

ORDINANCE NO. 20060322-_____

AN ORDINANCE authorizing the issuance and sale of "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2007"; pledging the net revenues of the City's Water and Wastewater 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 Water and Wastewater 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 bonds herein authorized to be issued to refund the Refunded Bonds can and shall be on a parity with the outstanding

1 "Parity Water/Wastewater Obligations" issued in accordance with and under the terms and
2 provisions of Ordinance No. 000608-56A (the "Master Ordinance") and the Prior Supplements;
3 now, therefore,

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

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

9 SECTION 2: **AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT - PURPOSE.**
10 Revenue bonds of the City shall be and are hereby authorized to be issued in the maximum
11 aggregate principal amount hereinafter set forth to be designated and bear the title "CITY OF
12 AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS,
13 SERIES 2007" (hereinafter referred to as the "Bonds"), for the purpose of refinancing and
14 refunding the Refunded Bonds (described in the preamble hereof [and finally identified in the
15 Pricing Certificate] and referred to as the "Refunded Bonds"), and paying costs of issuance in
16 conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government
17 Code, Chapters 1207 and 1371, as amended.

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

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

33 SECTION 4: **DELEGATION OF AUTHORITY TO PRICING OFFICER.**

34 (a) As authorized by Section 1207.007, Texas Government Code, as amended, the
35 City Manager or Chief Financial Officer of the City (either, the "Pricing Officer") is hereby
36 authorized to act on behalf of the City in selling and delivering the Bonds and carrying out the
37 other procedures specified in this Thirteenth Supplement, including selection of the specific
38 maturities or series (whole or part) of the Refunded Bonds to be refunded, determining the
39 aggregate principal amount of the Bonds, the date of the Bonds, any additional or different
40 designation or title by which the Bonds shall be known, the price at which the Bonds will be sold,
41 the years in which the Bonds will mature, the principal amount to mature in each of such years,
42 the rate of interest to be borne by each such maturity, the first interest payment date, the price
43 and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the
44 option of the City, as well as any mandatory sinking fund redemption provisions, the designation
45 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
5 not exceed \$_____;

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

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

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

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

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

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

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

1 Agent/Registrar at its designated offices provided in the Pricing Certificate (the "Designated
2 Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders whose names
3 appear in the Security Register at the close of business on the Record Date (the last business
4 day of the month next preceding each interest payment date), and such interest shall be paid by
5 the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to
6 the address of the Holder recorded in the Security Register or (ii) by such other method,
7 acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the
8 Holder. If the date for the payment of the principal of or interest on the Bonds shall be a
9 Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the
10 Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by
11 law or executive order to close, then the date for such payment shall be the next succeeding
12 day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are
13 authorized to close; and payment on such date shall have the same force and effect as if made
14 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-PREDECESSOR**
26 **BONDS.** The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register
27 the name and address of each registered owner of the Bonds issued under and pursuant to the
28 provisions of this Thirteenth Supplement. Any Bond may, in accordance with its terms and the
29 terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon
30 the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of
31 such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument
32 of transfer or request for exchange duly executed by the Holder or by his duly authorized agent,
33 in form satisfactory to the Paying Agent/ Registrar.

34 Upon surrender for transfer of any Bond (other than the Initial Bonds 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 Bonds 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 Thirteenth 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 and transfer/exchange of the Bonds, the City hereby approves and authorizes the use of the
28 "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
30 of 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 of
4 the City by the Mayor under its seal reproduced or impressed thereon and countersigned by the
5 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 Thirteenth 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 Thirteenth 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 10C, 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 10D, manually executed by
17 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 BONDS.** The Bonds herein authorized shall be initially issued
21 either (i) as a single fully registered bond in the total principal amount of the Bonds 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 stated maturity in the
24 applicable principal amount and denomination and to be numbered consecutively from T-1 and
25 upward (hereinafter called the "Initial Bonds"). In either case, the Initial Bonds shall be
26 registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bonds shall
27 be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval,
28 certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas
29 and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bonds, the
30 Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the
31 designee thereof, shall cancel the Initial Bonds delivered hereunder and exchange therefor
32 definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing
33 applicable interest rates for transfer and delivery to the Holders named at the addresses
34 identified therefor; all pursuant to and in accordance with such written instructions from the initial
35 purchaser(s), or the designee thereof, and such other information and documentation as the
36 Paying Agent/Registrar may reasonably require.

37 SECTION 10: **FORMS.** A. Forms Generally. The Bonds, the Registration Certificate of
38 the Comptroller of Public Accounts of the State of Texas, the Certificate of Registration, and the
39 form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set
40 forth in this Section with such appropriate insertions, omissions, substitutions, and other
41 variations as are permitted or required by this Thirteenth Supplement and may have such
42 letters, numbers, or other marks of identification (including identifying numbers and letters of the
43 Committee on Uniform Securities Identification Procedures of the American Bankers
44 Association) and such legends and endorsements (including insurance legends in the event the
45 Bonds, or any maturities thereof, are purchased with insurance and any reproduction of an
46 opinion of counsel) thereon as may, consistently herewith, be established by the City or
47 determined by the officers executing such Bonds as evidenced by their execution thereof. Any

1 portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate
2 reference thereto on the face of the Bond.

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

6 B. Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
\$ _____

7 UNITED STATES OF AMERICA
8 STATE OF TEXAS
9 CITY OF AUSTIN, TEXAS,
10 WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
11 SERIES 2007

Bond Date:
_____, 2007

Interest Rate:

Stated Maturity:
_____, 15, 20

CUSIP NO:

Registered Owner:

Principal Amount:

DOLLARS

12 The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal
13 corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby
14 promises to pay to the Registered Owner named above, or the registered assigns thereof, solely
15 from the revenues hereinafter identified, on the Stated Maturity date specified above the
16 Principal Amount stated above (or so much thereof as shall not have been paid upon prior
17 redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day
18 months) on the unpaid Principal Amount hereof from the interest payment date next preceding
19 the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration
20 Date" as of an interest payment date, in which case it shall bear interest from such date, or
21 unless the "Registration Date" of this Bond is prior to the initial interest payment date in which
22 case it shall bear interest from the date of the delivery to the initial purchaser [_____, 2007])
23 at the per annum rate of interest specified above; such interest being payable on
24 _____ and on each November 15 and May 15 thereafter until maturity or prior
25 redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the
26 registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer
27 Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or
28 its successor; provided, however, while this Bond is registered to Cede & Co., the payment of
29 principal upon a partial redemption of the principal amount hereof may be accomplished without
30 presentation and surrender of this Bond. Interest is payable to the registered owner of this
31 Bond (or one or more Predecessor Bonds, as defined in the Thirteenth Supplement hereinafter
32 referenced) whose name appears on the "Security Register" maintained by the Paying
33 Agent/Registrar at the close of business on the "Record Date", which is the last business day of
34 the month next preceding each interest payment date and interest shall be paid by the Paying
35 Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of
36 the registered owner recorded in the Security Register or by such other method, acceptable to
37 the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.
38 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 are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds") for the purpose of refinancing and refunding the Refunded Bonds (identified and defined in the Thirteenth Supplement hereinafter referenced), in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapters 1207 and 1371, as amended, and pursuant to a Master Ordinance and Thirteenth Supplement adopted by the City Council of the City (herein collectively referred to as the "Ordinances").

The Bonds maturing on the dates hereinafter identified (the "Term Bonds") are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment thereof in the Ordinance, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, 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>	

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

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

Not less than thirty (30) days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its

principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

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

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

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinances, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the Water/Wastewater System; the Net Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinances may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used herein have the same meanings assigned in the Ordinances.

This Bond, subject to certain limitations contained in the Ordinances, may be transferred on the Security Register only upon its presentation and surrender at the Designated

1 Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly
2 endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the
3 Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized
4 agent. When a transfer on the Security Register occurs, one or more new fully registered
5 Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of
6 interest, and of the same aggregate principal amount will be issued by the Paying
7 Agent/Registrar to the designated transferee or transferees.

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

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

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

3 CITY OF AUSTIN, TEXAS
4
5
6

7 _____
Mayor

8 COUNTERSIGNED:
9
10
11

12 _____
City Clerk

13
14 (SEAL)
15

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

18 REGISTRATION CERTIFICATE OF
19 COMPTROLLER OF PUBLIC ACCOUNTS

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

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

23 WITNESS my signature and seal of office this _____.
24
25

26 _____
27 Comptroller of Public Accounts
28 of the State of Texas

29 (SEAL)
30
31

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
5 the above entitled and designated series originally delivered having been approved by the
6 Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as
7 shown by the records of the Paying Agent/Registrar.

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

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

REGISTERED
NO. T-1

REGISTERED
\$ _____

3 UNITED STATES OF AMERICA
4 STATE OF TEXAS
5 CITY OF AUSTIN, TEXAS,
6 WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
7 SERIES 2007

Bond Date: _____, 2007

Registered Owner:

Principal Amount:

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

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
-----------------------------------	---	--------------------------------

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

14 (or so much thereof as shall not have been paid upon prior redemption) and to pay interest,
15 computed on the basis of a 360-day year of twelve 30-day months, on the unpaid principal
16 amounts hereof from the interest payment date next preceding the "Registration Date" of this
17 Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment
18 date, in which case it shall bear interest from such date, or unless the "Registration Date" of this
19 Bond is prior to the initial interest payment date in which case it shall bear interest from the date
20 of delivery to the initial purchasers [_____, 2007]) at the per annum rates of interest
21 specified above; such interest being payable on _____ and on each
22 November 15 and May 15 thereafter until maturity or prior redemption. Principal installments of
23 this Bond are payable to the registered owner hereof by
24 _____ (the "Paying Agent/Registrar"), upon presentation
25 and surrender, at its designated offices in _____ (the "Designated Payment/Transfer
26 Office"). Interest is payable to the registered owner of this Bond whose name appears on the
27 "Security Register" maintained by the Paying Agent/Registrar at the close of business on the
28 "Record Date", which is the last business day of the month next preceding each interest
29 payment date and interest shall be paid by the Paying Agent/Registrar by check sent United
30 States Mail, first class postage prepaid, to the address of the registered owner recorded in the
31 Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested
32 by, and at the risk and expense of, the registered owner. If the date for the payment of the
33 principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when
34 banking institutions in the city where the Designated Payment/Transfer Office of the Paying
35 Agent/ Registrar is located are authorized by law or executive order to close, then the date for
36 such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal

1 holiday, or day when banking institutions are authorized to close; and payment on such date
2 shall have the same force and effect as if made on the original date payment was due. All
3 payments of principal of, premium, if any, and interest on this Bond shall be without exchange or
4 collection charges to the owner hereof and in any coin or currency of the United States of
5 America which at the time of payment is legal tender for the payment of public and private
6 debts.

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

21 **SECTION 12: PLEDGE.** Subject to the prior claim and lien on the Net Revenues of the
22 Water/Wastewater 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 Water/Wastewater System are hereby pledged to the payment of the Bonds,
26 and the Bonds, together with the Prior Subordinate Lien Obligations, the Previously Issued
27 Separate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations
28 currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the
29 Net Revenues of the Water/Wastewater System in accordance with the terms of the Master
30 Ordinance and this Thirteenth Supplement. Additionally, the Bonds and the Previously Issued
31 Parity Water/Wastewater Obligations shall be equally and ratably secured by a lien on the
32 funds, if any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance
33 with the terms of the Master Ordinance, the Prior Supplements and this Thirteenth Supplement.
34 It is hereby ordained that the Parity Water/Wastewater Obligations, and the interest thereon,
35 shall constitute a lien on the Net Revenues of the Water/Wastewater System and be valid and
36 binding and fully perfected from and after the date of adoption of this Thirteenth Supplement
37 without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this
38 Thirteenth Supplement or any other act, all as provided in Chapter 1208 of the Texas
39 Government Code, as amended. The owners of the Parity Water/Wastewater Obligations shall
40 never have the right to demand payment out of funds raised or to be raised by taxation, or from
41 any source other than specified in the Master Ordinance, the Prior Supplements and this
42 Thirteenth Supplement.

43 Section 1208, Government Code, as amended, applies to the issuance of the Bonds and
44 the pledge of the Net Revenues of the Water/Wastewater System granted by the City under this
45 Section 12, and such pledge is therefore valid, effective and perfected. If Texas law is amended
46 at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the
47 Water/Wastewater System granted by the City under this Section 12 is to be subject to the filing
48 requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the
49 registered owners of the Bonds the perfection of the security interest in said pledge, the City

1 agrees to take such measures as it determines are reasonable and necessary under Texas law
2 to comply with the applicable provisions of Chapter 9, Business & Commerce Code, as
3 amended, and enable a filing to perfect the security interest in said pledge to occur.

4 **SECTION 13: DEBT SERVICE FUND.** By reason of the issuance of the Bonds, the City
5 need not establish any special accounts within the Debt Service Fund and following the delivery
6 of the Bonds, the City hereby agrees and covenants that in addition to the deposits for the
7 payment of the Previously Issued Parity Water/Wastewater Obligations there shall be deposited
8 to the credit of the Debt Service Fund an amount equal to one hundred percent (100%) of the
9 amount required to fully pay the interest on and principal of the Bonds falling due on or before
10 each maturity, mandatory redemption date and interest payment date, and such deposits shall
11 be made in substantially equal monthly amounts on or before the 14th day of each month
12 beginning on or before the 14th day of the month next following the month the Bonds are
13 delivered to the initial purchaser.

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

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

24 **SECTION 14: RESERVE FUND.** In accordance with the provisions of the Prior
25 Supplements authorizing the issuance of the Previously Issued Water/Wastewater Obligations,
26 the amount currently on deposit to the credit of the Reserve Fund is \$33,954,002.54 (the
27 "Current Reserve"), which Current Reserve is funded in full with surety bonds issued by (i) MBIA
28 Insurance Corporation in the amounts of \$3,649,128, \$4,339,756.24 and \$2,075,370.29, (ii)
29 Financial Security Assurance Inc. ("FSA") in the amounts of \$7,737,801.19, \$1,938,219,
30 \$2,840,932.12, and \$1,882,765.79 and (iii) Ambac Assurance Corporation in the respective
31 amounts of \$3,580,911, \$5,546,059.41 and \$363,059.50. By reason of the issuance of the
32 Bonds, the Required Reserve Amount will be recalculated as provided in the Pricing Certificate.
33 Upon the issuance of the Bonds, a surety bond (the "Reserve Fund Policy") in an amount equal
34 to the difference between the Required Reserve Amount and the Current Reserve issued by the
35 surety bond provider (the "Surety Bond Provider") identified and approved by the Pricing Officer
36 in the Pricing Certificate shall be deposited to the credit of the Reserve Fund to fully fund the
37 Required Reserve Amount. The City Council hereby finds that with respect to the Bonds, the
38 acquisition of the Reserve Fund Policy will result in the Reserve Fund being fully funded. Any
39 draws on the surety bonds or other credit agreements funding the Required Reserve Amount on
40 which there is available coverage shall be made on a pro rata basis (calculated by reference to
41 coverage then available under each such surety bond or credit agreement) after applying
42 available cash and investments in the Reserve Fund.

43 The selection of the Surety Bond Provider shall be as provided in the Pricing Certificate
44 and the Pricing Officer is hereby authorized and directed to execute the Insurance Agreement
45 (the "Insurance Agreement") by and between the City and the Surety Bond Provider in
46 substantially the form attached to the Pricing Certificate, and such Insurance Agreement as
47 executed by the Pricing Officer shall be deemed approved by the City Council.

1 The provisions of Section 8 of the Master Ordinance relating to the Reserve Fund,
2 particularly paragraphs (b), (c) and (d) thereof, are hereby incorporated by reference and made
3 a part hereof as if the same were restated in full in this Section, and to the extent of any conflict
4 between the provisions of said Section 8 and the provisions hereof with respect to draws on
5 any Credit Agreement and the reinstatement of the full amount afforded by Credit Agreement,
6 the provisions of the Prior Supplements with respect to such Credit Agreement and such Credit
7 Agreement shall govern. Furthermore, in accordance with Section 10(d) of the Master
8 Ordinance, the City Council hereby finds that the Gross Revenues will be sufficient to meet the
9 obligations of the Water/Wastewater System, including sufficient Net Revenues to satisfy the
10 Annual Debt Service Requirements of Parity Water Wastewater Obligations currently
11 Outstanding and the financial obligations of the City under any Credit Agreement entered into
12 with the above-named surety bond providers.

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

21 **SECTION 16: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.**

22 (a) Definitions. When used in this Section 16, the following terms have the following
23 meanings:

24 "Closing Date" means the date on which the Bonds are first authenticated
25 and delivered to the Purchasers against payment therefor.

26 "Code" means the Internal Revenue Code of 1986, as amended by all
27 legislation, if any, effective on or before the Closing Date.

28 "Computation Date" has the meaning set forth in Section 1.148-1(b) of the
29 Regulations.

30 "Gross Proceeds" means any proceeds as defined in Section 1.148-1(b)
31 of the Regulations, and any replacement proceeds as defined in Section
32 1.148-1(c) of the Regulations, of the Bonds.

33 "Investment" has the meaning set forth in Section 1.148-1(b) of the
34 Regulations.

35 "Nonpurpose Investment" means any investment property, as defined in
36 section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested
37 and which is not acquired to carry out the governmental purposes of the Bonds.

38 "Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the
39 Regulations.

40 "Regulations" means any proposed, temporary, or final Income Tax
41 Regulations issued pursuant to Sections 103 and 141 through 150 of the Code,

1 and 103 of the Internal Revenue Code of 1986, which are applicable to the
2 Bonds. Any reference to any specific Regulation shall also mean, as
3 appropriate, any proposed, temporary or final Income Tax Regulation designed
4 to supplement, amend or replace the specific Regulation referenced.

5 "Yield" of (1) any Investment has the meaning set forth in Section 1.148-
6 5 of the Regulations and (2) the Bonds has the meaning set forth in Section
7 1.148-4 of the Regulations.

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

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

21 (1) exclusively own, operate and possess all property the acquisition,
22 construction or improvement of which is to be financed or refinanced directly or
23 indirectly with Gross Proceeds of the Bonds (including property financed with
24 Gross Proceeds of the Refunded Bonds), and not use or permit the use of such
25 Gross Proceeds (including all contractual arrangements with terms different than
26 those applicable to the general public) or any property acquired, constructed or
27 improved with such Gross Proceeds in any activity carried on by any person or
28 entity (including the United States or any agency, department and instrumentality
29 thereof) other than a state or local government, unless such use is solely as a
30 member of the general public; and

31 (2) not directly or indirectly impose or accept any charge or other
32 payment by any person or entity who is treated as using Gross Proceeds of the
33 Bonds or any property the acquisition, construction or improvement of which is to
34 be financed or refinanced directly or indirectly with such Gross Proceeds
35 (including property financed with Gross Proceeds of the Refunded Bonds), other
36 than taxes of general application within the City or interest earned on
37 investments acquired with such Gross Proceeds pending application for their
38 intended purposes.

39 (d) No Private Loan. Except to the extent permitted by section 141 of the Code and
40 the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to
41 make or finance loans to any person or entity other than a state or local government. For
42 purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a
43 person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is
44 sold or leased to such person or entity in a transaction which creates a debt for federal income
45 tax purposes; (2) capacity in or service from such property is committed to such person or entity
46 under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or

1 burdens and benefits of ownership, of such Gross Proceeds or any property acquired,
2 constructed or improved with such Gross Proceeds are otherwise transferred in a transaction
3 which is the economic equivalent of a loan.

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

10 (f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of
11 the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any
12 action which would cause the Bonds to be federally guaranteed within the meaning of section
13 149(b) of the Code and the Regulations and rulings thereunder.

14 (g) Information Report. The City shall timely file the information required by section
15 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and
16 in such place as the Secretary may prescribe.

17 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section
18 148(f) of the Code and the Regulations and rulings thereunder:

19 (1) The City shall account for all Gross Proceeds (including all receipts,
20 expenditures and investments thereof) on its books of account separately and
21 apart from all other funds (and receipts, expenditures and investments thereof)
22 and shall retain all records of accounting for at least six years after the day on
23 which the last Outstanding Bond is discharged. However, to the extent permitted
24 by law, the City may commingle Gross Proceeds of the Bonds with other money
25 of the City, provided that the City separately accounts for each receipt and
26 expenditure of Gross Proceeds and the obligations acquired therewith.

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

32 (3) As additional consideration for the purchase of the Bonds by the
33 Purchasers and the loan of the money represented thereby and in order to
34 induce such purchase by measures designed to insure the excludability of the
35 interest thereon from the gross income of the owners thereof for federal income
36 tax purposes, the City shall pay to the United States out of the Debt Service Fund
37 or its general fund, as permitted by applicable Texas statute, regulation or
38 opinion of the Attorney General of the State of Texas, the amount that when
39 added to the future value of previous rebate payments made for the Bonds
40 equals (i) in the case of a Final Computation Date as defined in Section 1.148-
41 3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount
42 on such date; and (ii) in the case of any other Computation Date, ninety percent
43 (90%) of the Rebate Amount on such date. In all cases, the rebate payments
44 shall be made at the times, in the installments, to the place and in the manner as
45 is or may be required by section 148(f) of the Code and the Regulations and

1 rulings thereunder, and shall be accompanied by Form 8038-T or such other
2 forms and information as is or may be required by Section 148(f) of the Code and
3 the Regulations and rulings thereunder.

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

11 (i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of
12 the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the
13 earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that
14 reduces the amount required to be paid to the United States pursuant to Subsection (h) of this
15 Section because such transaction results in a smaller profit or a larger loss than would have
16 resulted if the transaction had been at arm's length and had the Yield of the Bonds not been
17 relevant to either party.

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

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

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

32 SECTION 17: **AMENDMENT OF THIRTEENTH SUPPLEMENT.**

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

- 38 (1) Make any change in the maturity of any of the Outstanding Bonds;
- 39 (2) Reduce the rate of interest borne by any of the Outstanding Bonds;
- 40 (3) Reduce the amount of the principal payable on the Bonds;
- 41 (4) Modify the terms of payment of principal of, premium, if any, or interest on the
42 Outstanding Bonds or impose any conditions with respect to such payment;
- 43 (5) Affect the rights of the owners of less than all of the Bonds then Outstanding;
- 44 (6) Amend this subsection (a) of this Section; or

1 (7) Change the minimum percentage of the principal amount of Bonds necessary for
2 consent to any amendment;

3
4 unless such amendment or amendments be approved by the owners of all of the Bonds affected
5 by the change or amendment then Outstanding.

6 (b) Notice of Amendment Requiring Consent. If at any time the City shall desire to
7 amend this Thirteenth Supplement under this Section, the City shall cause notice of the
8 proposed amendment to be published in a financial newspaper or journal published in The City
9 of New York, New York, and a newspaper of general circulation in the City, once during each
10 calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the
11 nature of the proposed amendment and shall state that a copy thereof is on file with the Paying
12 Agent for the Bonds. Such publication is not required, however, if notice in writing is given by
13 United States Mail, first class postage prepaid, to each owner of the Bonds.

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

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

32 (e) Implementation of Amendment. Upon the passage of any amendatory ordinance
33 pursuant to the provisions of this Section, this Thirteenth Supplement shall be deemed to be
34 amended, and the respective rights, duties and obligations of the City under this Twelfth
35 Supplement and all the owners of then Outstanding Bonds shall thereafter be determined,
36 exercised and enforced hereunder, subject in all respects to such amendment.

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

40 (1) To add to the covenants and agreements of the City contained in this
41 Thirteenth Supplement, other covenants and agreements thereafter to be
42 observed, grant additional rights or remedies to the owners of the Bonds or to
43 surrender, restrict or limit any right or power herein reserved to or conferred upon
44 the City;

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

(3) To modify any of the provisions of this Thirteenth Supplement in any 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;

(4) To make such amendments to this Thirteenth 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;

(5) 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 Thirteenth Supplement and which shall not adversely affect the interests of the owners of the Bonds;

(6) 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

(7) 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 Thirteenth 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

1 Thirteenth Supplement when payment of the principal of, and redemption premium, if any, on
2 such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason
3 of maturity or otherwise) either (i) shall have been made or caused to be made in accordance
4 with the terms thereof, or (ii) shall have been provided by irrevocably depositing with, or making
5 available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such
6 payment, (1) money sufficient to make such payment or (2) Government Obligations, certified
7 by an independent public accounting firm of national reputation, to mature as to principal and
8 interest in such amounts and at such times as will insure the availability, without reinvestment,
9 of sufficient money to make such payment, and all necessary and proper fees, compensation
10 and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall
11 have been paid or the payment thereof provided for the satisfaction of the Paying
12 Agent/Registrar. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it
13 shall no longer be secured by or entitled to the benefit of this Thirteenth Supplement, the Master
14 Ordinance or a lien on and pledge of the Net Revenues of the Water/Wastewater System, and
15 shall be entitled to payment solely from such money or Government Obligations.

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

25 Notwithstanding any other provisions of this Thirteenth Supplement, all money or
26 Government Obligations set aside and held in trust pursuant to the provisions of this Section for
27 the payment of the Bonds, the redemption premium, if any, and interest thereon, shall be
28 applied to and used for the payment of such Bonds, the redemption premium, if any, and
29 interest thereon and the income on such money or Government Obligations shall not be
30 considered to be "Gross Revenues" under this Thirteenth Supplement.

31 **SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.**
32 In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying
33 Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same
34 principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or
35 destroyed Bond, in replacement for such Bond in the manner hereinafter provided. An
36 application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be
37 made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the
38 applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar
39 such security or indemnity as may be required by them to save each of them harmless from any
40 loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond,
41 the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their
42 satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of
43 damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for
44 cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond,
45 the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and
46 other expenses in connection therewith. Every replacement bond issued pursuant to the
47 provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall
48 constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond
49 shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits

1 of this Thirteenth Supplement equally and proportionately with any and all other Bonds duly
2 issued under this Thirteenth Supplement.

3 Notwithstanding the foregoing provisions of this Section, in the event any such Bond
4 shall have matured, and no default has occurred which is then continuing in the payment of the
5 principal of, redemption premium, if any, or interest on the Bond, the City may authorize the
6 payment of the same (without surrender thereof except in the case of a damaged or mutilated
7 Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as
8 above provided in this Section. Furthermore, in accordance with V.T.C.A., Government Code,
9 Section 1206.022, this Section shall constitute authority for the issuance of any such
10 replacement bond without necessity of further action by the governing body of the City or any
11 other body or person, and the duty of the replacement of such bonds is hereby authorized and
12 imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate
13 and deliver such bonds in the form and manner and with the effect, as provided in Section 6 of
14 this Thirteenth Supplement for Bonds issued in exchange for other Bonds.

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

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

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

29 "MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

39 (b) Annual Reports. The City shall provide annually to each NRMSIR and any SID,
40 within six months after the end of each fiscal year (beginning with the fiscal year ending
41 September 30, 2007) financial information and operating data with respect to the City of the
42 general type included in the final Official Statement approved by the Pricing Officer, being the

1 information described in the Pricing Certificate. Financial statements to be provided shall be (1)
2 prepared in accordance with the accounting principles described in the Pricing Certificate and
3 (2) audited, if the City commissions an audit of such statements and the audit is completed
4 within the period during which they must be provided. If audited financial statements are not
5 available at the time the financial information and operating data must be provided, then the City
6 shall provide unaudited financial statements for the applicable fiscal year to each NRMSIR and
7 any SID with the financial information and operating data and will file the annual audit report
8 when and if the same becomes available.

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

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

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

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

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

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

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

1 provided herein. The City does not make any representation or warranty concerning such
2 information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

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

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

1 every such right and power may be exercised from time to time and as often as may be deemed
2 expedient.

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

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

- 12 (1) The details of the purchase and sale of the Bonds;
 - 13 (2) The details of the public offering of the Bonds by the Purchasers;
 - 14 (3) The details of an Official Statement (and, if appropriate, any Preliminary Official
15 Statement) relating to the Bonds and the City's Rule 15c2-12 compliance;
 - 16 (4) A security deposit for the Bonds;
 - 17 (5) The representations and warranties of the City to the Purchasers;.
 - 18 (6) The details of the delivery of, and payment for, the Bonds;
 - 19 (7) The Purchasers' obligations under the Purchase Contract;
 - 20 (8) The certain conditions to the obligations of the City under the Purchase Contract;
 - 21 (9) Termination of the Purchase Contract;
 - 22 (10) Particular covenants of the City;
 - 23 (11) The survival of representations made in the Purchase Contract;
 - 24 (12) The payment of any expenses relating to the Purchase Contract;
 - 25 (13) Notices; and
 - 26 (14) Any and all such other details that are found by the Pricing Officer to be
27 necessary and advisable for the purchase and sale of the Bonds.
- 28

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

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

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

1 Council and constitute the Official Statement authorized for distribution and use by the
2 Underwriter.

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

- 12 (1) The identification of the Refunded Bonds;
13 (2) The creation and funding of the Escrow Fund or Funds; and
14 (3) The Escrow Agent's compensation, administration of the Escrow Fund or Funds,
15 and the settlement of any paying agents' charges relating to the Refunded Bonds.
16

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

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

36 SECTION 25: **CONTROL AND CUSTODY OF BONDS.** The City Manager of the City
37 shall be and is hereby authorized to take and have charge of all necessary orders and records
38 pending the sale of the Bonds, and shall take and have charge and control of the Initial Bonds
39 pending the approval thereof by the Attorney General, the registration thereof by the
40 Comptroller of Public Accounts and the delivery thereof to the Purchasers.

41 Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy
42 Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said
43 officials, are hereby authorized and directed to furnish and execute such documents relating to
44 the City and its financial affairs as may be necessary for the sale of the Bonds, the approval of
45 the Attorney General and registration by the Comptroller of Public Accounts and, together with

the City's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for their delivery to the Purchasers following such sale.

SECTION 26: REFUNDED BONDS.

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

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

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

SECTION 27: PROCEEDS OF SALE. Immediately following the delivery of the Bonds, the proceeds of sale (less those proceeds of sale designated to pay costs of issuance and any accrued interest received from the Purchasers of the Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of the Escrow Agreement. The proceeds of sale of the Bonds not so deposited with the Escrow Agent for the refunding of the Refunded Bonds shall be disbursed for payment of costs of issuance, or deposited in the Debt Service Fund for the Bonds. Such proceeds of sale may be invested in authorized investments and any investment earnings realized may be (with respect to the accrued interest received from the Purchasers) deposited in the Debt Service Fund as shall be determined by the City Council of the City.

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

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

SECTION 29: CUSIP NUMBERS. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP

1 numbers on the definitive Bonds shall be of no significance or effect as regards the legality
2 thereof and neither the City nor attorneys approving said Bonds as to legality are to be held
3 responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

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

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

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

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

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

36 **SECTION 34: EFFECT OF HEADINGS.** The Section headings herein are for
37 convenience of reference only and shall not affect the construction hereof.

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

42 **SECTION 36: SEVERABILITY.** If any provision of this Thirteenth Supplement or the
43 application thereof to any circumstance shall be held to be invalid, the remainder of this
44 Thirteenth Supplement and the application thereof to other circumstances shall nevertheless be

1 valid, and the City Council hereby declares that this Thirteenth Supplement would have been
2 enacted without such invalid provision.

3 SECTION 37: **INCORPORATION OF FINDINGS AND DETERMINATIONS.** The findings
4 and determinations of the City Council contained in the preamble hereof are hereby
5 incorporated by reference and made a part of this Ordinance for all purposes as if the same
6 were restated in full in this Section.

7 SECTION 38: **INSURANCE.** The Bonds may be sold with the principal of and interest
8 thereon being insured by a qualified municipal bond insurance provider. The Pricing Officer is
9 hereby authorized to make the selection of municipal bond insurance (if any) for the Bonds and
10 to determine the provisions of any commitment therefor.

11 SECTION 39: **PUBLIC MEETING.** It is officially found, determined, and declared that the
12 meeting at which this Thirteenth Supplement is adopted was open to the public and public
13 notice of the time, place, and subject matter of the public business to be considered at such
14 meeting, including this Thirteenth Supplement, was given; all as required by V.T.C.A.,
15 Government Code, Chapter 551, as amended.

16 SECTION 40: **EFFECTIVE DATE.** This Thirteenth Supplement is hereby passed on one
17 reading as authorized by V.T.C.A., Government Code, Section 1201.028, and shall be effective
18 immediately upon its passage and adoption.

19 [remainder of page left blank intentionally]

PASSED AND ADOPTED, this March 22, 2006.

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 Thirteenth Supplement, the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Bonds" means the "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2007" authorized for issuance by the Thirteenth 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.

"Insurance Agreement" means the Insurance Agreement between Surety Bond Provider and the City related to the Reserve Fund Policy.

"Master Ordinance" means Ordinance No. 000608-56A providing for the issuance of "Parity Water/Wastewater Obligations", as defined therein, passed by the City on June 8, 2000.

"Thirteenth Supplement" means Ordinance No. 20070322-____ authorizing the issuance of the Bonds.

"Paying Agent/Registrar" means the financial institution specified in the Pricing Certificate as provided in Section 4 of the Thirteenth Supplement.

"Previously Issued Parity Water/Wastewater Obligations" mean the outstanding Parity Water/Wastewater Obligations previously issued or incurred pursuant to one or more Prior Supplements, more particularly identified as follows: (1) "City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2000" (2) "City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2001A", (3) "City of Austin, Texas, Water And Wastewater System Revenue Refunding Bonds, Series 2001B", (4) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001C", (5) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2002A", (6) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003", (7) "City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004", together with certain regularly scheduled payments under the Interest Rate Swap Agreement, the Liquidity Agreement and the Insurance Obligation (as such terms are defined in Ordinance No. 040812-43), (8) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A", (9) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005", (10) and "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A", (11) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006" and (12) "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006A".

"Prior Supplements" mean Ordinances Nos. 000608-56B, 010419-77, 011129-65, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-37, 051020-051, 20051117-060, and 20061116-051 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

"Security Register" shall have the meaning given said term in Section 4 of the Thirteenth Supplement.

DRAFT