

ORDINANCE NO. 20070412-_____

AN ORDINANCE authorizing the issuance and sale of "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2007B"; 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 collectively referred to as the "Refunded Bonds"), payable from the revenues of the City's Water and Wastewater System, to wit:

(1) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001A, dated April 15, 2001;

(2) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001B, dated April 15, 2001;

(3) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003, dated February 1, 2003;

(4) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A, dated September 15, 2004; and

(5) City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A, dated October 15, 2005;

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 any 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

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

7 WHEREAS, the City Council further finds and determines the bonds herein authorized to
8 be issued to refund the Refunded Bonds can and shall be on a parity with the outstanding
9 "Parity Water/Wastewater Obligations" issued in accordance with and under the terms and
10 provisions of Ordinance No. 000608-56A (the "Master Ordinance") and the Prior Supplements;
11 now, therefore,

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

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

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

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

35 The Bonds shall bear interest on the unpaid principal amounts from the Bond Date or the
36 most recent interest payment date to which interest has been paid or duly provided for, at the
37 rate(s) per annum specified in the Pricing Certificate (calculated on the basis of a 360 day year
38 of twelve 30 day months). Interest on the Bonds shall be payable on May 15 and November 15
39 in each year, commencing on the date set forth in the Pricing Certificate.

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

41 (a) As authorized by Section 1207.007, Texas Government Code, as amended, the
42 City Manager or Chief Financial Officer of the City (either, the "Pricing Officer") is hereby
43 authorized to act on behalf of the City in selling and delivering the Bonds and carrying out the

1 other procedures specified in this Fourteenth Supplement, including selection of the specific
2 maturities or series (whole or part) of the Refunded Bonds to be refunded, determining the
3 aggregate principal amount of the Bonds, the date of the Bonds, any additional or different
4 designation or title by which the Bonds shall be known, the price at which the Bonds will be sold,
5 the years in which the Bonds will mature, the principal amount to mature in each of such years,
6 the rate of interest to be borne by each such maturity, the first interest payment date, the price
7 and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the
8 option of the City, as well as any mandatory sinking fund redemption provisions, the designation
9 of a paying agent/registrar, the designation of an escrow agent satisfying the requirements of
10 V.T.C.A., Chapter 1207, Government Code, as amended, and all other matters relating to the
11 issuance, sale, and delivery of the Bonds all of which shall be specified in the Pricing Certificate,
12 provided that:

13 (i) the aggregate original principal amount of the Bonds shall
14 not exceed \$220,000,000;

15 (ii) the Bonds shall bear interest at a rate not greater than
16 15.0% per annum and the net effective interest rate (as defined in
17 V.T.C.A., Chapter 1204, Government Code, as amended) for the
18 Bonds shall not exceed 15.0%; and

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

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

23 (b) In establishing the aggregate principal amount of the Bonds, the Pricing Officer
24 shall establish an amount not exceeding the amount authorized in Subsection (a)(i) above,
25 which shall be sufficient in amount to provide for the purposes for which the Bonds are
26 authorized and to pay costs of issuing the Bonds. The delegation made hereby shall expire if
27 not exercised by the Pricing Officer on October 12, 2007. The Bonds shall be sold by
28 negotiated sale to the underwriter(s) named in the Pricing Certificate (the "Purchasers"), at such
29 price and with and subject to such terms as set forth in the Pricing Certificate.

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

37 The selection and appointment of the Paying Agent/Registrar for the Bonds shall be as
38 provided in the Pricing Certificate. Books and records relating to the registration, payment,
39 exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and
40 maintained on behalf of the City by the Paying Agent/Registrar, all as provided herein, in
41 accordance with the terms and provisions of a "Paying Agent/Registrar Agreement,"
42 substantially in the form attached to the Pricing Certificate and such reasonable rules and
43 regulations as the Paying Agent/Registrar and the City may prescribe. The Pricing Officer is
44 hereby authorized to execute and deliver such Agreement in connection with the delivery of the

1 Bonds. The City covenants to maintain and provide a Paying Agent/Registrar at all times until
2 the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a
3 commercial bank, trust company, financial institution, or other entity qualified and authorized to
4 serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon
5 any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a
6 written notice thereof to be sent to each Holder by United States Mail, first class postage
7 prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

8 Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities
9 or redemption thereof, only upon presentation and surrender of the Bonds to the Paying
10 Agent/Registrar at its designated offices provided in the Pricing Certificate (the "Designated
11 Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders whose names
12 appear in the Security Register at the close of business on the Record Date (the last business
13 day of the month next preceding each interest payment date), and such interest shall be paid by
14 the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to
15 the address of the Holder recorded in the Security Register or (ii) by such other method,
16 acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the
17 Holder. If the date for the payment of the principal of or interest on the Bonds shall be a
18 Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the
19 Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by
20 law or executive order to close, then the date for such payment shall be the next succeeding
21 day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are
22 authorized to close; and payment on such date shall have the same force and effect as if made
23 on the original date payment was due.

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

34 **SECTION 6: REGISTRATION-TRANSFER-EXCHANGE OF BONDS-PREDECESSOR**
35 **BONDS.** The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register
36 the name and address of each registered owner of the Bonds issued under and pursuant to the
37 provisions of this Fourteenth Supplement. Any Bond may, in accordance with its terms and the
38 terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon
39 the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of
40 such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument
41 of transfer or request for exchange duly executed by the Holder or by his duly authorized agent,
42 in form satisfactory to the Paying Agent/ Registrar.

43 Upon surrender for transfer of any Bond (other than the Initial Bonds authorized in
44 Section 9 hereof) at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the
45 Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or
46 transferees, one or more new Bonds executed on behalf of, and furnished by, the City of

1 authorized denominations and having the same Stated Maturity and of a like aggregate principal
2 amount as the Bond or Bonds surrendered for transfer.

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

10 All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the
11 Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States
12 Mail, first class postage prepaid, to the Holder and, upon the delivery thereof, the same shall be
13 valid obligations of the City, evidencing the same obligation to pay, and entitled to the same
14 benefits under this Fourteenth Supplement, as the Bonds surrendered in such transfer or
15 exchange.

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

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

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

34 **SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND TRANSACTIONS.**
35 Notwithstanding the provisions contained in Sections 5 and 6 hereof relating to the payment,
36 and transfer/exchange of the Bonds, the City hereby approves and authorizes the use of the
37 "Book-Entry-Only" securities clearance, settlement and transfer system provided by The
38 Depository Trust Company ("DTC"), a limited purpose trust company organized under the laws
39 of the State of New York, in accordance with the operational arrangements referenced in the
40 Blanket Issuer Letter of Representation, by and between the City and DTC (the "Depository
41 Agreement").

42 Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be
43 deposited with DTC, who shall hold said Bonds for its participants (the "DTC Participants").
44 While the Bonds are held by DTC under the Depository Agreement, the Holder of the Bonds on

1 the Security Register for all purposes, including payment and notices, shall be Cede & Co., as
2 nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each
3 Bond (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

4 In the event DTC determines to discontinue serving as securities depository for the
5 Bonds or otherwise ceases to provide book-entry clearance and settlement of securities
6 transactions in general or the City determines that DTC is incapable of properly discharging its
7 duties as securities depository for the Bonds, the City covenants and agrees with the Holders of
8 the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to
9 be issued and delivered to DTC Participants and Beneficial Owners, as the case may be.
10 Thereafter, the Bonds in definitive form shall be assigned, transferred and exchanged on the
11 Security Register maintained by the Paying Agent/Registrar and payment of such Bonds shall
12 be made in accordance with the provisions of Sections 5 and 6 hereof.

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

22 No Bond shall be entitled to any right or benefit under this Fourteenth Supplement, or be
23 valid or obligatory for any purpose, unless there appears on such Bond either a certificate of
24 registration substantially in the form provided in Section 10C, manually executed by the
25 Comptroller of Public Accounts of the State of Texas or his or her duly authorized agent, or a
26 certificate of registration substantially in the form provided in Section 10D, manually executed by
27 an authorized officer, employee or representative of the Paying Agent/ Registrar, and either
28 such certificate upon any Bond duly signed shall be conclusive evidence, and the only evidence,
29 that such Bond has been duly certified, registered and delivered.

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

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

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

B. Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA

STATE OF TEXAS

CITY OF AUSTIN, TEXAS,

WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
SERIES 2007B

Bond Date:
_____, 2007

Interest Rate:

Stated Maturity:
_____ 15, 20_____

CUSIP NO:

Registered Owner:

Principal Amount:

DOLLARS

The City of Austin (hereinafter referred to as the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, solely from the revenues hereinafter identified, on the Stated Maturity date specified above the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above; such interest being payable on _____ and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration

certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Fourteenth Supplement hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located 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 Fourteenth 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 Fourteenth 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>Redemption Date</u>	<u>Principal Amount</u>	<u>Term Bonds due</u> <u>Redemption Date</u>	<u>Principal Amount</u>
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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.

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

6 Not less than thirty (30) days prior to a redemption date, the City shall cause a written
7 notice of such redemption to be sent by United States Mail, first class postage prepaid, to the
8 registered owners of each Bond to be redeemed at the address shown on the Security Register
9 and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond
10 (or any portion of its principal sum) shall have been duly called for redemption and notice of
11 such redemption duly given, then upon such redemption date such Bond (or the portion of its
12 principal sum to be redeemed) shall become due and payable, and interest thereon shall cease
13 to accrue from and after the redemption date therefor, provided moneys for the payment of the
14 redemption price and the interest on the principal amount to be redeemed to the date of
15 redemption are held for the purpose of such payment by the Paying Agent/Registrar.

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

27 The Bonds are special obligations of the City payable solely from and, together with the
28 Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations, the
29 Previously Issued Parity Water/Wastewater Obligations currently Outstanding, and the Series
30 2007A Bonds, equally and ratably secured by a parity lien on and pledge of, the Net Revenues
31 of the Water/Wastewater System in the manner provided in the Ordinances. Additionally, the
32 Bonds, the Series 2007A Bonds, and Previously Issued Parity Water/Wastewater Obligations
33 referenced above shall be equally and ratably secured by a parity lien on the funds, if any,
34 deposited to the credit of the Debt Service Fund and the Reserve Fund in accordance with the
35 terms of the Ordinances. The Bonds do not constitute a legal or equitable pledge, charge, lien
36 or encumbrance upon any property of the City or the Water/Wastewater System, except with
37 respect to the Net Revenues. The holder hereof shall never have the right to demand payment
38 of this obligation out of any funds raised or to be raised by taxation.

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

43 Reference is hereby made to the Ordinances, copies of which are on file with the Paying
44 Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof
45 hereby assents, for definitions of terms; the description of and the nature and extent of the
46 security for the Bonds; the properties constituting the Water/Wastewater System; the Net

1 Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and
2 extent and manner of enforcement of the lien and pledge securing the payment of the Bonds;
3 the terms and conditions for the issuance of additional revenue obligations; the terms and
4 conditions relating to the transfer or exchange of this Bond; the conditions upon which the
5 Ordinances may be amended or supplemented with or without the consent of the Holders; the
6 rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and
7 provisions upon which the liens, pledges, charges and covenants made therein may be
8 discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer
9 Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized
10 terms used herein have the same meanings assigned in the Ordinances.

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

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

35 It is hereby certified, recited, represented and covenanted that the City is a duly
36 organized and legally existing municipal corporation under and by virtue of the Constitution and
37 laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all
38 acts, conditions and things required to exist and be done precedent to and in the issuance of the
39 Bonds to render the same lawful and valid obligations of the City have been properly done, have
40 happened and have been performed in regular and due time, form and manner as required by
41 the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not
42 exceed any constitutional or statutory limitation; and that due provision has been made for the
43 payment of the principal of and interest on the Bonds by a pledge of the Net Revenues of the
44 Water/Wastewater System as aforestated. In case any provision in this Bond or any application
45 thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the
46 remaining provisions and applications shall not in any way be affected or impaired thereby. The
47 terms and provisions of this Bond and the Ordinances shall be construed in accordance with
48 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 2007B

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
20 Bond Date) at the per annum rates of interest specified above; such interest being payable on
21 _____ and on each November 15 and May 15 thereafter until maturity or
22 prior redemption. Principal installments of this Bond are payable to the registered owner hereof
23 by _____ (the "Paying Agent/Registrar"), upon
24 presentation and surrender, at its designated offices in _____ (the "Designated
25 Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name
26 appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of
27 business on the "Record Date", which is the last business day of the month next preceding each
28 interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent
29 United States Mail, first class postage prepaid, to the address of the registered owner recorded
30 in the Security Register or by such other method, acceptable to the Paying Agent/Registrar,
31 requested by, and at the risk and expense of, the registered owner. If the date for the payment
32 of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day
33 when banking institutions in the city where the Designated Payment/Transfer Office of the
34 Paying Agent/ Registrar is located are authorized by law or executive order to close, then the
35 date for such payment shall be the next succeeding day which is not such a Saturday, Sunday,

1 legal holiday, or day when banking institutions are authorized to close; and payment on such
2 date 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 Fourteenth 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 and the Series 2007A Bonds, together with the Prior Subordinate Lien
27 Obligations, the Previously Issued Separate Lien Obligations, and the Previously Issued Parity
28 Water/Wastewater Obligations currently Outstanding, shall be equally and ratably secured by a
29 parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance
30 with the terms of the Master Ordinance and this Fourteenth Supplement. Additionally, the
31 Bonds, the Series 2007A Bonds and the Previously Issued Parity Water/Wastewater Obligations
32 shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the
33 Debt Service Fund and Reserve Fund in accordance with the terms of the Master Ordinance,
34 the Prior Supplements and this Fourteenth Supplement. It is hereby ordained that the Parity
35 Water/Wastewater Obligations, and the interest thereon, shall constitute a lien on the Net
36 Revenues of the Water/Wastewater System and be valid and binding and fully perfected from
37 and after the date of adoption of this Fourteenth Supplement without physical delivery or
38 transfer or transfer of control of the Net Revenues, the filing of this Fourteenth Supplement or
39 any other act, all as provided in Chapter 1208 of the Texas Government Code, as amended.
40 The owners of the Parity Water/Wastewater Obligations shall never have the right to demand
41 payment out of funds raised or to be raised by taxation, or from any source other than specified
42 in the Master Ordinance, the Prior Supplements and this Fourteenth 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

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

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

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

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

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

44 The selection of the Surety Bond Provider shall be as provided in the Pricing Certificate
45 and the Pricing Officer is hereby authorized and directed to execute the Insurance Agreement
46 (the "Insurance Agreement") by and between the City and the Surety Bond Provider in

1 substantially the form attached to the Pricing Certificate, and such Insurance Agreement as
2 executed by the Pricing Officer shall be deemed approved by the City Council.

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

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

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

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

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

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

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

32 "Gross Proceeds" means any proceeds as defined in Section 1.148-1(b)
33 of the Regulations, and any replacement proceeds as defined in Section
34 1.148-1(c) of the Regulations, of the Bonds.

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

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

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

3 *"Regulations"* means any proposed, temporary, or final Income Tax
4 Regulations issued pursuant to Sections 103 and 141 through 150 of the Code,
5 and 103 of the Internal Revenue Code of 1986, which are applicable to the
6 Bonds. Any reference to any specific Regulation shall also mean, as
7 appropriate, any proposed, temporary or final Income Tax Regulation designed
8 to supplement, amend or replace the specific Regulation referenced.

9 *"Yield"* of (1) any Investment has the meaning set forth in Section 1.148-
10 5 of the Regulations and (2) the Bonds has the meaning set forth in Section
11 1.148-4 of the Regulations.

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

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

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

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

43 (d) No Private Loan. Except to the extent permitted by section 141 of the Code and
44 the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to

1 make or finance loans to any person or entity other than a state or local government. For
2 purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a
3 person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is
4 sold or leased to such person or entity in a transaction which creates a debt for federal income
5 tax purposes; (2) capacity in or service from such property is committed to such person or entity
6 under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or
7 burdens and benefits of ownership, of such Gross Proceeds or any property acquired,
8 constructed or improved with such Gross Proceeds are otherwise transferred in a transaction
9 which is the economic equivalent of a loan.

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

16 (f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of
17 the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any
18 action which would cause the Bonds to be federally guaranteed within the meaning of section
19 149(b) of the Code and the Regulations and rulings thereunder.

20 (g) Information Report. The City shall timely file the information required by section
21 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and
22 in such place as the Secretary may prescribe.

23 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section
24 148(f) of the Code and the Regulations and rulings thereunder:

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

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

38 (3) As additional consideration for the purchase of the Bonds by the
39 Purchasers and the loan of the money represented thereby and in order to
40 induce such purchase by measures designed to insure the excludability of the
41 interest thereon from the gross income of the owners thereof for federal income
42 tax purposes, the City shall pay to the United States out of the Debt Service Fund
43 or its general fund, as permitted by applicable Texas statute, regulation or
44 opinion of the Attorney General of the State of Texas, the amount that when

1 added to the future value of previous rebate payments made for the Bonds
2 equals (i) in the case of a Final Computation Date as defined in Section 1.148-
3 3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount
4 on such date; and (ii) in the case of any other Computation Date, ninety percent
5 (90%) of the Rebate Amount on such date. In all cases, the rebate payments
6 shall be made at the times, in the installments, to the place and in the manner as
7 is or may be required by section 148(f) of the Code and the Regulations and
8 rulings thereunder, and shall be accompanied by Form 8038-T or such other
9 forms and information as is or may be required by Section 148(f) of the Code and
10 the Regulations and rulings thereunder.

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

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

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

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

36 (l) Qualified Advance Refunding. The Bonds are issued to refund the Refunded
37 Bonds, and the Bonds will be issued more than 90 days before the redemption of the Refunded
38 Bonds. The City represents as follows:

39 (1) The Bonds are the first advance refunding of the Refunded Bonds,
40 within the meaning of section 149(d)(3) of the Code.

41 (2) The Refunded Bonds are being called for redemption, and will be
42 redeemed not later than the earliest date on which such bonds may be
43 redeemed.

(3) The initial temporary period under section 148(c) of the Code will end: (i) with respect to the proceeds of the Bonds not later than 30 days after the date of issue of such Bonds; and (ii) with respect to proceeds of the Refunded Bonds on the Closing Date if not ended prior thereto.

(4) On and after the date of issue of the Bonds, no proceeds of the Refunded Bonds will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such Refunded Bonds.

(5) The Bonds are being issued for the purposes stated in the preamble of this Fourteenth Supplement. There is a present value savings associated with the refunding. In the issuance of the Bonds the City has neither: (i) overburdened the tax exempt bond market by issuing more bonds, issuing bonds earlier or allowing bonds to remain outstanding longer than reasonably necessary to accomplish the governmental purposes for which the Bonds were issued; (ii) employed on "abusive arbitrage device" within the meaning of Section 1.148-10(a) of the Regulations; nor (iii) employed a "device" to obtain a material financial advantage based on arbitrage, within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates and reduced debt service payments in early years.

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

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

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

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

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

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

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

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

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

27 (1) To add to the covenants and agreements of the City contained in this
28 Fourteenth Supplement, other covenants and agreements thereafter to be
29 observed, grant additional rights or remedies to the owners of the Bonds or to
30 surrender, restrict or limit any right or power herein reserved to or conferred upon
31 the City;

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

38 (3) To modify any of the provisions of this Fourteenth Supplement in any
39 other respect whatever, provided that such modification shall be, and be
40 expressed to be, effective only after all the Bonds outstanding at the date of the
41 adoption of such modification shall cease to be outstanding;

42 (4) To make such amendments to this Fourteenth Supplement as may be
43 required, in the opinion of Bond Counsel, to ensure compliance with sections 103

1 and 141 through 150 of the Code and the regulations promulgated thereunder
2 and applicable thereto;

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

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

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

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

33 **SECTION 18: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS.** All or any of the
34 Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of this
35 Fourteenth Supplement when payment of the principal of, and redemption premium, if any, on
36 such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason
37 of maturity or otherwise) either (i) shall have been made or caused to be made in accordance
38 with the terms thereof, or (ii) shall have been provided by irrevocably depositing with, or making
39 available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such
40 payment, (1) money sufficient to make such payment or (2) Government Obligations, certified
41 by an independent public accounting firm of national reputation, to mature as to principal and
42 interest in such amounts and at such times as will insure the availability, without reinvestment,
43 of sufficient money to make such payment, and all necessary and proper fees, compensation
44 and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall
45 have been paid or the payment thereof provided for the satisfaction of the Paying
46 Agent/Registrar. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it

1 shall no longer be secured by or entitled to the benefit of this Fourteenth Supplement, the
2 Master Ordinance or a lien on and pledge of the Net Revenues of the Water/Wastewater
3 System, and shall be entitled to payment solely from such money or Government Obligations.

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

13 Notwithstanding any other provisions of this Fourteenth Supplement, all money or
14 Government Obligations set aside and held in trust pursuant to the provisions of this Section for
15 the payment of the Bonds, the redemption premium, if any, and interest thereon, shall be
16 applied to and used for the payment of such Bonds, the redemption premium, if any, and
17 interest thereon and the income on such money or Government Obligations shall not be
18 considered to be "Gross Revenues" under this Fourteenth Supplement.

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

40 Notwithstanding the foregoing provisions of this Section, in the event any such Bond
41 shall have matured, and no default has occurred which is then continuing in the payment of the
42 principal of, redemption premium, if any, or interest on the Bond, the City may authorize the
43 payment of the same (without surrender thereof except in the case of a damaged or mutilated
44 Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as
45 above provided in this Section. Furthermore, in accordance with V.T.C.A., Government Code,
46 Section 1206.022, this Section shall constitute authority for the issuance of any such
47 replacement bond without necessity of further action by the governing body of the City or any

1 other body or person, and the duty of the replacement of such bonds is hereby authorized and
2 imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate
3 and deliver such bonds in the form and manner and with the effect, as provided in Section 6 of
4 this Fourteenth Supplement for Bonds issued in exchange for other Bonds.

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

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

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

19 "MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

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

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

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

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

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

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

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

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

40 UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR
41 BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT,
42 FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY,
43 WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT
44 SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON,

1 IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE
2 LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

3 No default by the City in observing or performing its obligations under this Section shall
4 constitute a breach of or default under this Fourteenth Supplement for purposes of any other
5 provision of this Fourteenth Supplement.

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

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

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

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

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

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

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

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

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

45 SECTION 24: **SPECIAL ESCROW AGREEMENT.** A "Special Escrow Agreement" (the
46 "Escrow Agreement") by and between the City and an authorized escrow agent (the "Escrow

Agent") shall be attached to, and approved in, the Pricing Certificate. Such Escrow Agreement is hereby authorized to be finalized and executed by the Pricing Officer for and on behalf of the City and as the act and deed of this City Council; and such Escrow Agreement as executed by said Pricing Officer shall be deemed approved by the City Council and constitute the Escrow Agreement herein approved. With regard to the finalization of certain terms and provisions of said Escrow Agreement, a Pricing Officer is hereby authorized to come to an agreement with the Escrow Agent on the following details, among other matters:

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

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

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

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

Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents relating to the City and the issuance of the Bonds, including a certification as to facts, estimates, circumstances, and reasonable expectations pertaining to the use, expenditure, and investment of the proceeds of the Bonds, as may be necessary for the issuance of the Bonds, the approval of 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.

1 **SECTION 26: REFUNDED BONDS.**

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

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

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

22 (d) Sections 4 and 9 of Ordinance No. 20051020-051 authorizing the issuance of the
23 Series 2005A Refunded Bonds, pursuant to the provisions of Section 17(f)(2) of said ordinance,
24 shall be and are hereby amended to provide such bonds maturing on and after May 15, 2016
25 shall be subject to redemption on May 15, 2015 or on any date thereafter. The redemption
26 provisions contained in said Ordinance No. 20051020-051 were inconsistent with the terms of
27 sale of such bonds, the notice of sale pertaining to the sale of such bonds and the Official
28 Statement approved and authorized for distribution in connection therewith.

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

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

42 **SECTION 28: LEGAL OPINION.** The obligation of the Purchasers to accept delivery of
43 the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys,
44 Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered

1 as of the date of delivery and payment for such Bonds. A true and correct reproduction of said
2 opinion is hereby authorized to be printed on the definitive Bonds or an executed counterpart
3 thereof shall accompany the global Bonds deposited with The Depository Trust Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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PASSED AND ADOPTED, this April 12, 2007.

CITY OF AUSTIN, TEXAS

ATTEST:

SHIRLEY A. GENTRY
City Clerk

(City Seal)

WILL WYNN
Mayor

APPROVED:

DAVID ALLAN SMITH
City Attorney

EXHIBIT A

That, as used in this Fourteenth 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 2007B" authorized for issuance by the Fourteenth 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.

"Fourteenth Supplement" means Ordinance No. 20070412-___ 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 Fourteenth 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 and Ordinance No. 20070412-___ authorizing the issuance of the Series 2007A Bonds.

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

"Series 2007A Bonds" shall mean the "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007A" authorized for issuance concurrently with the Bonds.

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