and does not hereby
39 undertake to provide any other information that may be relevant or material to a complete
40 presentation of the City's financial results, condition, or prospects or hereby undertake to update
41 any information provided in accordance with this Section or otherwise, except as expressly
42 provided herein. The City does not make any representation or warranty concerning such
43 information or its usefulness to a decision to invest in or sell Bonds at any future date.

1 UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR
2 BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT,
3 FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY,
4 WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT
5 SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON,
6 IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE
7 LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

8 No default by the City in observing or performing its obligations under this Section shall
9 constitute a breach of or default under this Seventh Supplement for purposes of any other
10 provision of this Seventh Supplement.

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

13 The provisions of this Section may be amended by the City from time to time to adapt to
14 changed circumstances resulting from a change in legal requirements, a change in law, or a
15 change in the identity, nature, status, or type of operations of the City or the Electric Utility
16 System, but only if (1) the provisions of this Section, as so amended, would have permitted an
17 underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the
18 Rule, taking into account any amendments or interpretations of the Rule to the date of such
19 amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority
20 in aggregate principal amount (or any greater amount required by any other provision of this
21 Seventh Supplement that authorizes such an amendment) of the Outstanding Bonds consent to
22 such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized
23 bond counsel) determines that such amendment will not materially impair the interests of the
24 Holders and beneficial owners of the Bonds. The provisions of this Section may also be
25 amended from time to time or repealed by the City if the SEC amends or repeals the applicable
26 provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid,
27 but only if and to the extent that reservation of the City's right to do so would not prevent
28 underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds
29 in such offering. If the City so amends the provisions of this Section, it shall include with any
30 amended financial information or operating data filed with each NRMSIR and SID pursuant to
31 subsection (b) of this Section 21 an explanation, in narrative form, of the reasons for the
32 amendment and of the impact of any change in the type of financial information or operating
33 data so provided.

34 **SECTION 22: REMEDY IN EVENT OF DEFAULT.** In addition to all rights and
35 remedies provided by the laws of the State of Texas, the City covenants and agrees particularly
36 that in the event the City (a) defaults in payments to be made to the Debt Service Fund as
37 required by this Seventh Supplement or the Master Ordinance, (b) defaults in the observance or
38 performance of any other of the covenants, conditions or obligations set forth in this Seventh
39 Supplement or the Master Ordinance or (c) the City declares bankruptcy, the Holders of any of
40 the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction,
41 compelling and requiring the City and its City Manager, Chief Financial Officer and City
42 Treasurer, individually or jointly, to observe and perform any covenant, condition or obligation
43 prescribed in this Seventh Supplement or the Master Ordinance. No delay or omission to
44 exercise any right or power accruing upon any default shall impair any such right or power, or
45 shall be construed to be a waiver of any such default or acquiescence therein, and every such
46 right and power may be exercised from time to time and as often as may be deemed expedient.

1 The specific remedy herein provided shall be cumulative of all other existing remedies
2 and the specification of such remedy shall not be deemed to be exclusive.

3 **SECTION 23: SALE OF BONDS OFFICIAL STATEMENT APPROVAL.** The Bonds
4 authorized by this Ordinance are to be sold by the City to the underwriter(s) (herein referred to
5 as the "Purchasers") in accordance with a bond purchase agreement (the "Purchase Contract"),
6 the terms and provisions of which Purchase Contract are to be determined by the Pricing
7 Officer, in accordance with Section 3 hereof. With regard to such terms and provisions of said
8 Purchase Contract, the Pricing Officer is hereby authorized to come to an agreement with the
9 Purchasers on the following, among other matters:

- 10 (1) The details of the purchase and sale of the Bonds;
- 11 (2) The details of the public offering of the Bonds by the Purchasers;
- 12 (3) The details of an Official Statement (and, if appropriate, any Preliminary Official
13 Statement) relating to the Bonds and the City's Rule 15c2-12 compliance;
- 14 (4) A security deposit for the Bonds;
- 15 (5) The representations and warranties of the City to the Purchasers;.
- 16 (6) The details of the delivery of, and payment for, the Bonds;
- 17 (7) The Purchasers' obligations under the Purchase Contract;
- 18 (8) The certain conditions to the obligations of the City under the Purchase Contract;
- 19 (9) Termination of the Purchase Contract;
- 20 (10) Particular covenants of the City;
- 21 (11) The survival of representations made in the Purchase Contract;
- 22 (12) The payment of any expenses relating to the Purchase Contract;
- 23 (13) Notices; and
- 24 (14) Any and all such other details that are found by the Pricing Officer to be
25 necessary and advisable for the purchase and sale of the Bonds.
- 26

27 The Pricing Officer is hereby authorized and directed to execute said Purchase Contract
28 for and on behalf of the City and as the act and deed of this City Council.

29 The Mayor and City Clerk of the City are further authorized and directed to manually or
30 electronically execute and deliver for and on behalf of the City copies of a Preliminary Official
31 Statement and Official Statement, prepared in connection with the offering of the Bonds by the
32 Purchasers, in final form as may be required by the Purchasers, and such final Official
33 Statement in the form and content as approved by the Pricing Officer or as manually or
34 electronically executed by said officials shall be deemed to be approved by the City Council of
35 the City and constitute the Official Statement authorized for distribution and use by the
36 Purchasers.

37 In addition, immediately prior to the delivery of the Bonds, a current and updated final
38 Official Statement reflecting the terms of sale of the Bonds and the then current financial
39 operating data pertaining to the City shall be prepared under the supervision and guidance of
40 the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer or City
41 Treasurer. The Mayor and City Clerk are further authorized and directed to manually or
42 electronically execute and deliver for and on behalf of the City copies of said Official Statement
43 in final form as may be required by the Purchaser, and such final Official Statement in the form
44 and content manually executed by said officials shall be deemed to be approved by the City
45 Council and constitute the Official Statement authorized for distribution and use by the
46 Purchaser.

1 **SECTION 24: SPECIAL ESCROW AGREEMENT APPROVAL AND EXECUTION.** A
2 "Special Escrow Agreement" (the "Escrow Agreement") by and between the City and an
3 authorized escrow agent (the "Escrow Agent") shall be attached to, and approved in, the Pricing
4 Certificate. Such Escrow Agreement is hereby authorized to be finalized and executed by the
5 Pricing Officer for and on behalf of the City and as the act and deed of this City Council; and
6 such Escrow Agreement as executed by said Pricing Officer shall be deemed approved by the
7 City Council and constitute the Escrow Agreement herein approved. With regard to the
8 finalization of certain terms and provisions of said Escrow Agreement, a Pricing Officer is
9 hereby authorized to come to an agreement with the Escrow Agent on the following details,
10 among other matters:

- 11 (1) The identification of the Refunded Bonds;
- 12 (2) The creation and funding of the Escrow Fund or Funds; and
- 13 (3) The Escrow Agent's compensation, administration of the Escrow Fund or Funds,
14 and the settlement of any paying agents' charges relating to the Refunded Bonds.

15 Furthermore, appropriate officials of the City in cooperation with the Escrow Agent are
16 hereby authorized and directed to make the necessary arrangements for the purchase of the
17 escrowed securities referenced in the Escrow Agreement and the delivery thereof to the Escrow
18 Agent on the day of delivery of the Bonds to the Purchasers for deposit to the credit of the
19 "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS,
20 SERIES 2007 ESCROW FUND" (referred to herein as the "Escrow Fund"), or such other
21 designation as specified on the Pricing Certificate; all as contemplated and provided in V.T.C.A.,
22 Government Code, Chapter 1207, as amended, this Seventh Supplement, the Pricing
23 Certificate, and the Escrow Agreement.

24 On or immediately prior to the date of the delivery of the Bonds to the Purchasers, the
25 Pricing Officer shall also cause to be deposited (and is hereby authorized to cause to be
26 deposited) with the Escrow Agent from moneys on deposit in the debt service fund(s)
27 maintained for the payment of the Refunded Bonds an amount which, together with the
28 proceeds of sale, and the investment earnings thereon, will be sufficient to pay in full the
29 Refunded Bonds (or the amount of accrued interest due thereon) scheduled to mature and
30 authorized to be redeemed on the earliest date established in the Pricing Certificate for the
31 redemption of any of the Refunded Bonds (or the earliest date of payment, to be made from
32 moneys in the Escrow Fund(s), as established in the Pricing Certificate, of the amount of
33 accrued interest due thereon).

34 **SECTION 25: REFUNDED BONDS.**

35 (a) In order to provide for the refunding, discharge, and retirement of the Refunded
36 Bonds, the Refunded Bonds, identified, described, and in the amounts set forth in the Pricing
37 Certificate, are called for redemption on the first date(s) such Refunded Bonds are subject to
38 redemption or such other date specified by the Pricing Officer in the Pricing Certificate at the
39 price of par plus accrued interest to the redemption date, and notice of such redemption shall be
40 given in accordance with the applicable provisions of the ordinance(s) adopted by the City
41 Council of the City, which authorized the issuance of the Refunded Bonds. The Pricing Officer
42 is hereby authorized and directed to issue or cause to be issued a Notice of Redemption for the
43 Refunded Bonds in substantially the form set forth as an Exhibit to the Pricing Certificate, to the

1 paying agent/registrar for Refunded Bonds, in accordance with the redemption provisions
2 applicable to the Refunded Bonds.

3 (b) The paying agent/registrar for Refunded Bonds is hereby directed to provide the
4 appropriate notice of redemption as required by the ordinance authorizing the Refunded Bonds
5 and is hereby directed to make appropriate arrangements so that the Refunded Bonds may be
6 redeemed on the redemption date, including making a lot selection with respect to the
7 redemption of any partial maturities of the Refunded Bonds.

8 (c) The source of funds for payment of the principal of and interest on the
9 Refunded Bonds on their respective maturity or redemption date shall be from the funds
10 deposited with the Escrow Agent, pursuant to the Escrow Agreement finalized by the Pricing
11 Officer and approved in Section 24 of this Ordinance and by the Pricing Officer in the Pricing
12 Certificate.

13 **SECTION 26: PROCEEDS OF SALE.** Immediately following the delivery of the Bonds,
14 the proceeds of sale (less those proceeds of sale designated to pay costs of issuance and any
15 accrued interest received from the Purchasers of the Bonds) shall be deposited with the Escrow
16 Agent for application and disbursement in accordance with the provisions of the Escrow
17 Agreement. The proceeds of sale of the Bonds not so deposited with the Escrow Agent for the
18 refunding of the Refunded Bonds shall be disbursed for payment of costs of issuance, or
19 deposited in the Debt Service Fund for the Bonds. Such proceeds of sale may be invested in
20 authorized investments and any investment earnings realized may be (with respect to the
21 accrued interest received from the Purchasers) deposited in the Debt Service Fund as shall be
22 determined by the City Council of the City.

23 Additionally, the Pricing Officer shall determine the amount of any City contribution to the
24 refunding from moneys on deposit in the interest and sinking fund(s) maintained for the payment
25 of the Refunded Bonds.

26 **SECTION 27: CONTROL AND CUSTODY OF BONDS.** The City Manager of the City
27 shall be and is hereby authorized to take and have charge of all necessary orders and records
28 pending the delivery of the Bonds, and shall take and have charge and control of the Initial
29 Bond(s) pending the approval thereof by the Attorney General, the registration thereof by the
30 Comptroller of Public Accounts and the delivery thereof to the Purchasers.

31 Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, any
32 Deputy Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of
33 said officials, are hereby authorized and directed to furnish and execute such documents
34 relating to the City and its financial affairs as may be necessary for the issuance of the Bonds,
35 the approval of the Attorney General and registration by the Comptroller of Public Accounts and,
36 together with the City's financial advisor, bond counsel and the Paying Agent/Registrar, make
37 the necessary arrangements for printing of definitive Bonds and the delivery of the Bonds to the
38 Purchasers.

39 **SECTION 28: LEGAL OPINION.** The obligation of the Purchasers to accept delivery of
40 the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys,
41 Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered
42 as of the date of delivery and payment for such Bonds. A true and correct reproduction of said
43 opinion is hereby authorized to be printed on the definitive Bonds or an executed counterpart
44 thereof shall accompany the global Bonds deposited with the Depository Trust Company.

1 **SECTION 29: CUSIP NUMBERS.** CUSIP numbers may be printed or typed on the
2 definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP
3 numbers on the definitive Bonds shall be of no significance or effect as regards the legality
4 thereof and neither the City nor attorneys approving said Bonds as to legality are to be held
5 responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

6 **SECTION 30: PAYMENT AND PERFORMANCE ON BUSINESS DAYS.** Whenever
7 under the terms of this Seventh Supplement or the Bonds, the performance date of any
8 provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall
9 occur on a day other than a Business Day, then the performance thereof, including the payment
10 of principal of and interest on the Bonds, need not be made on such day but may be performed
11 or paid, as the case may be, on the next succeeding Business Day with the same force and
12 effect as if made on the date of performance or payment.

13 **SECTION 31: LIMITATION OF BENEFITS WITH RESPECT TO THE SEVENTH**
14 **SUPPLEMENT.** With the exception of the rights or benefits herein expressly conferred, nothing
15 expressed or contained herein or implied from the provisions of this Seventh Supplement or the
16 Bonds is intended or should be construed to confer upon or give to any person other than the
17 City, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim
18 under or by reason of or in respect to this Seventh Supplement or any covenant, condition,
19 stipulation, promise, agreement, or provision herein contained. This Seventh Supplement and
20 all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are
21 intended to be and shall be for and inure to the sole and exclusive benefit of the City, the
22 Holders, and the Paying Agent/Registrar as herein and therein provided.

23 **SECTION 32: NOTICES TO HOLDERS WAIVER.** Wherever this Seventh Supplement
24 provides for notice to Holders of any event, such notice shall be sufficiently given (unless
25 otherwise herein expressly provided) if in writing and sent by United States Mail, first class
26 postage prepaid, to the address of each Holder appearing in the Security Register at the close
27 of business on the business day next preceding the mailing of such notice.

28 In any case where notice to Holders is given by mail, neither the failure to mail such
29 notice to any particular Holders, nor any defect in any notice so mailed, shall affect the
30 sufficiency of such notice with respect to all other Bonds. Where this Seventh Supplement
31 provides for notice in any manner, such notice may be waived in writing by the Holder entitled to
32 receive such notice, either before or after the event with respect to which such notice is given,
33 and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be
34 filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the
35 validity of any action taken in reliance upon such waiver.

36 **SECTION 33: GOVERNING LAW.** This Seventh Supplement shall be construed and
37 enforced in accordance with the laws of the State of Texas and the United States of America.

38 **SECTION 34: EFFECT OF HEADINGS.** The Section headings herein are for
39 convenience only and shall not affect the construction hereof.

40 **SECTION 35: CONSTRUCTION OF TERMS.** If appropriate in the context of this
41 Seventh Supplement, words of the singular number shall be considered to include the plural,
42 words of the plural number shall be considered to include the singular, and words of the
43 masculine, feminine or neuter gender shall be considered to include the other genders.

1 **SECTION 36: SEVERABILITY.** If any provision of this Seventh Supplement or the
2 application thereof to any circumstance shall be held to be invalid, the remainder of this Seventh
3 Supplement and the application thereof to other circumstances shall nevertheless be valid, and
4 the City Council hereby declares that this Seventh Supplement would have been enacted
5 without such invalid provision.

6 **SECTION 37: INSURANCE.** . The Bonds may be sold with the principal of and interest
7 thereon being insured by a qualified municipal bond insurance provider. The Pricing Officer is
8 hereby authorized to make the selection of municipal bond insurance (if any) for the Bonds and
9 to determine the provisions of any commitment therefor.

10 **SECTION 38: PUBLIC MEETING.** It is officially found, determined, and declared that
11 the meeting at which this Seventh Supplement is adopted was open to the public and public
12 notice of the time, place, and subject matter of the public business to be considered at such
13 meeting, including this Seventh Supplement, was given; all as required by V.T.C.A.,
14 Government Code, Chapter 551, as amended.

15 **SECTION 39: EFFECTIVE DATE.** This Seventh Supplement is hereby passed on one
16 reading as authorized by V.T.C.A., Government Code, Section 1201.028 and shall be effective
17 immediately upon its passage and adoption.

18 *[remainder of page left blank intentionally]*

PASSED AND ADOPTED, this March 22, 2007.

CITY OF AUSTIN, TEXAS

ATTEST:

SHIRLEY A. GENTRY
City Clerk

(City Seal)

WILL WYNN
Mayor

APPROVED:

DAVID ALLAN SMITH
City Attorney

EXHIBIT A

That, as used in this Seventh Supplement, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“Bonds” means collectively, the “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2007” authorized for issuance by the Seventh Supplement.

“Business Day” means a day other than a Sunday, Saturday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

“Master Ordinance” means Ordinance No. 010118-53A providing for the issuance of “Parity Electric Utility Obligations”, as defined therein, passed by the City on January 18, 2001.

“Maximum Debt Service Requirement” means, as of the date of calculation, an amount equal to the greatest Annual Debt Service Requirement for the current or any future Fiscal Year for the Parity Electric Utility Obligations then outstanding at the time such calculation is made.

“Paying Agent/Registrar” means the financial institution specified in the Pricing Certificate as provided in Section 4 of the Seventh Supplement.

“Previously Issued Electric Utility Obligations” mean the outstanding “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2001” dated January 1, 2001, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2002”, dated February 15, 2002, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2002A”, dated July 15, 2002, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2003”, dated February 1, 2003, “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2006”, dated May 15, 2006, and “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2006A”, dated October 15, 2006.

“Prior Supplements” means Ordinances No. 010118-53B, 020228-13, 020718-17, 030206-34, 20060518-040 and 20061019-055 authorizing the issuance of the Previously Issued Electric Utility Obligations.

“Required Reserve Amount” means the total amount to be accumulated and maintained in the Reserve Fund pursuant to the provisions of Section 14 of the Seventh Supplement and the provisions of any subsequent Supplement.

“Reserve Fund” means the “Electric Utility System Revenue Obligation Reserve Fund” to be established and maintained pursuant to the Prior Supplements and Section 14 of this Seventh Supplement.

“Reserve Fund Obligations” means cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

“Seventh Supplement” means Ordinance No. 20070322-___ authorizing the issuance of the Bonds.

“Security Register” shall have the meaning given said term in Section 4 of this Seventh Supplement.

DRAFT