

ORDINANCE NO. 20080306-_____

CITY OF AUSTIN, TEXAS

**WATER AND WASTEWATER SYSTEM
VARIABLE RATE
REVENUE REFUNDING BONDS, SERIES 2008**

March 6, 2008

TABLE OF CONTENTS

	Page
8 SECTION 1: DEFINITIONS AND EXHIBITS	2
9 SECTION 2: AUTHORIZATION-DESIGNATION-PRINCIPAL	
10 AMOUNT - PURPOSE	2
11 SECTION 3: FULLY REGISTERED OBLIGATIONS - AUTHORIZED	
12 DENOMINATIONS – STATED MATURITIES –	
13 INTEREST – DATE – DELEGATION OF AUTHORITY	
14 TO PRICING OFFICER	3
15 SECTION 4: TERMS OF PAYMENT – CERTAIN AGENTS	4
16 SECTION 5: CONDITIONS AND TERMS OF BONDS	7
17 SECTION 6: REDEMPTION OF BONDS	21
18 SECTION 7: PURCHASE OF BONDS	26
19 SECTION 8: THE REMARKETING AGENT AND TENDER AGENT	37
20 SECTION 9: THE BROKER-DEALER AND THE AUCTION AGENT	39
21 SECTION 10: REGISTRATION – TRANSFER – EXCHANGE OF	
22 BONDS – PREDECESSOR BONDS	42
23 SECTION 11: BOOK-ENTRY-ONLY TRANSFERS AND	
24 TRANSACTIONS	43
25 SECTION 12: EXECUTION - REGISTRATION	44
26 SECTION 13: INITIAL BOND	45
27 SECTION 14: FORMS	45
28 SECTION 15: ISSUANCE OF PARITY WATER/WASTEWATER	
29 OBLIGATIONS AND CREDIT AGREEMENTS	48
30 SECTION 16: PLEDGE	49
31 SECTION 17: DEBT SERVICE FUND	50
32 SECTION 18: RESERVE FUND	51
33 SECTION 19: PAYMENT OF BONDS; CREDIT AGREEMENTS	52
34 SECTION 20: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS	53
35 SECTION 21: AMENDMENT OF FIFTEENTH SUPPLEMENT	58
36 SECTION 22: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS	62
37 SECTION 23: DAMAGED, MUTILATED, LOST, STOLEN, OR	
38 DESTROYED BONDS	63

TABLE OF CONTENTS

(continued)

	Page
39 SECTION 24: FIFTEENTH SUPPLEMENT TO CONSTITUTE A	
40 CONTRACT; EQUAL SECURITY	64
41 SECTION 25: CONTINUING DISCLOSURE UNDERTAKING.....	65
42 SECTION 26: REMEDY IN EVENT OF DEFAULT	68
43 SECTION 27: SALE OF BONDS – OFFICIAL STATEMENT	
44 APPROVAL.....	69
45 SECTION 28: REDEMPTION OF REFUNDED OBLIGATIONS –	
46 ESCROW AGREEMENT	69
47 SECTION 29: CONTROL AND CUSTODY OF BONDS	71
48 SECTION 30: PROCEEDS OF SALE	71
49 SECTION 31: LEGAL OPINION	71
50 SECTION 32: CUSIP NUMBERS	72
51 SECTION 33: PAYMENT AND PERFORMANCE ON BUSINESS	
52 DAYS	72
53 SECTION 34: LIMITATION OF BENEFITS WITH RESPECT TO THE	
54 FIFTEENTH SUPPLEMENT.....	72
55 SECTION 35: NOTICES TO HOLDERS-WAIVER.....	72
56 SECTION 36: GOVERNING LAW	73
57 SECTION 37: HEADINGS	73
58 SECTION 38: CONSTRUCTION OF TERMS	73
59 SECTION 39: SEVERABILITY	73
60 SECTION 40: APPROVALS AND SIGNATURES OF AUTHORIZED	
61 OFFICIALS.....	73
62 SECTION 41: [RESERVED]	74
63 SECTION 42: PUBLIC MEETING.....	74
64 SECTION 43: EFFECTIVE DATE	74

LIST OF EXHIBITS

Exhibit A	-	Refunded Obligations
Exhibit B	-	Definitions
Exhibit C	-	Paying Agent/Registrar Agreement
Exhibit D	-	Special Escrow Agreement
Exhibit E	-	Auction Procedures
Exhibit F	-	Form of Variable Rate Bond
Exhibit G	-	Form of Flexible Rate, Term Rate and Fixed Rate Bond
Exhibit H	-	Form of Auction Rate Bond

AN ORDINANCE authorizing the issuance and sale of “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM VARIABLE RATE REVENUE REFUNDING BONDS, SERIES 2008,” prescribing the terms, features and specifications of said Bonds; pledging the net revenues of the City’s Water and Wastewater System to the payment of principal of and interest on said Bonds and to the payment of other obligations of the City; 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; approving the form and content a Paying Agent/Registrar Agreement and Special Escrow Agreement and the approval and distribution of an Official Statement pertaining thereto; enacting other provisions related thereto; and providing an effective date.

WHEREAS, the City of Austin, Texas (the “City” or “Issuer”) has heretofore authorized, issued and sold certain obligations which are being paid in whole or in part from the revenues of the City’s Water and Wastewater System, and which are identified in Exhibit A hereto, and such bonds are hereinafter referred to collectively as the “Refunded Obligations”; and

WHEREAS, the City is authorized to issue bonds to refund the Refunded Obligations, including pursuant to V.T.C.A., Government Code, Chapters 1207, 1371 and 1502, as amended; and

WHEREAS, the City previously adopted Ordinance No. 20080306-_____ (the “Fourteenth Supplement”) which approved and authorized the delivery of an interest rate management agreement to hedge against possible increases in the rate of interest to be borne by the Bonds issued hereunder; and

WHEREAS, pursuant to the provisions of V.T.C.A., Government Code, Chapters 1207 and 1371, 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 Obligations, or other authorized depository, and such deposit, when made in accordance with said statutes, and ordinances authorizing the issuance of the Refunded Obligations, shall constitute the making of firm banking and financial arrangements for their discharge and final payment; and

110 WHEREAS, the City shall by this Ordinance, in accordance with the
111 provisions of Section 1207.007, Texas Government Code, as amended, and Section
112 1371.056, Texas Government Code, as amended, delegate to a Pricing Officer
113 (hereinafter designated) the authority to select the specific maturities (whole or
114 part) of the Refunded Obligations to be refunded; and

115 WHEREAS, the City Council hereby finds and determines that it is a public
116 purpose and in the best interests of the City to refund the Refunded Obligation in
117 order to achieve a present value debt service savings of not less than 5.25%, with
118 such savings, among other information and terms to be included in a pricing
119 certificate (the "Pricing Certificate") to be executed by the Pricing Officer
120 (hereafter designated), all in accordance with the provisions of Section 1207.007,
121 Texas Government Code, as amended; and

122 WHEREAS, the City Council further finds and determines the refunding
123 bonds herein authorized can and shall be issued on a parity with the outstanding
124 "Parity Water/Wastewater Obligations" in accordance with and under the terms
125 and provisions of Ordinance No. 000608-56A, (the "Master Ordinance") and the
126 Prior Supplements; now, therefore,

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

129 **SECTION 1: DEFINITIONS AND EXHIBITS.** In addition to the
130 definitions set forth in the preamble of this Ordinance (hereinafter referred to as
131 this "Fifteenth Supplement"), the terms used herein and not otherwise defined shall
132 have the meanings given in the Master Ordinance and Prior Supplements, thereto
133 or in Exhibit B to this Fifteenth Supplement. The Exhibits attached hereto are fully
134 incorporated herein by reference as if fully set forth in this Fifteenth Supplement.

135 **SECTION 2: AUTHORIZATION-DESIGNATION-PRINCIPAL**
136 **AMOUNT - PURPOSE.** Revenue bonds of the City shall be and are hereby
137 authorized to be issued in the maximum aggregate principal amount hereinafter set
138 forth to be designated and, subject to the provisions of this Fifteenth Supplement
139 relating to changes in modes, bear the title "CITY OF AUSTIN, TEXAS, WATER
140 AND WASTEWATER SYSTEM VARIABLE RATE REVENUE REFUNDING
141 BONDS, SERIES 2008" (hereinafter referred to as the "Bonds"), for the purpose
142 of refinancing and refunding the Refunded Obligations (the specific Refunded
143 Obligations to be refunded shall be identified in the Pricing Certificate), and
144 paying costs of issuance in conformity with the Constitution and laws of the State

of Texas, including V.T.C.A., Government Code, Chapters 1207, 1371 and 1502, as amended.

**SECTION 3: FULLY REGISTERED OBLIGATIONS -
AUTHORIZED DENOMINATIONS - STATED MATURITIES -
INTEREST - DATE - DELEGATION OF AUTHORITY TO PRICING
OFFICER.**

(a) The Bonds shall be issued as fully registered obligations, without coupons, shall be dated (the "Bond Date") as provided in the Pricing Certificate, and shall be in Authorized Denominations for the applicable Mode as such terms are defined in and set forth in Exhibit B, shall be numbered consecutively and shall become due and payable on May 15, 2031 or such other date as provided in the Pricing Certificate (the "Stated Maturity") subject to earlier redemption as provided herein and in the Pricing Certificate.

(b) The Bonds shall bear interest on the unpaid principal amounts from the date of their initial issuance and delivery, anticipated to be the date specified in the Pricing Certificate, at the rate(s) per annum specified for the applicable Mode as provided herein (initially the Weekly Mode as defined in Exhibit B hereto), calculated and payable as set forth herein for the applicable Mode; provided, however, that Authorized Officials, either individually or collectively, shall be and are hereby authorized to determine the initial interest rate on the Bonds which shall be in effect from the date of initial issuance and delivery of the Bonds through the end of the first Weekly Rate Period, as defined in Exhibit B hereto, and provided further, however, that such initial rate shall not exceed the per annum rate specified in paragraph (d)(2) below. Such initial interest rate shall be established on the Business Day prior to the date of initial issuance and delivery of the Bonds, in accordance with the Bond Purchase Agreement and this Fifteenth Supplement. Thereafter the interest rate to be applicable to the Bonds shall be determined as provided in Section 5 hereof. The Bonds shall bear interest at the applicable rate or rates during each applicable Interest Accrual Period until the entire principal amount of the Bonds has been paid.

(c) The forms of Bonds attached hereto as Exhibits F, G and H are hereby approved in substantially the form attached hereto, together with such changes as any Authorized Official may approve.

(d) As authorized by Section 1207.007, Texas Government Code, as amended, and Section 1371.056, Texas Government Code, as amended,

181 the City Manager or Chief Financial Officer of the City (each, a "Pricing Officer")
182 is hereby authorized to act on behalf of the City in selling and delivering the Bonds
183 and carrying out the other procedures specified in this Fifteenth Supplement,
184 including selection of the specific maturities or series (whole or part) of the
185 Refunded Obligations to be refunded, determining the aggregate principal amount
186 of the Bonds, the date of the Bonds, any additional or different designation or title
187 by which the Bonds shall be known, the price at which the Bonds will be sold, the
188 year(s) in which the Bonds will mature, the principal amount to mature in each of
189 such years, the initial interest rate for the Bonds, the first interest payment date, the
190 price and terms upon and at which the Bonds shall be subject to mandatory sinking
191 fund redemption provisions, any special mandatory redemption provisions, the
192 selection of the Remarketing Agent for the Bonds, negotiate and execute a
193 Remarketing Agreement and Bond Purchase Agreement and all other matters
194 relating to the issuance, sale, and delivery of the Bonds all of which shall be
195 specified in the Pricing Certificate, provided that:

196 (1) the aggregate original principal amount of the Bonds shall not
197 exceed \$175,000,000;

198 (2) the initial interest rate for the Bonds shall not exceed
199 _____% per annum;

200 (3) the refunding must produce present value debt service savings
201 of at least 5.25%, net of any contribution by the City.

202 (e) In establishing the aggregate principal amount of the Bonds,
203 the Pricing Officer shall establish an amount not exceeding the amount authorized
204 in Subsection (d)(1) above, which shall be sufficient in amount to provide for the
205 purposes for which the Bonds are authorized and to pay costs of issuing the Bonds.
206 The delegation made hereby shall expire on September 6, 2008 if not exercised by
207 the Pricing Officer. The Bonds shall be sold by negotiated sale to Goldman, Sachs
208 & Co. or such other underwriter(s) named in the Pricing Certificate (the
209 "Underwriters"), at such price and with and subject to such terms as set forth in the
210 Pricing Certificate.

211 **SECTION 4: TERMS OF PAYMENT – CERTAIN AGENTS.** The
212 principal of, premium, if any, and the interest on the Bonds, due and payable by
213 reason of maturity, redemption or otherwise, shall be payable only to the registered
214 owners or holders of the Bonds (hereinafter called the "Holders") appearing on the
215 registration and transfer books maintained by the Paying Agent/Registrar and the
216 payment thereof shall be 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, and shall be without exchange or collection charges to the Holders.

The selection and appointment of U.S. Bank National Association to serve as Paying Agent/Registrar for the Bonds is hereby approved and confirmed. Books and records relating to the registration, payment, transfer and exchange of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, as provided herein and in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement," substantially in the form attached hereto as Exhibit C, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. Each Authorized Official is authorized to execute and deliver such Paying Agent/Registrar Agreement in substantially the form attached as Exhibit C with such changes an Authorized Official may approve. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Bonds shall be payable at their Stated Maturity, or earlier redemption only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated offices, initially in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest on the Bonds shall be paid on the Interest Payment Date to the Holders whose names appear in the Security Register at the close of business on the applicable Record Date for the then current Mode, as specified herein, and such interest shall be paid by the Paying Agent/Registrar by wire transfer of immediately available funds to an account specified by the Holder in a writing delivered to the Paying Agent/Registrar or by such other customary banking arrangement acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Holder. Any such specified account shall remain in effect until revised by such Holder by an instrument in writing delivered to the Paying Agent/Registrar. The principal of and premium, if any, on each Bond shall be payable on the Principal Payment Date, upon surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar. If an Interest Payment Date or Principal Payment Date 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.

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

The selection and appointment of Goldman, Sachs & Co. to serve as Remarketing Agent for the Bonds is hereby approved and confirmed, and such appointment shall be governed by Section 8 herein and the Remarketing Agreement, which form will be attached to and approved in the Pricing Certificate. The Pricing Officer shall be and is hereby authorized to negotiate, execute and deliver such Remarketing Agreement.

The selection and appointment of U.S. Bank National Association to serve as Tender Agent for the Bonds is hereby approved and confirmed, and such appointment shall be governed by Section 8 herein, and the Tender Agent Agreement, which form will be attached to and approved in the Pricing Certificate. The Pricing Officer shall be and is hereby authorized to negotiate, execute and deliver such Tender Agent Agreement.

Except as may be specifically set forth herein, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, if any, the Auction Agent, if any, the Broker-Dealer, if any, and the City may treat the Holder of a Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, if any, the Auction Agent, if any, the Broker-Dealer, if any, and the City shall not be affected by any knowledge or notice to the contrary; and payment of the principal of and premium, if any, and interest on such Bond shall be made only to such Holder, which payments shall be valid and effectual to satisfy and discharge the liability of

such Bond to the extent of the sum or sums so paid. All Bonds at maturity or on earlier redemption paid pursuant to the provisions hereof shall be cancelled by the Paying Agent/Registrar.

SECTION 5: CONDITIONS AND TERMS OF BONDS. Unless otherwise provided in any writing with or from the Securities Depository, the interest on the Bonds shall be paid by the Paying Agent/Registrar on the Interest Payment Dates.

(a) Payment of Principal and Interest of Bonds; Acceptance of Terms and Conditions.

(1) The interest on the Bonds shall become due and payable on the Interest Payment Dates in each year to and including the Maturity Date, and on each Redemption Date. The principal of the Bonds shall become due and payable on the Principal Payment Dates.

(2) By the acceptance of its Bond, the Holder and each Beneficial Owner thereof shall be deemed to have agreed to all the terms and provisions of such Bond as specified in such Bond and this Ordinance including, without limitation, the applicable Interest Periods, interest rates (including any applicable Alternate Rate), Purchase Dates, Mandatory Purchase Dates, Purchase Prices, mandatory and optional purchase and redemption provisions applicable to such Bond, method and timing of purchase, redemption, payment, etc. Such Holder and each Beneficial Owner further agree that if, on any date upon which one of its Bonds is to be purchased, redeemed or paid at maturity or earlier due date, funds are on deposit with the Paying Agent/Registrar or the Tender Agent to pay the full amount due on such Bond, then such Holder or Beneficial Owner shall have no rights under this Ordinance other than to receive such full amount due with respect to such Bond and that interest on such Bond shall cease to accrue as of such date.

(3) While any Bonds are Liquidity Provider Bonds, such Bonds shall bear interest and be payable at the times and in the amounts required under the Liquidity Facility.

(b) Calculation and Payment of Interest; Change in Interest Rate Mode; Maximum Rate.

(1) When a Short-Term Mode or a LIBOR Indexed Mode is in effect, interest shall be calculated on the basis of a 365/366 day year for the

actual number of days elapsed. When a Term Rate Mode or Fixed Rate Mode is in effect, interest shall be calculated on the basis of a 360 day year comprised of twelve 30-day months. When an Auction Mode is in effect and the Auction Period is 180 days or less, interest on the Bonds shall be computed on the basis of actual days over 360. When an Auction Mode is in effect and the Auction Period is greater than 180 days, interest on the Bonds shall be computed on the basis of a 360 day year of twelve 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Holder of record of such Bond on the applicable Record Date.

(2) The Bonds in any Interest Rate Mode, other than a Fixed Rate Mode, may be changed to any other Interest Rate Mode at the times and in the manner hereinafter provided. Subsequent to such change in Interest Rate Mode (other than a change to a Fixed Rate Mode), the Bonds may again be changed to a different Interest Rate Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect until the Maturity Date and may not be changed to any other Interest Rate Mode.

(3) No Bonds shall bear interest at an interest rate higher than the Maximum Rate.

(4) In the absence of manifest error, the determination of interest rates (including any determination of rates in connection with a New Mode) and interest periods by the Remarketing Agent or the Auction Agent and the record of interest rates maintained by the Paying Agent/Registrar shall be conclusive and binding upon the Remarketing Agent, the Broker-Dealer, the Auction Agent, the Paying Agent/Registrar, the Tender Agent, the City, the Holders and the Beneficial Owners.

(c) Determination of Flexible Rates and Interest Periods During Flexible Mode. An Interest Period for the Bonds in the Flexible Mode shall be of such duration of one to 270 calendar days, ending on a day preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section. A Flexible Rate Bond can have an Interest Period, and bear interest at a Flexible Rate, different than another Flexible Rate Bond. In making the determinations with respect to Interest Periods, subject to limitations imposed by the second preceding sentence and in Section 5(b) hereof, on each Rate Determination Date for a Flexible Rate Bond, the Remarketing Agent shall select for such Bond the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary

market at the lowest average interest cost for all Flexible Rate Bonds; provided, however, that if the Remarketing Agent has received notice from the City that the Bonds are to be changed from the Flexible Mode to any other Interest Rate Mode, the Remarketing Agent shall select Interest Periods which do not extend beyond the resulting applicable Mandatory Purchase Date of the Bonds.

Except while the Bonds are registered in a Book-Entry System, in order to receive payment of the Purchase Price the Holder of any Bond in the Flexible Mode must present such Bond to the Paying Agent/Registrar, by 12:00 noon on the Rate Determination Date, in which case, the Paying Agent/Registrar shall pay the Purchase Price to such Holder by 3:30 P.M. on the same day.

By 1:00 P.M. on each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Flexible Mode which is subject to adjustment on such date, shall determine the Flexible Rate(s) for the Interest Periods then selected for such Bond and shall give notice by Electronic Means to the Paying Agent/Registrar and the City, of the Interest Periods, the Purchase Date(s) and the Flexible Rate(s). The Remarketing Agent shall make the Flexible Rate and Interest Period available after 2:00 P.M. on each Rate Determination Date by telephone or Electronic Means to any Beneficial Owner or Notice Party requesting such information.

(d) Determination of Interest Rates During the Daily Mode and the Weekly Mode. The interest rate for the Bonds in the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Bonds in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period.

(1) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Daily Rate available no less frequently than once each week by Electronic Means to each Notice Party requesting such rate.

399 (2) During the Weekly Mode, the Remarketing Agent shall
400 establish the Weekly Rate by 4:00 P.M. on each Rate Determination Date.
401 The Weekly Rate shall be in effect during the applicable Weekly Rate
402 Period. The Remarketing Agent shall make the Weekly Rate available no
403 later than 5:00 P.M. on the Business Day following the Rate Determination
404 Date by Electronic Means to each Notice Party requesting such rate.

405 (e) Determination of Term Rates and Fixed Rates.

406 (1) Term Rates. Except as provided in Section 5(f) hereof, once
407 the Bonds are changed to the Term Rate Mode, the Bonds shall continue in
408 the Term Rate Mode until changed to another Interest Rate Mode in
409 accordance with Section 5(i) hereof. The Term Rate shall be determined by
410 the Remarketing Agent not later than 4:00 P.M. on the Rate Determination
411 Date, and the Remarketing Agent shall make the Term Rate available by
412 telephone or by Electronic Means to any Notice Party requesting such rate.
413 The Term Rate shall be the minimum rate which, in the sole judgment of the
414 Remarketing Agent, would result in a sale of the Bonds at a price equal to
415 the principal amount thereof on the Rate Determination Date for the Interest
416 Period selected by the City in writing delivered to the Remarketing Agent
417 before such Rate Determination Date. If a new Interest Period is not
418 selected by the City prior to a Rate Determination Date, the new Interest
419 Period shall be the same length as the current Interest Period (or such lesser
420 period as shall be necessary to comply with the last sentence of this
421 paragraph). The Remarketing Agent shall make the Term Rate available by
422 telephone or Electronic Means after 5:00 P.M. on the Rate Determination
423 Date to any Notice Party requesting such Term Rate. Upon request of any
424 Notice Party the Paying Agent/Registrar shall give notice of such rate by
425 Electronic Means. No Interest Period in the Term Rate Mode may extend
426 beyond the applicable Maturity Date.

427 (2) Fixed Rates. The Remarketing Agent shall determine the Fixed
428 Rate for the Bonds being converted to the Fixed Rate Mode in the manner
429 and at the times as follows: not later than 4:00 P.M. on the applicable Rate
430 Determination Date, the Remarketing Agent shall determine the Fixed Rate
431 (or Rates, if the Bonds will have Serial Maturity Dates in accordance with
432 Section 5(i)(2)(v) hereof). Except as set forth in Section 5(i)(2)(v) hereof,
433 the Fixed Rate shall be the minimum interest rate which, in the sole
434 judgment of the Remarketing Agent, will result in a sale of the Bonds at a
435 price equal to the principal amount thereof on the Rate Determination Date.
436 The Remarketing Agent shall make the Fixed Rate available by telephone or

by Electronic Means after 5:00 P.M. on the Rate Determination Date to any Notice Party requesting such Fixed Rate. Upon request of any Notice Party the Paying Agent/Registrar shall give notice of such rate by Electronic Means. Subject to Section 5(i)(2)(v), the Fixed Rate so established shall remain in effect until the Maturity Date of such Bonds.

(f) Alternate Rates. The following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period for the Bonds other than when the Bonds are in the LIBOR Indexed Mode or the Auction Mode, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to the Bonds (or the selection by the City of the Interest Periods for Bonds in the Term Rate Mode) shall be held to be unenforceable by a court of law of competent jurisdiction or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement. These provisions shall continue to apply until such time as the Remarketing Agent (or the City, if applicable) again makes such determinations. In the case of clause (ii) above, the Remarketing Agent (or the City, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the City an Opinion of Counsel to the effect that there are no longer any legal prohibitions against such determinations. The following shall be the methods by which the interest rates and, in the case of the Flexible and Term Rate Modes, the Interest Periods, shall be determined for the Bonds as to which any of the events described in clauses (i), (ii) or (iii) shall be applicable. Such methods shall be applicable from and after the date any of the events described in clauses (i), (ii) or (iii) first become applicable to the Bonds until such time as the events described in clauses (i), (ii) or (iii) are no longer applicable to the Bonds. These provisions shall not apply if the City fails to select an Interest Period for the Bonds in the Term Rate Mode for a reason other than as described in clause (ii) above.

(1) For Flexible Rate Bonds, the next Interest Period shall be from, and including, the first day following the last day of the current Interest Period for the Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate in effect on the Business Day that begins an Interest Period.

(2) If the Bonds are in the Daily Mode or the Weekly Mode, then the Bonds shall bear interest during each subsequent Interest Period at the Alternate Rate in effect on the first day of such Interest Period.

(3) If the Bonds are then in the Term Rate Mode, then the Bonds shall automatically convert to Flexible Rate Bonds, with an Interest Period commencing on the first day following the last day of the current Interest Period for the Bonds to, but excluding, the next succeeding Business Day and thereafter shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the Bonds shall be the applicable Alternate Rate in effect at the beginning of each such Interest Period.

(g) Determination of the Auction Period Rate. The Auction Period Rate shall be determined as provided in Exhibit E hereto. The Auction Period Rate for Bonds during each Auction Period shall be determined by the Auction Agent and notice thereof shall be given as provided in Exhibit E hereto. Interest shall accrue from one Interest Payment Date to, but not including, the next Interest Payment Date.

(h) Determination of LIBOR Index Rates. During each LIBOR Interest Period, the Bonds shall bear interest at the LIBOR Index Rate, which shall be the rate of interest per annum determined by the Paying Agent/Registrar on the Rate Determination Date to be the sum of (a) 67% of the Three Month LIBOR Rate and (b) a rate per annum determined on or before the Conversion Date by the Remarketing Agent, in its sole discretion based on market conditions at the time such rate is determined, which, when added to the rate calculated pursuant to clause (a) results in a LIBOR Index Rate necessary to sell the Bonds at 100% of the principal amount on the Conversion Date. The LIBOR Index Rate shall be rounded upward or downward to the fifth decimal place and the LIBOR Index Rate may not exceed the Maximum Rate. Upon the request of a Holder of any Bond, the Paying Agent/Registrar will provide the LIBOR Index Rate then in effect and, if determined, the LIBOR Index Rate that will become effective for the next LIBOR Interest Period. The Paying Agent/Registrar's determination of any LIBOR Index Rate, and its calculation of the amount of interest for any LIBOR Interest Period, will be final and binding in the absence of manifest error.

(i) Changes in Interest Rate Mode. Subject to the provisions of this subsection, the City may effect a change in Interest Rate Mode with respect to all or a portion of the Bonds by following the procedures set forth in this subsection. If the Interest Rate Mode is to be changed for a portion of the Bonds (and not all of the Bonds), the City and the Paying Agent/Registrar shall take such actions as shall be necessary or desirable to distinguish the portion of the Bonds in one Interest Rate Mode from the portion of the Bonds in a different Interest Rate

Mode, including assigning different designations to different portions of the Bonds or creating additional sub-series of Bonds.

(1) Changes to Interest Rate Modes Other Than to Fixed Rate Mode. All or a portion of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from one Interest Rate Mode to another Interest Rate Mode (other than the Fixed Rate Mode) as follows:

(i) Conversion Notice; Notice to Holders. No later than a Business Day which is at least seven (7) Business Days prior to the date on which the Tender Agent is required to notify the registered owners (or such shorter time as may be agreed to by the City, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, the Auction Agent, if any, and the Broker-Dealer, if any) preceding the proposed Conversion Date, the City shall give written notice to the Notice Parties of its intention to effect a change in the Interest Rate Mode from the Interest Rate Mode then prevailing (for purposes of this subsection, the "Current Mode") to another Interest Rate Mode (for purposes of this subsection, the "New Mode") specified in such written notice, and, if the change is to a Term Rate Mode, the length of the initial Interest Period as set by the City. Such notice shall be accompanied by a Favorable Opinion of Bond Counsel. Notice of the proposed change in Interest Rate Mode shall be given by the Tender Agent to the Holders of the Bonds not later than the 20th day next preceding the Conversion Date; provided, that no notice need be given for a Conversion Date occurring on the first Business Day following the last day of a Flexible Rate Period or Term Rate Mode or on a Substitution Date. Such notice shall state: (1) the Interest Rate Mode to which the conversion will be made and the Conversion Date and in the case of a conversion to an Auction Mode, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the Conversion Date and the initial Auction Period; (2) (a) in the case of a change from any Interest Rate Mode other than from the Auction Mode, from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the Bonds will be subject to mandatory purchase on the Conversion Date (regardless of whether all of the conditions to the change in the Interest Rate Mode are satisfied) and the Purchase Price of the Bonds; (b) in the case of a change from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the Bonds will not be subject to mandatory purchase on the Conversion Date; and (c) in the case of a change from the Auction Mode, that the Bonds are subject to mandatory purchase on the Conversion Date only if all of the

conditions to the change in Interest Rate Mode are satisfied and the Purchase Price of the Bonds; and (3) if the Book-Entry System is no longer in effect, information with respect to required delivery of Bond certificates and payment of Purchase Price. If the conversion is from an Auction Mode, such notice shall also state that if conditions are not satisfied, then the Bonds shall not be subject to mandatory tender, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and the interest rate will continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Bonds during the Auction Period commencing on such failed Conversion Date will be the Maximum Rate, and the Auction Period will be the seven-day Auction Period. In the case of Bonds being converted to the Auction Mode, the Tender Agent shall not mail such written notice if converting from a Flexible Rate Period until it has received a written confirmation from the Remarketing Agent that no Interest Period for the Bonds extends beyond the Conversion Date.

(ii) Determination of Interest Rates. The New Mode shall commence on the Conversion Date and the interest rate(s) (together, in the case of a change to the Flexible Mode, with the Interest Period(s)) shall be determined by the Remarketing Agent (or the City in the case of the Interest Period for the Bonds converted to the Term Rate Mode) in the manner provided in subsections 5(c), (d) and (e) hereof, as applicable. In the case of Bonds being converted to the Auction Mode, the length of the Initial Period shall be selected by the City and the Broker-Dealer shall establish the Initial Period Rate for such Initial Period and shall give notice thereof as provided in the Broker-Dealer Agreement. Such determination shall be conclusive and binding upon the City, the Paying Agent/Registrar, the Auction Agent and the Holders of the Bonds to which such rate will be applicable.

(iii) Conditions Precedent:

(A) The Conversion Date shall be:

(1) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for all of the Flexible Rate Bonds;

(2) in the case of a change from the Daily or Weekly Mode (other than to the Daily or Weekly Mode), any Interest Payment Date

and in the case of a change from the Daily or Weekly Mode to the Daily or Weekly Mode, any Business Day; and

(3) in the case of a change from the Term Rate Mode to another Interest Rate Mode, or from a Term Rate Period to a Term Rate Period of a different duration, or from a LIBOR Indexed Mode to another Interest Rate Mode, the Conversion Date shall be limited to any Interest Payment Date on which the Bonds are subject to optional redemption or to the last Interest Payment Date of the current Term Rate Period, as the case may be. Such Bonds shall be purchased on such Conversion Date at a Purchase Price equal to 100% of the principal amount thereof, provided that if such Bonds would otherwise be subject to optional redemption on such Conversion Date at a Redemption Price of more than 100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price; and

(4) in the case of a change from the Auction Mode to another Interest Rate Mode, the Conversion Date shall be the Interest Payment Date following the final Auction Period.

(B) If the Bonds to be converted are in the Flexible Mode, no Interest Period set after delivery by the City to the Remarketing Agent of the notice of the intention to effect a change in Interest Rate Mode shall extend beyond the day preceding the proposed Conversion Date.

(C) The following items shall have been delivered to the Paying Agent/Registrar, the Remarketing Agent, if any, and the Broker-Dealer, if any, on or prior to the Conversion Date:

(1) in the case of a change from a Short-Term Mode to a Long-Term Mode or from a Long-Term Mode to a Short-Term Mode or to or from the Auction Mode or from a Long-Term Mode to a Long-Term Mode if the Purchase Price is not equal to the principal amount of the Bonds subject to conversion, a Favorable Opinion of Bond Counsel dated the Conversion Date and addressed to the Notice Parties;

(2) if there is to be a Liquidity Facility or an Alternate Liquidity Facility or a Credit Enhancement or an Alternate Credit Enhancement delivered in connection with such change, the items required by Section 7(h)(4) hereof; and

620 (3) except in the case of a change from the Daily Mode
621 to the Weekly Mode or from the Weekly Mode to the Daily Mode, a Rating
622 Confirmation Notice, or if the Conversion Date is a Mandatory Purchase
623 Date, a notice from the Rating Agencies of the rating(s) to be assigned the
624 Bonds on such Conversion Date.

625 (D) No Bonds may be converted to the Auction Period Rate
626 when the Bonds are not held by a depository in book-entry form.

627 (E) After any conversion of a portion of the Bonds from an
628 Auction Mode, there shall remain not less than \$10,000,000 in aggregate
629 principal amount of the Bonds bearing interest at an Auction Period Rate
630 unless otherwise consented to by the Brokers-Dealers.

631 (F) It is a condition to the conversion of the Bonds from the
632 Auction Mode and from the LIBOR Indexed Mode that all Bonds being
633 converted be remarketed on the Conversion Date.

634 (2) Change to Fixed Rate Mode. At the option of the City, all or
635 any portion of the Bonds bearing interest at an Auction Period Rate, a Daily
636 Rate, a Weekly Rate or a Flexible Rate (in an amount which is an
637 Authorized Denomination for the new Rate Period) may be changed to the
638 Fixed Rate Mode, as provided in this subsection 5(i)(2). On any Business
639 Day which is at least seven (7) Business Days prior to the date on which the
640 Paying Agent/Registrar is required to notify the registered owners (or such
641 shorter time as may be agreed to by the City, the Paying Agent/Registrar, the
642 Remarketing Agent, the Tender Agent, the Auction Agent, if any, and the
643 Broker-Dealer, if any, but in any event not less than the 20th day next
644 preceding the Conversion Date) before the proposed Conversion Date, the
645 City shall give written notice to the Notice Parties stating that the Interest
646 Rate Mode will be changed to the Fixed Rate Mode and setting forth the
647 proposed Conversion Date. Such notice shall also state whether or not there
648 shall be Credit Enhancement with respect to the Bonds following such
649 change and, if so, the identity of the Credit Provider. In addition, such
650 notice shall state whether some or all of the Bonds to be converted shall be
651 converted to Serial Bonds and, if so, the applicable Serial Maturity Dates
652 and Serial Payments, all as determined pursuant to subsection (v) of this
653 subsection (2). Such notice shall be accompanied by a Favorable Opinion of
654 Bond Counsel. Any such change in Interest Rate Mode shall be made as
655 follows:

(i) Conversion Date. The Conversion Date shall be:

(A) in the case of a change from the Flexible Mode, the next Mandatory Purchase Date for the Flexible Rate Bonds;

(B) in the case of a change from the Daily or Weekly Mode, any Interest Payment Date; and

(C) in the case of a change from the Term Rate Mode or the LIBOR Indexed Mode, the Conversion Date shall be limited to any Interest Payment Date on which the Bonds are subject to optional redemption or to the next Mandatory Purchase Date for the Term Rate Bonds, as the case may be. Such Bonds shall be purchased on such Conversion Date at a Purchase Price equal to 100% of the principal amount thereof, provided that if such Bonds would otherwise be subject to optional redemption on such Conversion Date at a Redemption Price of more than 100% of the principal amount thereof, such Bonds shall be purchased at a Purchase Price equal to such Redemption Price; and

(D) in the case of a change from the Auction Mode, the Interest Payment Date following the final Auction Period.

(ii) Notice to Holders. Not later than the 20th day next preceding the Conversion Date, the Paying Agent/Registrar shall cause, in the name of the City, a notice of such proposed change to be sent by United States mail, first class postage prepaid, to the Holders of the Bonds, stating that the Interest Rate Mode will be changed to the Fixed Rate Mode and the proposed Conversion Date. If the conversion is from an Interest Rate Mode other than an Auction Mode and LIBOR Indexed Mode, such notice shall also state that such Holder is required to tender such Holder's Bonds for purchase on such proposed Conversion Date regardless of whether all of the conditions to the change to the Fixed Rate Mode are satisfied. If the conversion is from an Auction Mode or LIBOR Indexed Mode, such notice shall also state that such Holder is required to tender such Holder's Bonds for purchase on the Conversion Date only if all of the conditions to the change to the Fixed Rate Mode are satisfied and that, if such conditions are not satisfied, then the Bonds shall not be subject to mandatory tender. For Bonds in the Auction Mode, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed

692 Conversion Date, and the interest rate will continue to be the Auction Period
693 Rate; provided, however, that the interest rate borne by the Bonds during the
694 Auction Period commencing on such failed Conversion Date will be the
695 Maximum Rate, and the Auction Period will be the seven-day Auction
696 Period.

697 (iii) General Provisions Applying to Change to Fixed Rate
698 Mode. The change to the Fixed Rate Mode shall not occur unless the
699 following items shall have been delivered to the City, the Paying
700 Agent/Registrar, the Credit Provider, if any, the Remarketing Agent, if any,
701 and the Broker-Dealer, if any, on or prior to the Conversion Date:

702 (A) a Favorable Opinion of Bond Counsel dated the
703 Conversion Date and addressed to the City, the Paying Agent/Registrar and
704 the Remarketing Agent, if any, or the Broker-Dealer, if any;

705 (B) if there is to be Credit Enhancement delivered in
706 connection with such change, the items required by Section 7(h)(4) hereof in
707 connection with the delivery of an Alternate Credit Enhancement; and

708 (C) notice from the Rating Agencies of the rating(s) to be
709 assigned the Bonds on such Conversion Date.

710 (iv) Determination of Interest Rate. The Fixed Rate (or rates
711 in the case of Serial Bonds) for the Bonds to be converted to the Fixed Rate
712 Mode shall be established by the Remarketing Agent on the Rate
713 Determination Date applicable thereto pursuant to the provisions of Section
714 5(e)(2). Such Rate shall remain in effect until the Maturity Date of the
715 Bonds.

716 Such determination shall be conclusive and binding upon the
717 City, the Paying Agent/Registrar, the Credit Provider, if any, and the
718 Holders of the Bonds to which such rate will be applicable. Not later than
719 5:00 P.M. on the date of determination of the Fixed Rate, the Remarketing
720 Agent shall notify the Paying Agent/Registrar, the Credit Provider, and the
721 City of such rate by telephone.

722 (v) Serialization and Sinking Fund; Price. Upon conversion
723 of the Bonds to the Fixed Rate Mode, the Bonds shall be remarketed at par,
724 shall mature on the same Maturity Date(s) and be subject to the same
725 mandatory sinking fund redemption, if any, and special redemption
726 provisions, if any, as set forth in this Ordinance for any prior Interest Rate

Mode; provided, however, that if the City shall deliver to the Paying Agent/Registrar a Favorable Opinion of Bond Counsel, the City may elect to (1) have some of the Bonds be Serial Bonds and some subject to sinking fund redemption even if such Bonds were not Serial Bonds or subject to mandatory sinking fund redemption prior to such change, (2) change the optional redemption dates and/or premiums set forth in Section 6(c)(2) hereof, and/or (3) sell some or all of the Bonds at a premium or a discount to par.

(3) Failure to Satisfy Conditions Precedent to an Interest Rate Conversion. In the event the conditions described above in subsections (1) or (2), as applicable, of this subsection have not been satisfied by the applicable Conversion Date, then the New Mode shall not take effect (although, except in the case of a failed conversion from the LIBOR Indexed Mode or the Auction Mode, any mandatory purchase shall be made on such date if notice has been sent to the Holders stating that such Bonds would be subject to mandatory purchase on such date). If the failed change in Interest Rate Mode was from the Flexible Mode, the Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Conversion Date in accordance with Section 5(c) hereof. If the failed change in Interest Rate Mode was from the Daily Mode, the Bonds shall remain in the Daily Mode, and if the failed change in Interest Rate Mode was from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 5(d) hereof on and as of the failed Conversion Date. If the failed change in Interest Rate Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Conversion Date in accordance with Section 5(e)(1) hereof. If the failed change in Interest Rate Mode was from the LIBOR Indexed Mode, then the Bonds shall not be subject to mandatory tender and the Bonds shall remain in the LIBOR Indexed Mode, with interest rates established in accordance with the applicable provisions of Section 5(h) hereof on and as of the failed Conversion Date. If the failed change in Interest Rate Mode was from the Auction Mode, then the Bonds shall not be subject to mandatory tender, the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to the Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day

766 next preceding the failed Conversion Date, and the interest rate will continue
767 to be the Auction Period Rate; provided, however, that the interest rate borne
768 by the Bonds during the Auction Period commencing on such failed
769 Conversion Date will be the Maximum Rate, and the Auction Period will be
770 the seven-day Auction Period. If the failed change in Interest Rate Mode
771 was from the Auction Mode, the Paying Agent/Registrar will give notice by
772 Electronic Means as soon as practicable and in any event not later than the
773 next succeeding Business Day to the Holders, the City and the Credit
774 Provider that such conversion has not occurred, that the Bonds will not be
775 purchased on the failed Conversion Date, that the Auction Agent will
776 continue to implement the Auction Procedures on the Auction Dates with
777 respect to the Bonds which otherwise would have been converted excluding
778 however, the Auction Date falling on the Business Day next preceding the
779 failed Conversion Date, and that the interest rate will continue to be the
780 Auction Period Rate; provided, however, that the interest rate borne by the
781 Bonds during the Auction Period commencing on such failed Conversion
782 Date will be the Maximum Rate, and the Auction Period will be the seven-
783 day Auction Period.

784 (4) Rescission of Election. Notwithstanding anything herein to the
785 contrary, the City may rescind any election by it to change an Interest Rate
786 Mode as described above prior to the Conversion Date by giving written
787 notice thereof to the Notice Parties prior to 10:00 A.M. on the Business Day
788 preceding such Conversion Date; provided, that in the case of a conversion
789 to an Auction Mode such rescission must occur prior to the setting of the
790 Auction Period Rate by the Broker-Dealer. If the Tender Agent receives
791 notice of such rescission prior to the time the Tender Agent has given notice
792 to the Holders of the Bonds, then such notice of change in Interest Rate
793 Mode shall be of no force and effect. If the Tender Agent receives notice
794 from the City of rescission of an Interest Rate Mode change after the Tender
795 Agent has given notice thereof to the Holders of the Bonds, then if the
796 proposed Conversion Date would have been a Mandatory Purchase Date,
797 such date shall continue to be a Mandatory Purchase Date, except if the
798 conversion is from the LIBOR Indexed Mode or the Auction Mode. If the
799 proposed change in Interest Rate Mode was from the Flexible Mode, the
800 Bonds shall remain in the Flexible Mode with interest rates and Interest
801 Periods to be established by the Remarketing Agent on the proposed
802 Conversion Date in accordance with Section 5(c) hereof. If the proposed
803 change in Interest Rate Mode was from the Daily Mode, the Bonds shall
804 remain in the Daily Mode, and if the proposed change in Interest Rate Mode

was from the Weekly Mode, the Bonds shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 5(d) hereof on and as of the proposed Conversion Date. If the proposed change in Interest Rate Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the proposed Conversion Date in accordance with Section 5(e)(1) hereof. If the Remarketing Agent is unable to determine the interest rate on the proposed Conversion Date, the provisions of Section 5(f) shall apply in effect at the beginning of each such Interest Period. If the proposed change in Interest Rate Mode was from the LIBOR Indexed Mode, the Bonds shall remain in the LIBOR Indexed Mode, with interest rates established in accordance with the applicable provisions of Section 5(h) hereof on and as of the proposed Conversion Date. If the proposed change was from the Auction Mode, then an Auction for the Bonds will be held on the Business Day immediately preceding the proposed Conversion Date as though no notice of conversion had ever been given except as provided in Section 5(i)(3) hereof.

SECTION 6: REDEMPTION OF BONDS.

(a) Optional Redemption of Flexible Rate Bonds. Bonds in the Flexible Mode are not subject to optional redemption prior to their respective Purchase Dates. Bonds in the Flexible Mode shall be subject to redemption at the option of the City in whole or in part on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

(b) Optional Redemption of Bonds in the Daily Mode or the Weekly Mode. Bonds in the Daily Mode or the Weekly Mode are subject to optional redemption by the City, in whole or in part, in Authorized Denominations on any Business Day, at the Redemption Price on the Redemption Date.

(c) Optional Redemption of Bonds in the Term Rate or the Fixed Rate Mode.

(1) Bonds in a Term Rate Mode shall be subject to redemption, in whole or in part, on their individual Mandatory Purchase Dates, at the option of the City at the Redemption Price.

(2) Bonds in the Term Rate Mode or Fixed Rate Mode are subject to redemption in whole on any date or in part on any Interest Payment Date (and if in part, in such order of maturity as the City shall specify and within a maturity by lot or by such other method as the Paying Agent/Registrar determines to be fair and reasonable and in Authorized Denominations) commencing on the Interest Payment Date next following the tenth anniversary of the change to the Term Rate Mode or Fixed Mode at the Redemption Price. If the length of the Term Rate Period or Fixed Rate Period is less than ten years, then the Bonds shall not be subject to redemption during such Term Rate Period or Fixed Rate Period.

(3) The City, in connection with a change to a Long-Term Mode, may waive or otherwise alter its rights to direct the redemption of any such Bonds so changed to a Long-Term Mode at any time without premium; provided that notice describing the waiver or alteration shall be submitted to the Paying Agent/Registrar and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

(4) If a Credit Enhancement is then in effect and the Redemption Price includes any premium, the right of the City to direct an optional redemption is subject to the condition that the Paying Agent/Registrar has received, prior to the date on which notice of redemption is required to be given to Holders, either Available Moneys of the City or written confirmation from the Credit Provider that it can draw under the Credit Enhancement on the proposed redemption date in an aggregate amount sufficient to cover the principal of and premium and interest due on the Redemption Date.

(d) Optional Redemption of Bonds in the LIBOR Indexed Mode. Bonds in the LIBOR Indexed Mode are subject to redemption prior to their stated maturity, at the option of the City, in whole or in part, in such amounts as may be specified by the City on any Interest Payment Date on and after the fifth anniversary of the first day of the LIBOR Indexed Mode, at the Redemption Price.

(e) Optional Redemption of Bonds in the Auction Mode. Bonds in the Auction Mode shall be subject to redemption, in whole or in part, in Authorized Denominations, at the Redemption Price, to the Redemption Date, on the Interest Payment Date immediately following the end of an Auction Period; provided that after any optional redemption there shall be not less than \$10,000,000 in aggregate principal amount of any Bonds unless otherwise consented to by the Broker-Dealers.

876 (f) Notice of Redemption on Mandatory Purchase Date.
877 Notwithstanding anything herein to the contrary, no notice of redemption is
878 required to be given for a redemption occurring on a Mandatory Purchase Date.

879 (g) Mandatory Sinking Fund Redemption of Bonds in the
880 Auction Mode. During an Auction Mode, if a scheduled sinking fund redemption
881 date is not an Interest Payment Date, the Bonds will be redeemed on the Interest
882 Payment Date immediately preceding the scheduled sinking fund redemption date.
883 The Bonds in a Flexible Auction Period may be redeemed prior to the end of the
884 Flexible Auction Period pursuant to the sinking fund redemption schedule.

885 (h) Notice of Redemption or Defeasance During an Auction
886 Mode. While the Bonds are in an Auction Mode, in addition to any requirement
887 set forth herein, notice of redemption or defeasance shall comply with the
888 following requirements. The Paying Agent/Registrar shall notify the Auction
889 Agent by Electronic Means when any notice of redemption or defeasance is sent to
890 the Securities Depository as Holder of the Bonds. Prior to sending the notice, the
891 Paying Agent/Registrar shall verify with the Auction Agent by Electronic Means
892 the lottery publication date to be used in the notice. In the event the Auction Agent
893 receives written notice from the Paying Agent/Registrar of any redemption or
894 defeasance of any Bonds, the Paying Agent/Registrar shall, at least three Business
895 Days prior to the redemption date, or defeasance date, as applicable, with respect
896 to such Bonds, request the Securities Depository to notify the Auction Agent of the
897 identities of the Participants (and the respective principal amounts) from the
898 accounts of Bonds have been called for redemption or defeasance and at least one
899 Business Day prior to the redemption date, or defeasance date, as applicable, with
900 respect to Bonds being partially redeemed or defeased, the Auction Agent shall
901 request each eligible Broker-Dealer to disclose to the Auction Agent (upon
902 selection by such Participant of the Existing Holders whose Bonds are to be
903 redeemed or defeased) the aggregate principal amount of such Bonds of each such
904 Existing Holder, if any, to be redeemed or defeased. By the close of business on
905 the day the Auction Agent receives any notice pursuant to this paragraph, the
906 Auction Agent shall forward the contents of such notice to the related Broker-
907 Dealer by Electronic Means.

908 If the Paying Agent/Registrar and the Auction Agent are unable to verify a
909 lottery publication date in accordance with the paragraph above, then the
910 procedures in this paragraph shall apply if any of the Bonds are to be called for
911 redemption or defeased. Simultaneously with (and on the same day of) the giving
912 of any notice of redemption or defeasance of any Bonds to the Securities
913 Depository as the Holders of such Bonds, the Paying Agent/Registrar shall provide

the Auction Agent with a copy of such notice, by Electronic Means acceptable to the Auction Agent. If less than all of the Bonds are to be called for redemption or defeased, such notice shall include, under an item entitled "Publication Date for Securities Depository Purposes," the Securities Depository lottery publication date applicable to such Bonds, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such Bonds (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of Bonds in the daily Auction Period). The Paying Agent/Registrar shall, at least two (2) Business Days prior to the Redemption/Defeasance Date specified in any such notice of redemption or defeasance of such Bonds, as the case may be, request the Securities Depository to disclose to the Auction Agent the DTC Participant number of each Securities Depository's participant in whose account at the Securities Depository any of such Bonds have been called for redemption or defeasance (and the principal amount of the Bonds held in the account that have been so called) and, at least one (1) Business Day prior to such the Auction Agent shall request each Broker-Dealer to use its best efforts to disclose to the Auction Agent (upon selection by such participant of the Existing Holder or Existing Holders whose Bonds are to be so redeemed or defeased and the principal amount of each thereof to be so redeemed or defeased) the aggregate principal amount of such Bonds of each such Existing Holder, if any, to be redeemed or defeased. The Auction Agent shall forward to the applicable Broker-Dealer by Electronic Means any notice received by the Auction Agent pursuant to this paragraph by the close of business on the day received by the Auction Agent.

(i) Certain Procedures for Optional Redemption. Unless otherwise set forth in this Ordinance, at least forty five (45) days prior to a redemption date for the optional redemption of Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount to be redeemed, and the date of redemption therefor. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

(j) Mandatory Redemption. The Bonds shall be subject to mandatory redemption prior to maturity at the redemption price of par and unpaid accrued interest to the date of redemption on the respective dates and in principal amounts provided in the Pricing Certificate.

951 No later than thirty (30) days prior to each mandatory redemption date for
952 the Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Bonds
953 to be redeemed on the next following May 15 or November 15, as applicable, from
954 moneys set aside for that purpose in the Debt Service Fund (as hereinafter
955 defined). Any Bonds not selected for prior redemption shall be paid on the date of
956 their Stated Maturity.

957 The principal amount of the Bonds required to be redeemed pursuant to the
958 operation of such mandatory redemption provisions may be reduced, at the option
959 of the City, by the principal amount of Bonds which, at least five (5) days prior to
960 the mailing of the notice for the mandatory redemption date, (1) shall have been
961 acquired by the City at a price not exceeding the principal amount of such Bonds
962 plus accrued interest to the date of purchase thereof, and delivered to the Paying
963 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the
964 optional redemption provisions set forth in paragraphs (a) through (e) of this
965 Section and not theretofore credited against a mandatory redemption requirement.

966 (k) Selection of Bonds for Redemption. If less than all
967 Outstanding Bonds are to be redeemed on a redemption date, the Paying
968 Agent/Registrar shall treat such Bonds as representing the number of Bonds
969 Outstanding which is obtained by dividing the principal amount of such Bonds by
970 the minimum Authorized Denomination thereof and shall select the Bonds to be
971 redeemed within such Stated Maturity by such random method as the Paying
972 Agent/Registrar utilizes for such purpose; provided, however, that Liquidity
973 Provider Bonds shall be redeemed prior to any other Bonds.

974 (l) Notice of Redemption. Unless otherwise set forth in this
975 Ordinance, not less than (i) while the Bonds are in a Short-Term Mode, fifteen (15)
976 days and (ii) otherwise thirty (30) days prior to a redemption date for the Bonds, a
977 notice of redemption shall be sent by United States Mail, first class postage
978 prepaid, in the name of the City and at the City's expense, to each Holder of a
979 Bond to be redeemed in whole or in part at the address of the Holder appearing on
980 the Security Register at the close of business on the Business Day next preceding
981 the date of mailing such notice, and any notice of redemption so mailed shall be
982 conclusively presumed to have been duly given irrespective of whether received by
983 the Holder.

984 All notices of redemption shall (i) specify the date of redemption for the
985 Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the
986 principal amount to be redeemed, the principal amount thereof to be redeemed, (iii)
987 state the redemption price, (iv) state that the Bonds, or the portion of the principal

amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(m) Special Mandatory Redemption. The Bonds may be subject to special mandatory redemption in accordance with the requirements of the Series 2008 Liquidity Agreement. The Pricing Officer is authorized to negotiate and determine such special mandatory redemption provisions and shall set forth any such provisions in the Pricing Certificate.

SECTION 7: PURCHASE OF BONDS.

(a) Optional Tenders of Bonds in the Daily Mode or the Weekly Mode. Subject to subsection (f) hereof, the Beneficial Owners of Bonds in a Daily Mode or a Weekly Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to an Authorized Denominations) purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Tender Agent by the Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Tender Agent shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such Tender Notice.

(b) Mandatory Purchase on Mandatory Purchase Date. The Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The Tender Agent shall give notice of such mandatory purchase by mail to the Holders of the Bonds subject to mandatory purchase no less than twenty (20) days prior to the Mandatory Purchase Date described in clauses (iii), (iv), (v), (vi) and (viii) of the definition of Mandatory Purchase Date and no less than three (3) days prior to the Mandatory Purchase Date described in clause (vii) of the definition of Mandatory Purchase Date. No notice shall be given of the Mandatory Purchase Date at the end of each Interest Period for Flexible Rate Bonds. Any notice shall

state the Mandatory Purchase Date, the Purchase Price, the numbers, if applicable, of the Bonds to be purchased if less than all of the Bonds owned by such Holder are to be purchased, and that interest on Bonds subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory purchase of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Holder or Beneficial Owner. The Tender Agent shall also give a copy of such notice to the Rating Agencies.

(c) Remarketing of Bonds; Notices.

(1) Remarketing of Bonds. The Remarketing Agent shall use its best efforts pursuant to the terms and conditions of the Remarketing Agreement to offer for sale:

(i) all Bonds or portions thereof as to which notice of tender pursuant to Section 7(a) hereof has been given; and

(ii) all Bonds required to be purchased on a Mandatory Purchase Date described in clauses (i), (ii), (iii), (iv) or (viii) of the definition thereof; and

(iii) any Liquidity Provider Bonds (A) purchased on a Purchase Date described in clause (i) or (ii) above, (B) with respect to which the Liquidity Provider has provided notice to the Paying Agent/Registrar and the Remarketing Agent that it has reinstated the Available Amount, (C) with respect to which an Alternate Liquidity Facility and Alternate Credit Enhancement is in effect (if such funds were secured by a Credit Enhancement prior to becoming Liquidity Provider Bonds which Credit Enhancement is no longer in effect), or (D) which are being marketed as Fixed Rate Bonds.

The Remarketing Agent will not remarket Bonds to the City. In connection with the remarketing of any Bonds with respect to which notice of redemption or notice of mandatory purchase has been given, the Remarketing Agent will notify each person to which such Bonds are remarketed of such notice of redemption or notice of mandatory purchase.

Anything in this Ordinance to the contrary notwithstanding, if there shall have occurred and be continuing either a Credit Provider Failure or a Liquidity Provider Failure, the Remarketing Agent shall not remarket

any Bonds. All other provisions of this Ordinance, including without limitation, those relating to the setting of interest rates and Interest Periods and mandatory and optional purchases, shall remain in full force and effect during the continuance of such Event of Default.

(2) Notice of Remarketing; Registration Instructions; New Bonds.

On each date on which a Bond is to be purchased:

(i) the Remarketing Agent shall notify by Electronic Means the Tender Agent by 10:30 A.M. of the principal amount of tendered Bonds it has remarketed;

(ii) after the Remarketing Agent has delivered the notice described in clause (i) above, the Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 1:00 P.M. of such information as may be necessary to register and deliver Bonds remarketed with respect thereto;

(iii) the Remarketing Agent shall cause the proceeds of the remarketing by such Remarketing Agent of tendered Bonds to be paid to the Tender Agent in immediately available funds not later than 10:45 A.M. on the Purchase Date for such Bonds; and

(iv) if the Bonds are no longer in the Book-Entry System, the Tender Agent shall authenticate new Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent not later than 2:30 P.M.

(3) Draw on Liquidity Facility. On each date on which a Bond is to be purchased, (i) if the Remarketing Agent shall have given notice to the Tender Agent pursuant to clause (2)(i) above that it has been unable to remarket any of the Bonds or (ii) if the Tender Agent has not received from the Remarketing Agent an amount sufficient to pay the Purchase Price of tendered Bonds, by 11:15 A.M. on the Purchase Date, then the Tender Agent shall direct the Paying Agent/Registrar (if the two are separate entities) to draw on the Liquidity Facility (or if no Liquidity Facility is in effect, request funds from the City) by no later than 12:00 P.M. in an amount equal to the Purchase Price of all such Bonds which have not been successfully remarketed, requesting payment not later than 2:30 P.M. on the Purchase Date. If a Liquidity Facility is in effect, the Paying Agent/Registrar shall also give the City notice by 2:45 P.M. on the Purchase Date if it does not

have funds in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account sufficient to pay the Purchase Price of Bonds tendered on such Purchase Date. Any draw on a Liquidity Facility to be made on a Substitution Date shall be on the Liquidity Facility being replaced.

(d) Source of Funds for Purchase of Bonds. By 3:30 P.M. on the date on which a Bond is to be purchased, and except as set forth in subsection (f)(2)(ii) hereof, the Tender Agent shall purchase tendered Bonds from the tendering Holders at the applicable Purchase Price by wire transfer in immediately available funds. Funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and none of the Tender Agent, the Paying Agent/Registrar nor the Remarketing Agent shall be obligated to provide funds from any other source:

(1) immediately available funds on deposit in the Remarketing Proceeds Account;

(2) immediately available funds on deposit in the Liquidity Facility Purchase Account; and

(3) moneys of the City on deposit in the City Purchase Account.

The City may, but shall not be obligated to, deposit amounts into the City Purchase Account sufficient to pay the Purchase Price to the extent that amounts on deposit in the Remarketing Proceeds Account and the Liquidity Facility Purchase Account are insufficient therefor.

Neither the proceeds of any remarketing of the Bonds nor any funds drawn or claimed under the Liquidity Facility or Credit Facility shall constitute Gross Revenues.

(e) Delivery of Bonds. On each date on which a Bond is to be purchased, such Bond shall be delivered as follows:

(1) Bonds sold by the Remarketing Agent and described in subsection (d)(1) hereof shall be delivered by the Remarketing Agent to the purchasers of such Bonds by 3:30 P.M.;

(2) Bonds purchased by the Tender Agent with moneys described in subsection (d)(2) hereof shall be registered immediately in the name of the Liquidity Provider or its nominee (which may be the Securities Depository) on or before 3:30 P.M.; and

(3) To the extent permitted by law, Bonds purchased by the City with moneys described in subsection (d)(3) hereof shall be registered, immediately in the name of the City or its nominee on or before 3:30 P.M. Bonds so owned by the City shall continue to be outstanding under the terms of this Ordinance and be subject to all of the terms and conditions of this Ordinance and shall be subject to remarketing by the Remarketing Agent.

(f) Book-Entry Tenders.

(1) Notwithstanding any other provision of this Section 7 to the contrary, all tenders for purchase during any period in which the Bonds are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representations Letter and to any regulations promulgated by DTC (or any successor Securities Depository). For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Holders of Bonds may be exercised only by DTC by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a Direct Participant or DTC, or an Indirect Participant of DTC acting through a Direct Participant of DTC, to exercise a tender option right in respect of Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such Bonds.

(2) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book-Entry System for the Bonds is maintained by the City:

(i) there shall be no requirement of physical delivery to or by the Tender Agent, the Remarketing Agent or the Paying Agent/Registrar of:

1163 (A) any Bonds subject to mandatory or optional purchase as a
1164 condition to the payment of the Purchase Price therefor;

1165 (B) any Bonds that have become Liquidity Provider Bonds;
1166 or

1167 (C) any remarketing proceeds of such Bonds or Liquidity
1168 Provider Bonds; and

1169 (ii) except as provided in (iii) below, neither the Paying
1170 Agent/Registrar nor the Tender Agent shall have any responsibility for
1171 paying the Purchase Price of any tendered Bond or for remitting remarketing
1172 proceeds to any person; and

1173 (iii) the Tender Agent's sole responsibilities in connection
1174 with the purchase and remarketing of a tendered Bond shall be to:

1175 (A) draw upon the Liquidity Facility in the event the
1176 Remarketing Agent notifies the Tender Agent as provided herein that such
1177 Bond has not been remarketed on or before the Purchase Date therefor,
1178 which draw shall be in an amount equal to the difference between such
1179 Purchase Price and any remarketing proceeds received by Remarketing
1180 Agent in connection with a partial remarketing of such Bond, and to remit
1181 the amount so drawn to or upon the order of the Securities Depository for
1182 the benefit of the tendering Beneficial Owners; and

1183 (B) remit any proceeds derived from the remarketing of a
1184 Liquidity Provider Bond to the Liquidity Provider.

1185 (g) No Book-Entry System. If at any time the Bonds shall no
1186 longer be in the Book-Entry System, the following procedures shall be followed:

1187 (1) Bonds shall be delivered (with all necessary endorsements) at
1188 or before 12:00 noon on the Purchase Date at the office of the Tender Agent
1189 in New York, New York; provided, however, that payment of the Purchase
1190 Price shall be made pursuant to this subsection only if the Bond so delivered
1191 to the Tender Agent conforms in all respects to the description thereof in the
1192 notice described in this subsection. Payment of the Purchase Price with
1193 respect to purchases under this subsection shall be made to the Holders of
1194 tendered Bonds by wire transfer in immediately available funds by the
1195 Paying Agent/Registrar at the direction of the Tender Agent by 3:30 P.M. on
1196 the Purchase Date.

1197 (2) If a Bond to be purchased is not delivered by the Holder to the
1198 Tender Agent by 12:00 noon on the date in which such Bond is to be
1199 purchased, the Tender Agent shall hold any funds received for the purchase
1200 of those Bonds in the Purchase Fund in trust and shall pay such funds to the
1201 former Holders of the Bonds upon presentation of the Bonds. Such
1202 undelivered Bonds shall cease to accrue interest as to the former Holders on
1203 such purchase date and moneys representing the Purchase Price shall be
1204 available against delivery of those Bonds at the New York, New York office
1205 of the Tender Agent; provided, however, that any funds which shall be so
1206 held by the Tender Agent and which remain unclaimed by the former Holder
1207 of a Bond not presented for purchase for a period of two years after delivery
1208 of such funds to the Tender Agent, shall, to the extent permitted by law,
1209 upon request in writing by the City and the furnishing of security or
1210 indemnity to the Tender Agent's satisfaction, be paid to the City free of any
1211 trust or lien and thereafter the former Holder of such Bond shall look only to
1212 the City and then only to the extent of the amounts so received by the City
1213 without any interest thereon and the Tender Agent shall have no further
1214 responsibility with respect to such moneys or payment of the purchase price
1215 of such Bonds. The Paying Agent/Registrar shall, at the direction of the
1216 Tender Agent, authenticate a replacement Bond for any undelivered Bond
1217 which may then be remarketed by the Remarketing Agent.

1218 (3) The Tender Agent shall hold all Bonds properly tendered to it
1219 for purchase hereunder as agent and bailee of, and in escrow for the benefit
1220 of, the respective Holders of the Bonds which shall have so tendered such
1221 Bonds until moneys representing the Purchase Price of such Bonds shall
1222 have been delivered to or for the account of or to the order of such Holders.

1223 (h) Credit Enhancement and Liquidity Facility.

1224 (1) While the Credit Enhancement is in effect with respect to any
1225 Bonds, the Paying Agent/Registrar shall, on the Business Day preceding
1226 each Interest Payment Date and Principal Payment Date, before 4:00 P.M.
1227 on such day, draw on the Credit Enhancement in accordance with the terms
1228 thereof so as to receive thereunder with respect to Bonds covered by the
1229 Credit Enhancement by 1:00 P.M. on said Interest Payment Date and
1230 Principal Payment Date, an amount, in immediately available funds, equal to
1231 the amount of interest and principal payable on such Bonds on such Interest
1232 Payment Date and Principal Payment Date. The proceeds of such draws
1233 shall be deposited in a separate account in the Debt Service Fund and shall
1234 be applied to pay principal of and interest on the Bonds prior to the

application of any other funds held by the Paying Agent/Registrar therefor. Amounts held in such account shall be held uninvested and separate and apart from all other funds and accounts.

(2) If a Liquidity Facility is in effect, on each date on which a Bond is to be purchased, the Tender Agent (if it is the beneficiary of the Liquidity Facility), or the Paying Agent/Registrar (if it is the beneficiary of the Liquidity Facility) at the direction of the Tender Agent as provided in Section 7(c)(3) hereof, by demand given by Electronic Means before 12:00 P.M., shall draw on the Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 P.M. on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Tender Agent, who shall deposit said proceeds in the Liquidity Facility Purchase Account pursuant to Section 7(i)(2) hereof.

(3) Notwithstanding the foregoing paragraph of this subsection, if the Credit Provider and the Liquidity Provider are the same entity, the Paying Agent/Registrar shall not draw on the Credit Enhancement with respect to any payments due or made in connection with Liquidity Provider Bonds. In no event shall the Paying Agent/Registrar draw on the Credit Enhancement with respect to any payments made or made in connection with Bonds not covered by the Credit Enhancement or Bonds owned by the City.

(4) The City may also provide an Alternate Credit Enhancement or Alternate Liquidity Facility on any day on which the Bonds are subject to redemption at par not later than the fifth (5th) Business Day prior to the Expiration Date of the Credit Enhancement, if any, or Liquidity Facility then in effect. The City shall give the Notice Parties written notice of the proposed substitution of an Alternate Credit Enhancement or Alternate Liquidity Facility no less than two (2) Business Days prior to the date on which the Paying Agent/Registrar is required to provide notice of the proposed substitution to the Holders of the Bonds. The Paying Agent/Registrar shall give notice of such Substitution Date in accordance with Section 7(b). On or before the Substitution Date there shall be delivered to the Paying Agent/Registrar or the Tender Agent, as applicable (i) the Alternate Credit Enhancement or the Alternate Liquidity Facility in substitution for the Credit Enhancement or Liquidity Facility then in effect, (ii) a Favorable Opinion of Bond Counsel, (iii) a written Opinion of Counsel

for the provider of the Alternate Credit Enhancement or Alternate Liquidity Facility, as applicable, to the effect that such Alternate Credit Enhancement or Alternate Liquidity Facility is a valid, legal and binding obligation of the provider thereof, and (iv) unless waived by such entity, written evidence satisfactory to the Credit Provider and the Liquidity Provider of the provision for purchase from the Liquidity Provider of all Liquidity Provider Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due to the Credit Provider, if any, and the Liquidity Provider under the applicable Reimbursement Agreement(s), on or before the effective date of such Alternate Credit Enhancement or Alternate Liquidity Facility. Upon the satisfaction of the conditions described in the preceding sentence, the Paying Agent/Registrar shall accept such Alternate Credit Enhancement or Alternate Liquidity Facility on the close of business on the Substitution Date and shall surrender the Credit Enhancement or Liquidity Facility then in effect to the provider thereof on the Substitution Date; provided, however, that the Paying Agent/Registrar shall not surrender the Credit Enhancement or Liquidity Facility then in effect unless and until the Paying Agent/Registrar has received all amounts drawn thereunder, as applicable. If any condition to the substitution is not satisfied, the substitution shall not occur but the Bonds shall remain subject to mandatory purchase on the proposed Substitution Date.

(5) In the event of an extension of the Expiration Date, the City shall give to the Notice Parties, a written notice of the new Expiration Date at least twenty-one (21) days prior to the fifth Business Day prior to the Expiration Date in effect prior to such extension.

(6) The references to Liquidity Facility and Liquidity Provider shall be disregarded during any period during which a Liquidity Facility is not required to be in effect.

(7) Neither the Paying Agent/Registrar nor the Tender Agent shall have any lien on or security interest in any amounts drawn under the Credit Enhancement or the Liquidity Facility or any amounts on deposit in the account described in subsection (h)(1) above in which proceeds of draws on the Credit Enhancement are deposited or the Liquidity Facility Purchase Account.

(i) Purchase Fund. There is hereby established and there shall be maintained with the Tender Agent, as agent for the Paying Agent/Registrar, a

separate fund to be known as the "Purchase Fund." The Tender Agent shall further establish separate accounts within the Purchase Fund to be known as the "Liquidity Facility Purchase Account" and the "Remarketing Proceeds Account" and the "City Purchase Account."

(1) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of a Bond on the date such bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider.

(2) Liquidity Facility Purchase Account. Upon receipt from the Paying Agent/Registrar of the immediately available funds transferred to the Tender Agent pursuant to subsection (d)(2) hereof, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately returned to the Liquidity Provider.

(3) City Purchase Account. Upon receipt of Funds from the City pursuant to subsection (d)(3) hereof, the Tender Agent shall deposit such funds in the City Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the City Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately refunded to the City.

(4) Investment. Amounts held in the Liquidity Facility Purchase Account and the Remarketing Proceeds Account by the Paying Agent/Registrar shall be held uninvested and separate and apart from all other funds and accounts.

(j) Insufficient Funds for Tenders.

(1) If moneys sufficient to pay the Purchase Price of all Tendered Bonds to be purchased on any Purchase Date are not available: (1) no purchase shall be consummated on such Purchase Date; (2) all Tendered

Bonds shall be returned to the Holders thereof; and (3) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such moneys.

(2) All Bonds shall bear interest at the Unremarketed Bonds Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that all such Tendered Bonds are successfully remarketed (the "Delayed Remarketing Period"). The first Rate Determination Date for purposes of determining the Alternate Rate shall be the Purchase Date.

(3) The City may direct the conversion of the Tendered Bonds to a different Interest Rate Mode during the Delayed Remarketing Period in accordance with Section 5(i) hereof; provided that the City shall not be required to comply with the notice requirements described in Section 5(i).

(4) Subject to the terms of the Remarketing Agreement, the Remarketing Agent shall continue to use its best efforts to remarket all of the Tendered Bonds.

(5) During the Delayed Remarketing Period, the Paying Agent/Registrar may, upon direction of the City, apply amounts on deposit in the Debt Service Fund to the redemption of such Tendered Bonds, as a whole or in part on any Business Day during the Delayed Remarketing Period, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium. Notwithstanding Section 6(l) to the contrary, the Paying Agent/Registrar shall give five (5) Business Days' notice of such redemption to the Holders of the Bonds to be redeemed.

(6) During the Delayed Remarketing Period, interest on such Tendered Bonds shall be paid to the Holders thereof (i) the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

(k) Required Changes. Notwithstanding anything herein to the contrary, the Pricing Officer is hereby authorized to make any and all changes to any time periods or notice periods set forth in this Section 7 to ensure proper sequencing of events to properly achieve such tendering mechanics as are required to effect the provisions of the Series 2008 Liquidity Agreement. Any such

changed time period or notice periods shall be restated in full in the Pricing Certificate.

SECTION 8: THE REMARKETING AGENT AND TENDER AGENT.

(a) Appointment of Remarketing Agent.

(1) The Remarketing Agent shall be appointed pursuant to the Remarketing Agreement to remarket Bonds pursuant to this Ordinance and perform the other duties of the Remarketing Agent described hereunder, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City and the Paying Agent/Registrar at all reasonable times. The Remarketing Agent shall act as such under the Remarketing Agreement.

(2) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Ordinance as set forth in the Remarketing Agreement. The Remarketing Agent may suspend its remarketing efforts as set forth in the Remarketing Agreement. The Remarketing Agent may be removed at any time, at the direction of the City as set forth in the Remarketing Agreement. Any successor Remarketing Agent shall be selected by the City, and shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least fifteen million dollars (\$15,000,000), shall be authorized by law to perform all the duties set forth in this Ordinance and shall be acceptable to the Credit Provider and Liquidity Provider. The City's delivery to the Paying Agent/Registrar of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Ordinance and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Ordinance.

(b) Consolidation, Merger of Remarketing Agent. If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent.

1414 (c) Tender Agent. There shall be a Tender Agent appointed by
1415 the City, with, except in the case of the initial Tender Agent, the approval of the
1416 Credit Provider and the Liquidity Provider. The Tender Agent shall have the
1417 power to act in the purchase of Bonds on any Purchase Date and the payment of
1418 the Purchase Price therefor. Such Tender Agent shall at all times be a commercial
1419 bank or a trust company having an office or agent in the City and County of New
1420 York, New York, organized and doing business under the laws of the United States
1421 or of any state, with a combined capital and surplus or a minimum capitalization of
1422 at least \$50,000,000 and authorized under such laws to perform all the duties
1423 imposed herein on the Tender Agent. If such corporation publishes reports of
1424 condition at least annually pursuant to law or the requirements of any authority,
1425 then for the purposes of this subsection the combined capital and surplus or the
1426 capitalization of such corporation shall be deemed to be its combined capital and
1427 surplus or its capitalization as set forth in its most recent report of condition so
1428 published.

1429 U.S. Bank National Association, Houston, Texas is hereby appointed as
1430 initial Tender Agent.

1431 The City shall inform each Rating Agency, the Credit Provider and the
1432 Liquidity Provider in writing of any resignation or removal of the Tender Agent
1433 and of the appointment of any successor Tender Agent.

1434 Any corporation into which any Tender Agent may be merged or converted
1435 or with which it may be consolidated, or any corporation resulting from any
1436 merger, consolidation, or conversion to which any Tender Agent shall be a party,
1437 or any corporation succeeding to the corporate trust business of any Tender Agent,
1438 shall be the successor of the Tender Agent hereunder, if such successor corporation
1439 is otherwise eligible under this subsection, without the execution or filing of any
1440 further document on the part of the parties hereto or the Tender Agent or such
1441 successor corporation.

1442 Any Tender Agent may resign at any time by giving written notice of such
1443 resignation to the Paying Agent/Registrar, the City, the Remarketing Agent, the
1444 Credit Provider, and the Liquidity Provider. The City may terminate the agency of
1445 any Tender Agent by giving at least fifteen (15) days written notice of such
1446 termination to such Tender Agent and the Remarketing Agent, the Credit Provider,
1447 the Liquidity Provider and the Paying Agent/Registrar. Upon receiving such a
1448 notice of resignation or upon such a termination, or in case at any time any Tender
1449 Agent shall cease to be eligible under this subsection, the City shall promptly
1450 appoint a successor Tender Agent acceptable to the Credit Provider and the

1451 Liquidity Provider, and shall give written notice of such appointment to the
1452 Holders of the Bonds and the Paying Agent/Registrar.

1453 No such resignation or removal shall take effect until a successor Tender
1454 Agent shall have been appointed and the successor Tender Agent has accepted
1455 such appointment. If no successor Tender Agent has accepted appointment within
1456 thirty (30) days after the Tender Agent has given notice of its resignation as
1457 provided above, the Tender Agent may petition any court of competent jurisdiction
1458 for the appointment of a temporary successor Tender Agent, provided that any
1459 Tender Agent so appointed shall immediately and without further act be
1460 superseded by any Tender Agent appointed by the City as provided above.

1461 The City will cause each Tender Agent to execute and deliver to the City
1462 and the Paying Agent/Registrar an instrument in which such Tender Agent shall
1463 agree, subject to the provisions of this subsection, that such Tender Agent will:

1464 A. hold all sums held by it for the payment of the Purchase Price of
1465 Bonds in a separate account in trust for the benefit of the Holders of
1466 such Bonds until such sums shall be paid to the Holders or otherwise
1467 disposed of as herein provided;

1468 B. at any time, upon the written request of the Paying Agent/Registrar,
1469 forthwith pay to the Paying Agent/Registrar all sums so held in trust
1470 by such Tender Agent; and

1471 C. observe and perform the obligations of the Tender Agent hereunder.

1472 **SECTION 9: THE BROKER-DEALER AND THE AUCTION**
1473 **AGENT.**

1474 (a) Appointment of Broker-Dealer.

1475 (1) A Broker-Dealer shall be appointed pursuant to a Broker-Dealer
1476 Agreement to perform the duties of a Broker-Dealer described hereunder. A
1477 Broker-Dealer shall act as such under its Broker-Dealer Agreement.

1478 (2) A Broker-Dealer may at any time resign and be discharged of
1479 the duties and obligations created by this Ordinance as set forth in its
1480 Broker-Dealer Agreement. A Broker-Dealer may suspend its efforts as set
1481 forth in its Broker-Dealer Agreement. A Broker-Dealer may be removed at
1482 any time, at the direction of the City as set forth in its Broker-Dealer
1483 Agreement. Any successor Broker-Dealer shall be selected by the City, and

shall be a member of the National Association of Securities Dealers, Inc. ("NASD"), shall have a capitalization of at least fifteen million dollars (\$15,000,000), shall be authorized by law to perform all the duties set forth in this Ordinance and shall be acceptable to the Credit Provider and Liquidity Provider. The City's delivery to the Paying Agent/Registrar of a certificate setting forth the effective date of the appointment of a successor or additional Broker-Dealer and the name of such successor or additional Broker-Dealer shall be conclusive evidence that (i) if applicable, the predecessor Broker-Dealer has been removed in accordance with the provisions of this Ordinance and (ii) such successor or additional Broker-Dealer has been appointed and is qualified to act as a Broker-Dealer under the terms of this Ordinance.

(3) If a Broker-Dealer consolidates with, merges or converts into, or transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Broker-Dealer.

(b) Appointment of Auction Agent.

(1) The Auction Agent shall be appointed by the Paying Agent/Registrar at the written direction of the City, as set forth in Exhibit E hereto, to perform the functions specified herein. The Auction Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the City, the Paying Agent/Registrar and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the City and the Paying Agent/Registrar.

(2) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

(3) The Auction Agent shall be (i) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (ii) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Ordinance and a member of or a participant in, the

Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Ordinance or may be removed at any time by the City as provided in the Auction Agreement. Upon any such resignation or removal, the Paying Agent/Registrar at the direction of the City, shall appoint a successor Auction Agent meeting the requirements of this subsection. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Paying Agent/Registrar; provided, however, that if a successor Auction Agent has not been appointed within forty-five (45) days of the giving of such notice of resignation or removal of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a substitute Auction Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days notice to the City and the Paying Agent/Registrar even if a successor Auction Agent has not been appointed.

(c) Notices to and Consents of Auction Agent or Broker-Dealer.

All notices regarding amendments to this Ordinance shall be delivered to the Auction Agent and the Broker-Dealer at the time and in the same manner as such notices are delivered to the Holders of the Bonds. No amendment shall become effective with respect to the Auction Agent or the Broker-Dealer without the consent of such party if it adversely affects the rights, duties, privileges, immunities and liabilities of such party.

SECTION 10: REGISTRATION – TRANSFER – EXCHANGE OF BONDS – PREDECESSOR BONDS. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each Holder of the Bonds issued under and pursuant to the provisions of this Fifteenth Supplement. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other Authorized Denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

For all purposes hereunder, the ownership relating to all Bonds shall be established by the Security Register maintained by the Paying Agent/Registrar, and the City, the Paying Agent/Registrar, the Liquidity Provider, the Credit Provider,

the Remarketing Agent, if any, the Auction Agent, if any, and the Broker-Dealer, if any, shall conclusively deem the Holder to be the sole owner of all right, title and interest to the Bonds.

Upon surrender for transfer of any Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds executed on behalf of, and furnished by, the City of Authorized Denominations and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of Authorized Denominations, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds, executed on behalf of, and furnished by, the City, to the Holder requesting the exchange.

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

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

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

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

SECTION 11: BOOK-ENTRY-ONLY TRANSFERS AND TRANSACTIONS.

Notwithstanding the provisions contained in Sections 4, 5, 6, 7 and 10 hereof relating to the payment, and transfer/exchange of the Bonds, the City hereby approves and authorizes the use of “Book-Entry-Only” securities clearance, settlement and transfer system provided by The Depository Trust Company (“DTC”), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representation, by and between the City and DTC and any further agreement between the City and DTC necessary or appropriate in connection with the Bonds, each of which is hereby approved and confirmed and the execution and delivery of which is hereby authorized and directed (the “Depository Agreement”).

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

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

Bonds held in book-entry form shall bear the following legend: EXCEPT AS OTHERWISE PROVIDED IN THE FIFTEENTH SUPPLEMENT, THIS GLOBAL BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY (AS DEFINED HEREIN) OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

SECTION 12: EXECUTION - REGISTRATION. The Bonds shall be executed on behalf of the City by the Mayor under its seal reproduced or impressed thereon and countersigned by the City Clerk. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the date of adoption of this Fifteenth Supplement shall be deemed to be duly executed on behalf of the City, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in V.T.C.A., Government Code, Chapter 1201, as amended.

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

SECTION 13: INITIAL BOND. The Bonds herein authorized shall be initially issued as a single fully registered bond in the total principal amount specified in the Pricing Certificate and numbered TR-1 (hereinafter called the "Initial Bond"). The Initial Bond shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bond shall be the Bond submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond, the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Bond delivered hereunder and exchange therefor a definitive Bond of Authorized Denominations,

the same Stated Maturity, the same principal amount and bearing the same applicable interest rates for transfer and delivery to the Holder named at the address identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 14: 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 Fifteenth 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 Bond 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. The form of definitive Bond shall be as set forth in Exhibit F with respect to Bonds in a Weekly Mode or Daily Mode, Exhibit G with respect to Bonds in a Flexible Mode, Term Mode or Fixed Mode, and Exhibit H with respect to Bonds in an Auction Mode.

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

1700
1701

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
)
OF PUBLIC ACCOUNTS)
)
THE STATE OF TEXAS)

REGISTER NO. _____

1702
1703
1704

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

1705
1706

WITNESS my signature and seal of office this _____.

1707
1708
1709

Comptroller of Public Accounts
of the State of Texas

1710

(SEAL)

1711
1712

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

1713

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

1714
1715
1716
1717
1718
1719

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

1720
1721

The designated offices of the Paying Agent/Registrar in St. Paul, Minnesota is the initial Designated Payment/Transfer Office for this Bond.

U.S. BANK NATIONAL ASSOCIATION
as Paying Agent/Registrar

Registration date:

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

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

DATED:

Signature guaranteed:

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

SECTION 15: ISSUANCE OF PARITY WATER/WASTEWATER OBLIGATIONS AND CREDIT AGREEMENTS. The City has provided certain criteria and established certain covenants and agreements in relation to the issuance of Parity Water/Wastewater Obligations and Credit Agreements payable from Net Revenues of the Water/Wastewater System pursuant to the Master Ordinance and Prior Supplements. This Fifteenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment, and security of the Bonds, which are Parity Water/Wastewater Obligations payable from and secured by the Net Revenues.

The Master Ordinance is incorporated herein by reference and made a part hereof for all purposes, except to the extent modified and supplemented by the Prior Supplements and this Fifteenth Supplement, and the Bonds are hereby declared to be Parity Water/Wastewater Obligations under the Master Ordinance and Prior Supplements. The City hereby finds and determines that it will have sufficient Gross Revenues to meet the obligations of the Water/Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of the Bonds and the Previously Issued Parity Water/Wastewater Obligations.

SECTION 16: PLEDGE. Subject to the prior claim on and lien on the Net Revenues of the Water/Wastewater System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Water/Wastewater System are hereby pledged to the payment of the Bonds (the “Fifteenth Supplement Secured Obligations”); and the Fifteenth Supplement Secured Obligations, together with the Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance with the terms of the Master Ordinance, the Prior Supplements and this Fifteenth Supplement. Additionally, the Fifteenth Supplement Secured Obligations and the Previously Issued Parity Water/Wastewater Obligations shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance with the terms of the Master Ordinance, the Prior Supplements and this Fifteenth Supplement. The Bonds and the Fifteenth Supplement Secured Obligations are and will be secured by and payable only from the Net Revenues of the Water/Wastewater System, and are not secured by or payable from a mortgage or deed of trust on any properties, whether real, personal, or mixed, of the Water/Wastewater System. The owners of the Fifteenth Supplement Secured Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than as specified in the Master Ordinance, the Prior Supplements and this Fifteenth Supplement.

It is hereby ordained that the Fifteenth Supplement Secured Obligations, and the interest (if any) thereon, shall constitute a lien on the Net Revenues of the City’s Water and Wastewater System and be valid and binding and fully perfected from and after the date of adoption of this Fifteenth Supplement without physical

delivery or transfer or transfer of control of the Net Revenues, the filing of this Fifteenth Supplement or any other act; all as provided in Chapters 1208, 1371 and 1502 of the Texas Government Code, as amended. Chapters 1208, 1371 and 1502, Texas Government Code, as amended, apply to the issuance of the Fifteenth Supplement Secured Obligations and the pledge of the Net Revenues of the City's Water and Wastewater System granted by the City under this Section 16, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Fifteenth Supplement Secured Obligations are Outstanding such that the pledge of the Net Revenues of the City's Water and Wastewater System granted by the City under this Section 16 is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Fifteenth Supplement Secured Obligations the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

SECTION 17: DEBT SERVICE FUND. By reason of the issuance of the Fifteenth Supplement Secured Obligations, the City need not establish any special accounts within the Debt Service Fund and following the delivery of such obligations, the City hereby agrees and covenants to cause to be deposited to the credit of the Debt Service Fund an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and principal of the Bonds and amounts, if any, owed under the other Fifteenth Supplement Secured Obligations, falling due on or before each maturity, mandatory redemption date and interest payment date (but excluding payment of the Purchase Price for Bonds), and such deposits shall be made, with respect to the Bonds, in substantially equal monthly amounts on or before the 15th day of each month beginning on or before the 15th day of the month next following the month the Bonds are delivered to the Underwriter, for which purposes, the City may assume that interest on the Bonds will continue to accrue at the rate of accrual then in effect on the date of such payment. With respect to the other Fifteenth Supplement Secured Obligations, such deposits shall be made on such monthly payment dates in amounts needed (or reasonably expected to be needed) to pay the City's obligations thereunder due in the next succeeding month.

If on any date on which a payment by the City (other than in respect of Purchase Price) is due on or in respect of a Fifteenth Supplement Secured Obligation and there is insufficient money in the Debt Service Fund to make such payment, the City shall deposit to the Debt Service Fund and thereafter transfer to

the applicable payee or Paying Agent/Registrar, but solely from and to the extent of available Net Revenues, sufficient money to make or complete such payment.

The required monthly deposits to the Debt Service Fund for the payment of principal of and interest on the Bonds and other payments required with respect to Parity Water/Wastewater Obligations shall continue to be made in the manner provided herein until such time as (i) the total amount on deposit in the Debt Service Fund is equal to the amount required to fully pay and discharge all Parity Water/Wastewater Obligations then Outstanding or (ii) the Fifteenth Supplement Secured Obligations are no longer outstanding, *i.e.*, fully paid as to principal, interest and other amounts owing or all the Bonds have been refunded and all other Fifteenth Supplement Secured Obligations have been retired or terminated in accordance with their terms without further obligation on the part of the City.

On each date a payment is due on the Parity Water/Wastewater Obligations, the City shall make such payment from the Debt Service Fund.

If a Credit Facility is in effect with respect to the Bonds, then, to the extent required under the applicable Credit Agreement, the City shall disburse money from the Debt Service Fund to reimburse the Credit Provider when due to the extent the same has paid or advanced funds to pay debt service on, or the redemption of, any Bonds.

If the City is required to (or if it is permitted to and elects to) advance funds to pay directly the Purchase Price of the Bonds, the City shall disburse funds for such purpose from sources other than the Debt Service Fund, the payment of the Purchase Price of Bonds not constituting the payment of principal of or interest on Bonds.

If a Liquidity Facility is in effect with respect to the Bonds, the City may pay the fees and expenses of the Liquidity Provider from the Debt Service Fund, and shall disburse funds from the Debt Service Fund as needed to pay principal and redemption price of and interest on Liquidity Provider Bonds and other amounts owed to the Liquidity Provider. Amounts in the Debt Service Fund shall not be used to pay the Purchase Price of the Bonds.

Notwithstanding anything herein to the contrary, the City shall deposit to the Debt Service Fund and credit against the City's monthly deposit obligations for the payment of interest on the Bonds under this Section 17 all money received from the Hedge Counterparty to the Series 2008 Interest Rate Management Agreement, except for any moneys received due to early termination thereof.

The City may establish and utilize such accounts within the Debt Service Fund as it may, from time to time, deem appropriate.

SECTION 18: RESERVE FUND. In accordance with the provisions of the Prior Supplements authorizing the issuance of the Previously Issued Water/Wastewater Obligations, the Required Reserve Amount is funded with surety bonds issued by MBIA Insurance Corporation, Financial Security Assurance Inc., Ambac Assurance Corporation and XL Capital Assurance Inc. Upon the issuance of the Bonds, proceeds of the Bonds in an amount equal to not less than 50% of the average Annual Debt Service Requirements of the Bonds shall be deposited to the Reserve Fund. Any draws on the surety bonds or other credit agreements funding the Required Reserve Amount on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such surety bond or credit agreement) after applying available cash and investments in the Reserve Fund.

The provisions of Section 8 of the Master Ordinance relating to the Reserve Fund, particularly paragraphs (b), (c) and (d) thereof, are hereby incorporated by reference and made a part hereof as if the same were restated in full in this Section.

Notwithstanding paragraph (f) of Section 8 of the Master Ordinance, the Series 2008 Liquidity Agreement shall also be secured by and entitled to payment from the Reserve Fund.

SECTION 19: PAYMENT OF BONDS; CREDIT AGREEMENTS. On or before the first scheduled interest payment date, and on or before each interest payment date and principal payment date thereafter while any of the Bonds are Outstanding, the City shall cause an amount to be transferred to the Paying Agent/Registrar in immediately available funds from the Debt Service Fund and Reserve Fund, if necessary, sufficient to pay such interest on and such principal amount of the Bonds, as shall become due on such dates, respectively, at maturity or mandatory redemption; provided, however, that if there is a Credit Facility in effect with respect to the Bonds and the Credit Facility provides for the direct payment by the Credit Provider of funds to the Paying Agent/Registrar to pay such interest and principal, the City shall, upon confirmation that the Credit Provider has made such payment, cause to be transferred in immediately available funds from the Debt Service Fund an amount sufficient to reimburse the Credit Provider for such payment and, to the extent provided in the applicable Credit Agreement, to pay any related fees and charges of the Credit Provider associated therewith. Unless otherwise directed by the City, the Paying Agent/Registrar shall destroy all paid Bonds and furnish the City with an appropriate certificate of cancellation or

destruction. If the City so directs, Bonds, the principal of which is not yet due for payment, that have been purchased by the City (excluding Bonds purchased with funds in the Debt Service Fund or the Reserve Fund), may remain outstanding and be redelivered and sold by the City.

In addition, the City shall cause to be paid when due from the Debt Service Fund to the appropriate Person each amount due such Person (other than with respect to the Purchase Price of Bonds) under a Fifteenth Supplement Secured Obligation.

SECTION 20: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.

(a) Definitions. When used in this Fifteenth Supplement, the following terms have the following meanings:

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

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

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

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

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

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

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

“Regulations” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150

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

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

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

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

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

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of

the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the Refunded Obligations), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

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

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

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

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

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

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

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

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

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to

the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

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

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

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

(l) Current Refunding. The Series 1997 Refunded Obligations being refunded by the Bonds constitute a current refunding as the payment of such Refunded Obligations will occur within 90 days of the delivery of the Bonds.

(m) Qualified Advance Refunding. The Bonds being issued to refund the Series 2001A and Series 2001B Refunded Obligations (the "Advance Refunded Obligations"), will be issued more than 90 days before the redemption of the Refunded Obligations. The City represents as follows:

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

(2) The Advance Refunded Obligations are being called for redemption, and will be redeemed not later than the earliest date on which

such bonds may be redeemed and on which the City will realize present value debt service savings (determined without regard to administrative expenses) on the issue.

(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 Advance Refunded Obligations on the Closing Date if not ended prior thereto.

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

(5) The Bonds are being issued for the purposes stated in the preamble of this Ordinance. 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 21: AMENDMENT OF FIFTEENTH SUPPLEMENT.

(a) Required Holder Consent for Amendments. With the consent of the Credit Provider (so long as a Credit Facility is in effect and the Credit Provider is not in payment default thereunder), the Liquidity Provider (so long as a Liquidity Facility is in effect and the Liquidity Provider is not in payment default thereunder), and the owners of a majority in Outstanding Principal Amount of the Bonds, the City shall have the right from time to time to effect any amendment to this Fifteenth 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 Fifteenth Supplement so as to:

- 2109 (1) Make any change in the maturity of any of the Outstanding
2110 Bonds;
- 2111 (2) Reduce the rate of interest borne by any of the Outstanding
2112 Bonds;
- 2113 (3) Reduce the amount of the principal payable on the Bonds;
- 2114 (4) Modify the terms of payment of principal of, premium, if any,
2115 or interest on the Outstanding Bonds or impose any conditions with respect
2116 to such payment;
- 2117 (5) Affect the rights of the owners of less than all of the Bonds then
2118 Outstanding;
- 2119 (6) Amend this subsection (a) of this subsection; or
- 2120 (7) Change the minimum percentage of the principal amount of
2121 Bonds necessary for consent to any amendment;

2122 unless such amendment or amendments be approved by the owners of all of the
2123 Bonds then Outstanding affected by the change or amendment.

2124 (b) Notice of Amendment Requiring Consent. If at any time
2125 the City shall desire to amend the Fifteenth Supplement under subsection (a), the
2126 City shall cause notice of the proposed amendment to be published in a financial
2127 newspaper or journal published in the city of New York, New York, and a
2128 newspaper of general circulation in the City, once during each calendar week for at
2129 least two successive calendar weeks. Such notice shall briefly set forth the nature
2130 of the proposed amendment and shall state that a copy thereof is on file with the
2131 Paying Agent/Registrar for the Bonds. Such publication is not required, however,
2132 if notice in writing is given by mail, first class postage prepaid, to each owner of
2133 the Bonds.

2134 (c) Time Period for Obtaining Consent. If within one year from
2135 the earlier of (i) the date of the first publication of said notice or (ii) the date of the
2136 mailing by the Paying Agent/Registrar of written notice to the owners of the
2137 Bonds, the City shall receive an instrument or instruments executed by the owners
2138 of at least a majority in Outstanding Principal Amount of the Bonds consenting to
2139 and approving such amendment in substantially the form of the copy thereof on file
2140 with each Paying Agent/Registrar, the governing body of the City may pass the
2141 amendatory ordinance in substantially the same form.

2142 (d) Revocation of Consent. Any consent given by the owner of
2143 a Bond pursuant to the provisions of this Section shall be irrevocable for a period
2144 of six months from the date for measuring the one year period to obtain consents
2145 noted in paragraph (c) above, and shall be conclusive and binding upon all future
2146 owners of the same Bonds during such period. At any time after six months from
2147 the date for measuring the one year period to obtain consents noted in paragraph
2148 (c) above, such consent may be revoked by the owner who gave such consent, or
2149 by a successor in title, by filing written notice thereof with the Paying
2150 Agent/Registrar for such Bonds and the City, but such revocation shall not be
2151 effective if the owners of at least a majority in Outstanding Principal Amount of
2152 the then Outstanding Bonds as determined in accordance with this Section have,
2153 prior to the attempted revocation, consented to and approved the amendment. Any
2154 consent given by any Credit Provider or any Liquidity Provider shall be
2155 irrevocable for a period of six months from the date of such consent.

2156 (e) Implementation of Amendment. Upon the passage of any
2157 amendatory ordinance pursuant to the provisions of this Section, this Fifteenth
2158 Supplement shall be deemed to be amended, and the respective rights, duties and
2159 obligations of the City under this Fifteenth Supplement and all the owners of then
2160 Outstanding Bonds shall thereafter be determined, exercised and enforced
2161 hereunder, subject in all respects to such amendment.

2162 (f) Amendment without Consent. The foregoing provisions of
2163 this Section notwithstanding, the City by action of its governing body may amend
2164 this Fifteenth Supplement, with the consent of the Credit Provider and the
2165 Liquidity Provider, but without consent of any owner of Bonds, for any one or
2166 more of the following purposes:

2167 (1) To add to the covenants and agreements of the City in this
2168 Fifteenth Supplement contained, other covenants and agreements thereafter
2169 to be observed, grant additional rights or remedies to the owners of the
2170 Bonds or to surrender, restrict or limit any right or power herein reserved to
2171 or conferred upon the City;

2172 (2) To make such provisions for the purpose of curing any
2173 ambiguity, or curing, correcting or supplementing any defective provision
2174 contained in this Fifteenth Supplement, or in regard to clarifying matters or
2175 questions arising under this Fifteenth Supplement, as are necessary or
2176 desirable and not contrary to or inconsistent with this Fifteenth Supplement
2177 and which shall not adversely affect the interests of the owners of the Bonds
2178 then outstanding;

2179 (3) To modify any of the provisions of this Fifteenth Supplement in
2180 any other respect whatever, provided that such modification shall be, and be
2181 expressed to be, effective only after all the Bonds outstanding at the date of
2182 the adoption of such modification shall cease to be outstanding;

2183 (4) To make such amendments to this Fifteenth Supplement as may
2184 be required, in a Favorable Opinion of Bond Counsel, to ensure compliance
2185 with sections 103 and 141 through 150 of the Code and the regulations
2186 promulgated thereunder and applicable thereto;

2187 (5) To make such changes, modifications or amendments as may
2188 be necessary or desirable in order to allow the owners of the Bonds to
2189 thereafter avail themselves of a book-entry system for payments, transfers
2190 and other matters relating to the Bonds, which changes, modifications or
2191 amendments are not contrary to or inconsistent with other provisions of this
2192 Fifteenth Supplement and which shall not adversely affect the interests of
2193 the owners of the Bonds;

2194 (6) To make such changes, modifications or amendments as may
2195 be necessary or desirable in order to obtain or maintain the granting of a
2196 rating on the Bonds by a Rating Agency or to obtain or maintain a Liquidity
2197 Facility or a Credit Facility or to obtain an Alternate Liquidity Facility or an
2198 Alternate Credit Facility;

2199 (7) To make such changes, modifications or amendments as may
2200 be necessary or desirable, which shall not adversely affect the interests of the
2201 owners of the Bonds, in order, to the extent permitted by law, to facilitate the
2202 economic and practical utilization of interest rate management agreements,
2203 foreign currency exchange agreements, or similar types of agreements with
2204 respect to the Bonds. Notice of any such amendment may be published by
2205 the City in the manner described in clause (b) of this Section; provided,
2206 however, that the publication of such notice shall not constitute a condition
2207 precedent to the adoption of such amendatory ordinance and the failure to
2208 publish such notice shall not adversely affect the implementation of such
2209 amendment as adopted pursuant to such amendatory ordinance;

2210 (8) To make any such changes, modifications, or amendments as
2211 may be necessary or desirable to implement or facilitate a change to a New
2212 Mode pursuant to Section 5 herein;

(9) So long as a Credit Facility is in effect with respect to the Bonds and the Credit Provider is not in default thereunder to make any other changes, modifications or amendments (other than a change, modification or amendment described in clauses (1) through (7), inclusive, of Section 21(a)) consented to by the Credit Provider, if there is delivered to the City a Favorable Opinion of Bond Counsel; and

(10) Any other changes, modifications, or amendments which take effect after a mandatory tender, if there is delivered to the City a Favorable Opinion of Bond Counsel.

(g) Amendments on Mandatory Purchase Date. The owner of a Bond shall be deemed to have consented to any amendment proposed to become effective on any Mandatory Purchase Date for such Bond.

SECTION 22: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of this Fifteenth Supplement when payment of the principal of, and redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, including the giving of any required notice of redemption, or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. If the Bonds are subject to a change in interest rate from the date the defeasance deposit is made and prior to the date of redemption or payment at Stated Maturity, then for purposes of calculating interest requirements on the Bonds, the City shall assume interest at the maximum rate payable on the Bonds during such period, assuming, however, that no Bonds are or will become Liquidity Provider Bonds during such period and that there will be no event of default related to the Bonds during such period. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of this Fifteenth Supplement, the Master Ordinance or a lien

2250 on and pledge of the Net Revenues of the Water/Wastewater System, and shall be
2251 entitled to payment solely from such money or Government Obligations.

2252 Any moneys so deposited with the Paying Agent/Registrar, or an authorized
2253 escrow agent, may at the direction of the City also be invested in Government
2254 Obligations, maturing in the amounts and at the times as hereinbefore set forth, and
2255 all income from all Government Obligations not required for the payment of the
2256 Bonds, the redemption premium, if any, and interest thereon, with respect to which
2257 such money has been so deposited, shall be turned over to the City or deposited as
2258 directed by the City. The City covenants that no deposit will be made or accepted
2259 under clause (ii) of this Section and no use made of any such deposit which would
2260 cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148
2261 of the Code.

2262 Notwithstanding any other provisions of this Fifteenth Supplement, all
2263 money or Government Obligations set aside and held in trust pursuant to the
2264 provisions of this Section for the payment of the Bonds, the redemption premium,
2265 if any, and interest thereon, shall be applied to and used for the payment of such
2266 Bonds, the redemption premium, if any, and interest thereon and the income on
2267 such money or Government Obligations shall not be considered to be "Gross
2268 Revenues" under this Fifteenth Supplement.

2269 **SECTION 23: DAMAGED, MUTILATED, LOST, STOLEN, OR**
2270 **DESTROYED BONDS.** In the event any Outstanding Bond is damaged,
2271 mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be
2272 printed, executed, and delivered, a new bond of the same principal amount,
2273 maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed
2274 Bond, in replacement for such Bond in the manner hereinafter provided. An
2275 application for the replacement of damaged, mutilated, lost, stolen, or destroyed
2276 Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or
2277 destruction of a Bond, the applicant for a replacement bond shall furnish to the
2278 City and to the Paying Agent/Registrar such security or indemnity as may be
2279 required by them to save each of them harmless from any loss or damage with
2280 respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the
2281 applicant shall furnish to the City and to the Paying Agent/Registrar evidence to
2282 their satisfaction of the loss, theft, or destruction of such Bond, as the case may be.
2283 In every case of damage or mutilation of a Bond, the applicant shall surrender to
2284 the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.
2285 Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall
2286 charge the owner of such Bond with all legal, printing, and other expenses in
2287 connection therewith. Every replacement bond issued pursuant to the provisions of

this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Fifteenth Supplement equally and proportionately with any and all other Bonds duly issued under this Fifteenth Supplement.

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

SECTION 24: FIFTEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Fifteenth Supplement shall be deemed to be and shall constitute a contract between the City, the obligees of the City under the Fifteenth Supplement Secured Obligations, and the Holders from time to time of the Bonds. The pledge made in this Fifteenth Supplement by the City and the covenants and agreements set forth in this Fifteenth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, and the obligees of the City under the Fifteenth Supplement Secured Obligations, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Fifteenth Supplement.

SECTION 25: CONTINUING DISCLOSURE UNDERTAKING.

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

2325 “MSRB” means the Municipal Securities Rulemaking Board.

2326 “NRMSIR” means each person whom the SEC or its staff has
2327 determined to be a nationally recognized municipal securities
2328 information repository within the meaning of the Rule from time to
2329 time.

2330 “Rule” means SEC Rule 15c2-12, as amended from time to
2331 time.

2332 “SEC” means the United States Securities and Exchange
2333 Commission.

2334 “SID” means any person designated by the State of Texas or an
2335 authorized department, officer, or agency thereof as, and determined
2336 by the SEC or its staff to be, a state information depository within the
2337 meaning of the Rule from time to time.

2338 (b) Annual Reports. The City shall provide annually to each
2339 NRMSIR and any SID, within six months after the end of each fiscal year
2340 (beginning with the fiscal year ending September 30, 2008) financial information
2341 and operating data with respect to the City of the general type included in the final
2342 Official Statement approved by an Authorized Official, being the information
2343 described in the Pricing Certificate. Financial statements to be provided shall be
2344 (1) prepared in accordance with the accounting principles described in the Pricing
2345 Certificate and (2) audited, if the City commissions an audit of such statements and
2346 the audit is completed within the period during which they must be provided. If
2347 audited financial statements are not available at the time the financial information
2348 and operating data must be provided, then the City shall provide unaudited
2349 financial statements for the applicable fiscal year to each NRMSIR and any SID
2350 with the financial information and operating data and will file the annual audit
2351 report when and if the same becomes available.

2352 If the City changes its fiscal year, it will notify each NRMSIR and any SID
2353 of the change (and of the date of the new fiscal year end) prior to the next date by
2354 which the City otherwise would be required to provide financial information and
2355 operating data pursuant to this Section.

2356 The financial information and operating data to be provided pursuant to this
2357 Section may be set forth in full in one or more documents or may be included by
2358 specific reference to any document (including an official statement or other

2359 offering document, if it is available from the MSRB) that theretofore has been
2360 provided to each NRMSIR and any SID or filed with the SEC.

2361 (c) Material Event Notices. The City shall notify any SID and
2362 either each NRMSIR or the MSRB, in a timely manner, of any of the following
2363 events with respect to the Bonds, if such event is material within the meaning of
2364 the federal securities laws:

- 2365 (1) Principal and interest payment delinquencies;
- 2366 (2) Non-payment related defaults;
- 2367 (3) Unscheduled draws on debt service reserves reflecting financial
2368 difficulties;
- 2369 (4) Unscheduled draws on credit enhancements reflecting financial
2370 difficulties;
- 2371 (5) Substitution of credit or liquidity providers, or their failure to
2372 perform;
- 2373 (6) Adverse tax opinions or events affecting the tax-exempt status
2374 of the Bonds;
- 2375 (7) Modifications to rights of Holders of the Bonds;
- 2376 (8) Bond calls;
- 2377 (9) Defeasances;
- 2378 (10) Release, substitution, or sale of property securing repayment of
2379 the Bonds; and
- 2380 (11) Rating changes.

2381 The City shall notify any SID and either each NRMSIR or the MSRB, in a
2382 timely manner, of any failure by the City to provide financial information or
2383 operating data in accordance with subsection (b) of this Section by the time
2384 required by such Section.

2385 (d) Limitations, Disclaimers, and Amendments. The City shall
2386 be obligated to observe and perform the covenants specified in this Section while,
2387 but only while, the City remains an “obligated person” with respect to the Bonds

within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) hereof of any Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

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

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

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

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Water/Wastewater System, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date

of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Fifteenth Supplement that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data filed with each NRMSIR and SID pursuant to subsection (b) of this Section 25 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 26: REMEDY IN EVENT OF DEFAULT. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Debt Service Fund or Reserve Fund as required by this Fifteenth Supplement or the Master Ordinance, (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Fifteenth Supplement or the Master Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Fifteenth Supplement or the Master Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

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

SECTION 27: SALE OF BONDS - OFFICIAL STATEMENT APPROVAL. The Bonds authorized by this Fifteenth Supplement are to be sold by the City to the Underwriters (herein referred to as the "Purchasers") in accordance with a bond purchase agreement (the "Bond Purchase Agreement"), the

terms and provisions of which Bond Purchase Agreement are to be negotiated and determined by the Pricing Officer, in accordance with Section 3 hereof. With regard to such terms and provisions of said Bond Purchase Agreement, the Pricing Officer is hereby authorized to come to an agreement with the Purchasers on the following, among other matters:

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

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

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

The purchase price of the Bonds shall be as set forth in the Bond Purchase Agreement.

SECTION 28: REDEMPTION OF REFUNDED OBLIGATIONS – ESCROW AGREEMENT.

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

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

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

(d) As used herein, the term “Escrow Agreement” means that certain Special Escrow Agreement by and between the City and U.S. Bank National Association as escrow agent (the “Escrow Agent”) substantially in the form attached hereto as Exhibit D together with any such changes thereto as any Pricing Officer may approve. 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.

(e) 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 Underwriters for deposit to the credit of the "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER REVENUE REFUNDING BONDS, SERIES 2008 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 Fifteenth Supplement, the Pricing Certificate, and the Escrow Agreement.

SECTION 29: CONTROL AND CUSTODY OF BONDS. The Authorized Officials, any one or more, shall be and are hereby authorized to take and have charge of all necessary orders and records pending the delivery 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, one or more Authorized Officials are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the sale 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 the printing of definitive Bonds and the delivery of the Bonds to the Underwriters.

SECTION 30: PROCEEDS OF SALE. Immediately following the delivery of the Bonds, the proceeds of sale of the Bonds in an amount sufficient to pay and defease the Refunded Obligations shall be deposited with the Escrow

Agent for the payment and discharge of the Refunded Obligations in accordance with the provisions of the Escrow Agreement, and the balance of such proceeds shall be used for the payment of costs of issuance, including fees under any Credit Agreement, all in accordance with written instructions from the City to the Paying Agent/Registrar.

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

SECTION 31: LEGAL OPINION. The obligation of the Underwriters to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion is hereby authorized to be printed on the definitive Bonds or an executed counterpart thereof shall accompany the global Bonds deposited with The Depository Trust Company.

SECTION 32: CUSIP NUMBERS. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 33: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of this Fifteenth Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

SECTION 34: LIMITATION OF BENEFITS WITH RESPECT TO THE FIFTEENTH SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Fifteenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Holders, the Underwriters, the Credit Provider, the Liquidity Provider, the Tender Agent, the Remarketing Agent and the Paying Agent/Registrar, any legal or equitable right,

remedy, or claim under or by reason of or in respect to this Fifteenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Fifteenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders, the Underwriter, the Credit Provider, the Liquidity Provider, the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Auction Agent, if any, and any Broker-Dealer, if any, as herein and therein provided.

SECTION 35: NOTICES TO HOLDERS-WAIVER. Wherever this Fifteenth Supplement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the Business Day next preceding the mailing of such notice.

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

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

SECTION 37: HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 38: CONSTRUCTION OF TERMS. If appropriate in the context of this Fifteenth 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. Except as otherwise provided herein, any reference to time in this Fifteenth Supplement shall refer to local time in New York, New York.

SECTION 39: SEVERABILITY. If any provision of this Fifteenth Supplement or the application thereof to any circumstance shall be held to be invalid, the remainder of this Fifteenth Supplement and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that this Fifteenth Supplement would have been enacted without such invalid provision.

SECTION 40: APPROVALS AND SIGNATURES OF AUTHORIZED OFFICIALS. Any agreement, instrument, certificate or other document which this Fifteenth Supplement provides may be approved or executed by one or more Authorized Officials shall be deemed conclusively to be duly approved, executed and delivered on behalf of the City, as its act and deed, in the form and content executed and delivered by an Authorized Official. Any finding or determination made by an Authorized Official relating to the issuance of the Bonds and the execution of documents in connection therewith shall have the same force and effect as a finding or determination made by the City Council.

SECTION 41: [RESERVED].

SECTION 42: PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which this Fifteenth 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 Fifteenth Supplement, was given; all as required by V.T.C.A., Government Code, Chapter 551, as amended.

SECTION 43: EFFECTIVE DATE. This Fifteenth 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.

PASSED AND APPROVED

_____, 2008

§
§
§
§

Will Wynn
Mayor

2677 **APPROVED:** _____ **ATTEST:** _____
2678 David Allan Smith Shirley A. Gentry
2679 City Attorney City Clerk

2680

2681 **(CITY SEAL)**

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DRAFT

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2686

Exhibit A

Refunded Obligations

2687 (1) City of Austin, Texas, Combined Utility Systems Revenue Refunding
2688 Bonds, Series 1997, dated August 1, 1997

2689 (2) City of Austin, Texas, Water and Wastewater System Revenue
2690 Refunding Bonds, Series 2001A, dated April 15, 2001

2691 (3) City of Austin, Texas, Water and Wastewater System Revenue
2692 Refunding Bonds, Series 2001B, dated April 15, 2001

DRAFT

Exhibit B

Definitions

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

“Alternate Credit Enhancement” or “Alternate Liquidity Facility” shall mean a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms hereof as a replacement or substitute for any Credit Enhancement or Liquidity Facility, as applicable, then in effect.

“Alternate Rate” shall mean, on any Rate Determination Date, for any Interest Rate Mode, a rate per annum equal to 110% of (a) the SIFMA Municipal Swap Index of Municipal Market Data most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Municipal Swap Index is no longer published, the S&P Weekly High Grade Index (formerly the JJ. Kenny Index), or if neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association to determine the SIFMA Municipal Swap Index just prior to when the Securities and Financial Markets Association stopped publishing the SIFMA Municipal Swap Index. The Tender Agent shall make the determinations required by this determination, upon notification from the City, if there is no Remarketing Agent, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement.

“Auction Mode” means the Interest Rate Mode during which the Bonds are in an Initial Period or an Auction Period.

“Authorized Denominations” shall mean (i) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (ii) with respect to Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof, (iii) with respect to Bonds in a Long-Term Mode, \$5,000 and any integral multiple thereof, and (iv) with respect to Bonds in an Auction Mode, \$25,000 and integral multiples thereof.

2729 “Authorized Official” means, individually and collectively, each of the
2730 Mayor, the Mayor Pro-Tem, the City Manager, the Chief Financial Officer, the
2731 Deputy Chief Financial Officer, the Treasurer and the City Clerk of the City.

2732 “Available Amount” shall mean the amount available under the Credit
2733 Enhancement or Liquidity Facility, as applicable, to pay the principal of and
2734 interest on the Bonds or the Purchase Price of the Bonds, as applicable.

2735 “Available Moneys” shall mean (i) Bond proceeds, refunding bond proceeds
2736 and investment income derived therefrom, (ii) moneys held by the Paying
2737 Agent/Registrar (other than in the Rebate Fund or the Purchase Fund) and under
2738 this Fifteenth Supplement for a period of at least 123 days and not commingled
2739 with any moneys so held for less than said period and during which period no
2740 petition in bankruptcy was filed by or against, and no receivership, insolvency,
2741 assignment for the benefit of creditors or other similar proceeding has been
2742 commenced by or against, the City, unless such petition or proceeding was
2743 dismissed and all applicable appeal periods have expired without an appeal having
2744 been filed, (iii) investment income derived from the investment of moneys
2745 described in clause (ii) or (iv) any moneys with respect to which an opinion of
2746 nationally recognized bankruptcy counsel has been received by the Paying
2747 Agent/Registrar to the effect that payments by the Paying Agent/Registrar in
2748 respect of the Bonds, as provided in this Fifteenth Supplement, derived from such
2749 moneys should not constitute transfers avoidable under 11 U.S.C. §547(b) and
2750 recoverable from the Holders under 11 U.S.C. §550(a) should the City be the
2751 debtor in a case under Title 11 of the United States Code, as amended.

2752 “Beneficial Owner” shall mean, so long as the Bonds are negotiated in the
2753 Book-Entry System, any Person who acquires a beneficial ownership interest in a
2754 Bond held by the Securities Depository. If at any time the Bonds are not held in
2755 the Book-Entry System, Beneficial Owner shall mean Holder for purposes of this
2756 Ordinance.

2757 “Bond Counsel” shall mean any firm of nationally recognized municipal
2758 bond attorneys selected by the City and experienced in the issuance of municipal
2759 bonds and matters relating to the exclusion of the interest thereon from gross
2760 income for Federal income tax purposes.

2761 “Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND
2762 WASTEWATER SYSTEM VARIABLE RATE REVENUE REFUNDING
2763 BONDS, SERIES 2008” authorized for issuance by the Fifteenth Supplement.

2764 “Book-Entry System” shall mean the system maintained by the Securities
2765 Depository described in Section 11 hereof.

2766 “Business Day” shall mean any day other than (a) a Saturday or Sunday, (b)
2767 a day on which banks located in the cities in which the designated office of any of
2768 the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit
2769 Provider or the Liquidity Provider is located are required or authorized by law or
2770 executive order to close, (c) a day on which the New York Stock Exchange is
2771 closed, or (d) a day on which the payment system of the Federal Reserve System is
2772 not operational.

2773 “City Purchase Account” shall mean the account by that name created in
2774 Section 7(i) hereof.

2775 “Code” shall mean the Internal Revenue Code of 1986, as amended.

2776 “Conversion Date” shall mean with respect to the Bonds in a particular
2777 Interest Rate Mode, the day on which another Interest Rate Mode for the Bonds
2778 begins.

2779 “Conversion Notice” shall mean the notice from the City to the other Notice
2780 Parties of the City’s intention to change the Interest Rate Mode with respect to the
2781 Bonds.

2782 “Credit Enhancement” shall mean a letter of credit, insurance policy, surety
2783 bond, line of credit or other instrument then in effect which secures or guarantees
2784 the payment of principal of and interest on the Bonds. The initial Credit
2785 Enhancement for the Bonds is the Series 2008 Liquidity Agreement.

2786 “Credit Provider” shall mean any bank, insurance company, pension fund or
2787 other financial institution which provides a Credit Enhancement or Alternate
2788 Credit Enhancement for the Bonds. The initial Credit Provider shall be specified
2789 by the Pricing Officer in the Pricing Certificate.

2790 “Credit Provider Failure” or “Liquidity Provider Failure” shall mean a
2791 failure of the Credit Provider or Liquidity Provider, as applicable, to pay a properly
2792 presented and conforming draw or request for advance under the Credit
2793 Enhancement or Liquidity Facility, as applicable, or the filing or commencement
2794 of any bankruptcy or insolvency proceedings by or against the Credit Provider or
2795 Liquidity Provider, as applicable, or the Credit Provider or Liquidity Provider, as
2796 applicable, shall declare a moratorium on the payment of its unsecured debt

2797 obligations or shall repudiate the Credit Enhancement or Liquidity Facility, as
2798 applicable.

2799 “Current Mode” shall have the meaning specified in Section 5(i)(1)(i)
2800 hereof.

2801 “Daily Mode” shall mean the Interest Rate Mode during which the Bonds
2802 bear interest at the Daily Rate.

2803 “Daily Rate” shall mean the per annum interest rate on any Bond in the
2804 Daily Mode determined pursuant to Section 5(d)(1) hereof.

2805 “Daily Rate Period” shall mean the period during which a Bond in the Daily
2806 Mode shall bear interest at a Daily Rate, which shall be from the Business Day
2807 upon which a Daily Rate is set to but not including the next succeeding Business
2808 Day.

2809 “Delayed Remarketing Period” shall have the meaning specified in Section
2810 7(j)(2) hereof.

2811 “Electronic Means” shall mean telecopy, facsimile transmission, e-mail
2812 transmission or other similar electronic means of communication providing
2813 evidence of transmission, including a telephonic communication confirmed by any
2814 other method set forth in this definition.

2815 “Expiration Date” shall mean the stated expiration date of the Credit
2816 Enhancement or the Liquidity Facility, as it may be extended from time to time as
2817 provided in the Credit Enhancement or the Liquidity Facility, or any earlier date on
2818 which the Credit Enhancement or the Liquidity Facility shall terminate at the
2819 direction of the City, expire or be cancelled.

2820 “Favorable Opinion of Bond Counsel” shall mean, with respect to any action
2821 the occurrence of which requires such an opinion, an unqualified Opinion of
2822 Counsel, which shall be a Bond Counsel, to the effect that such action is permitted
2823 under V.T.C.A., Government Code, Chapters 1207, 1371 and 1502, as amended,
2824 and this Ordinance and will not adversely affect the exclusion of interest on the
2825 Bonds from gross income for purposes of Federal income taxation (subject to the
2826 inclusion of any exceptions contained in the opinion delivered upon original
2827 issuance of the Bonds).

2828 “Fifteenth Supplement” means Ordinance No. 20080306-____ authorizing
2829 the issuance of the Bonds and all Exhibits thereto, including any Pricing
2830 Certificates executed thereunder.

2831 “Fifteenth Supplement Secured Obligations” shall have the meaning
2832 specified in Section 16 hereof.

2833 “Fitch” shall mean Fitch, Inc., and its successors and assigns, except that if
2834 such corporation shall be dissolved or liquidated or shall no longer perform the
2835 functions of a securities rating agency, then the term “Fitch” shall be deemed to
2836 refer to any other nationally recognized securities rating agency selected by the
2837 City after consultation with the Remarketing Agent, if any, and the Broker-Dealer,
2838 if any.

2839 “Fixed Rate” shall mean the per annum interest rate on any Bond in the
2840 Fixed Rate Mode determined pursuant to Sections 5(e)(2) hereof.

2841 “Fixed Rate Bond” shall mean a Bond in the Fixed Rate Mode.

2842 “Fixed Rate Mode” shall mean the Interest Rate Mode during which the
2843 Bonds bear interest at the Fixed Rate.

2844 “Fixed Rate Period” shall mean for the Bonds in the Fixed Rate Mode, the
2845 period from the Conversion Date upon which the Bonds were converted to the
2846 Fixed Rate Mode to but not including the Maturity Date for the Bonds.

2847 “Flexible Mode” shall mean the Interest Rate Mode during which the Bonds
2848 bear interest at the Flexible Rate.

2849 “Flexible Rate” shall mean the per annum interest rate on a Bond in the
2850 Flexible Mode determined for such Bond pursuant to Section 5(c) hereof. The
2851 Bonds in the Flexible Mode may bear interest at different Flexible Rates.

2852 “Flexible Rate Bond” shall mean a Bond in the Flexible Mode.

2853 “Flexible Rate Period” shall mean the period of from one to 270 calendar
2854 days (which period must end on a day preceding a Business Day) during which a
2855 Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the
2856 Remarketing Agent pursuant to Section 5(c) hereof. The Bonds in the Flexible
2857 Mode may be in different Flexible Rate Periods.

2858 “Fourteenth Supplement” shall mean means Ordinance No. 20080306-____
2859 authorizing the issuance of Series 2008 Interest Rate Management Agreement and

2860 the Series 2008 Liquidity Agreement and all Exhibits thereto, including any
2861 Pricing Certificates issued thereunder.

2862 “Hedge Counterparty” shall have the meaning as set forth in the Fourteenth
2863 Supplement.

2864 “Holder” shall mean the registered owner of a Bond, including the Securities
2865 Depository, if any, or its nominee.

2866 “Interest Accrual Period” shall mean the period during which a Bond
2867 accrues interest payable on the next Interest Payment Date applicable thereto.
2868 Each Interest Accrual Period shall commence on (and include) the last Interest
2869 Payment Date to which interest has been paid (or, if no interest has been paid, from
2870 the date of original authentication and delivery of the Bonds) to, but not including,
2871 the Interest Payment Date on which interest is to be paid. If, at the time of
2872 authentication of any Bond, interest is in default or overdue on the Bonds, such
2873 Bond shall bear interest from the date to which interest has previously been paid in
2874 full or made available for payment in full on Outstanding Bonds.

2875 “Interest Payment Date” shall mean each date on which interest is to be paid
2876 and is: (i) with respect to the Bonds in the Flexible Mode, each Mandatory
2877 Purchase Date applicable thereto; (ii) with respect to the Bonds in the Daily Mode
2878 or Weekly Mode, the first Business Day of each month; (iii) with respect to the
2879 Bonds in a Term Rate Mode or a Fixed Rate Mode, each May 15 and November
2880 15, beginning with the first such date following a Conversion Date and, with
2881 respect to a Term Rate Period, the final day of the current Interest Period if other
2882 than May 15 or November 15; (iv) with respect to the Bonds in the LIBOR
2883 Indexed Mode, each January 1, April 1, July 1 and October 1 (beginning with the
2884 first such day after the Conversion Date); (v) (without duplication as to any Interest
2885 Payment Date listed above) each Maturity Date; (vi) with respect to any Liquidity
2886 Provider Bonds, the day set forth in the applicable Reimbursement Agreement and
2887 (vii) with respect to the Bonds in the Auction Mode, Interest Payment Date shall
2888 have the meaning set forth in Exhibit E.

2889 “Interest Period” shall mean, for the Bonds in a particular Interest Rate
2890 Mode, the period of time that the Bonds bear interest at the rate (per annum) which
2891 becomes effective at the beginning of such period, and shall include an Auction
2892 Period, a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a
2893 LIBOR Interest Period, a Term Rate Period and a Fixed Rate Period.

2894 “Interest Rate Mode” shall mean, as the context may require, the Auction
2895 Mode, the Flexible Mode, the Daily Mode, the Weekly Mode, the Term Rate Mode
2896 or the Fixed Rate Mode.

2897 “LIBOR Indexed Mode” shall mean the Interest Rate Mode during which
2898 the Bonds bear interest at the LIBOR Index Rate.

2899 “LIBOR Index Rate” is the rate borne by the Bonds during each Interest
2900 Period determined in accordance with Section 5(h).

2901 “LIBOR Interest Period” means, during the LIBOR Indexed Mode, the
2902 period from (and including) the Conversion Date to the first Interest Payment Date
2903 and thereafter shall mean the period from (and including) an Interest Payment Date
2904 to but not including the following Interest Payment Date (regardless of whether or
2905 not such Interest Payment Dates are business days).

2906 “Liquidity Facility” shall mean any letter of credit, line of credit, standby
2907 purchase agreement or other instrument then in effect which provides for the
2908 payment of the purchase price of Bonds upon the tender thereof in the event
2909 remarketing proceeds are insufficient therefor. The initial Liquidity Facility for the
2910 Bonds is the Series 2008 Liquidity Agreement issued by the initial Liquidity
2911 Provider. The City is not required by this Ordinance to provide a Liquidity Facility
2912 for Bonds in the Auction Mode or the Fixed Rate Mode.

2913 “Liquidity Facility Purchase Account” shall mean the account by that name
2914 created in Section 7(i) hereof.

2915 “Liquidity Provider” shall mean any bank, insurance company, pension fund
2916 or other financial institution which provides a Liquidity Facility or Alternate
2917 Liquidity Facility for the Bonds. The initial Liquidity Provider shall be specified
2918 by the Pricing Officer in the Pricing Certificate executed in accordance with the
2919 Fourteenth Supplement.

2920 “Liquidity Provider Bonds” shall mean any Bonds purchased by the
2921 Liquidity Provider with funds drawn on or advanced under the Liquidity Facility.

2922 “London Banking Day” means any day on which commercial banks are
2923 open for general business (including dealings in foreign exchange and foreign
2924 currency) in the City of London, United Kingdom.

2925 “Long-Term Mode” shall mean a LIBOR Indexed Mode, a Term Rate Mode
2926 or a Fixed Rate Mode.

2927 “Mandatory Purchase Date” shall mean: (i) with respect to a Flexible Rate
2928 Bond the first Business Day following the last day of each Flexible Rate Period
2929 with respect to such Bond; (ii) for Bonds in the Term Rate Mode, on the first
2930 Business Day following the last day of each Term Rate Period; (iii) any
2931 Conversion Date (except a change in Interest Rate Mode between the Daily Mode
2932 and the Weekly Mode); (iv) any Substitution Date; (v) the fifth Business Day prior
2933 to the Expiration Date (other than as a result of an Automatic Termination Event);
2934 (vi) the date specified by the Paying Agent/Registrar following the occurrence of
2935 an event of default under the applicable Reimbursement Agreement, which date
2936 shall be a Business Day not more than fourteen nor less than ten days after the
2937 Paying Agent/Registrar’s receipt of notice of such event of default from the Credit
2938 Provider or the Liquidity Provider and in no event later than the day preceding the
2939 termination date specified by the Credit Provider or the Liquidity Provider; (vii)
2940 the date specified by the Paying Agent/Registrar following receipt of notice by the
2941 Paying Agent/Registrar from the Credit Provider that the Credit Enhancement will
2942 not be reinstated following a drawing to pay interest on the Bonds (other than
2943 interest on Bonds no longer Outstanding after such drawing) which date shall be a
2944 Business Day not more than five days after the Paying Agent/Registrar’s receipt of
2945 such notice; and (viii) for Bonds in the Daily Mode or Weekly Mode, any Business
2946 Day specified by the City not less than 20 days after the Paying Agent/Registrar’s
2947 receipt of such notice and in no event later than the day preceding the Expiration
2948 Date.

2949 “Master Ordinance” means Ordinance No. 000608-56A providing for the
2950 issuance of “Parity Water/Wastewater Obligations,” as defined therein, passed by
2951 the City on June 8, 2000.

2952 “Maturity Date” shall mean May 15, 2031 and, if established pursuant to
2953 Section 5(i)(2)(v) hereof upon a change to the Fixed Rate Mode, any Serial
2954 Maturity Date.

2955 “Maximum Rate” shall mean (i) with respect to all Bonds other than
2956 Liquidity Provider Bonds, a rate of interest of _____% per annum and (ii) with
2957 respect to Liquidity Provider Bonds, the rate specified in the Liquidity Facility;
2958 provided that if the Bonds are in the Auction Mode, the Maximum Rate shall have
2959 the meaning in Exhibit E - Auction Procedures. In no event shall such rate(s)
2960 exceed the highest rate allowed by law.

2961 “Moody’s” shall mean Moody’s Investors Service, Inc., a corporation duly
2962 organized and existing under and by virtue of the laws of the State of Delaware,
2963 and its successors and assigns, except that if such corporation shall be dissolved or

liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent, if any, and the Broker-Dealer, if any.

“New Mode” shall have the meaning specified in Section 5(i)(1)(i) hereof.

“Notice Parties” shall mean the City, the Paying Agent/Registrar, the Tender Agent, the Remarketing Agent, if any, the Broker-Dealer, if any, the Auction Agent, if any, the Credit Provider, the Hedge Counterparty and the Liquidity Provider.

“Opinion of Counsel” means a written opinion of counsel who may (except as otherwise expressly provided in this Ordinance) be counsel for the City. Any requirement for an Opinion of Counsel may be satisfied if the required opinions are delivered separately by different firms or by one firm, so long as, taking all the opinions together, the requirement is met.

“Paying Agent/Registrar” means the financial institution specified in Section 4 of the Fifteenth Supplement.

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

“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 Management Agreement, the Liquidity Agreement and the Insurance Obligation (as such terms are defined in Ordinance No. 040812-43), (8) “City of

2999 Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series
3000 2004A”, (9) “City of Austin, Texas, Water and Wastewater System Revenue
3001 Refunding Bonds, Series 2005”, (10) “City of Austin, Texas, Water and
3002 Wastewater System Revenue Refunding Bonds, Series 2005A”, (11) “City of
3003 Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series
3004 2006” and (12) “City of Austin, Texas, Water and Wastewater System Revenue
3005 Refunding Bonds, Series 2006A,” (13) “City of Austin, Texas, Water And
3006 Wastewater System Revenue Refunding Bonds, Series 2007” and (14) the City’s
3007 obligation to make certain regularly scheduled payments under the Series 2008
3008 Interest Rate Management Agreement.

3009 “Principal Payment Date” shall mean any date upon which the principal
3010 amount of Bonds is due hereunder, including the Maturity Date, any Serial
3011 Maturity Date, any Redemption Date.

3012 “Prior Supplements” mean Ordinance Nos. 000608-56B, 010419-77,
3013 011129-65, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-
3014 37, 051020-051, 20051117-060, 20061108-051, 20071108-080 and 20080306-
3015 _____ authorizing the issuance of the Previously Issued Parity Water/Wastewater
3016 Obligations.

3017 “Purchase Date” shall mean (i) for a Bond in the Daily Mode or the Weekly
3018 Mode, any Business Day selected by the Beneficial Owner of said Bond pursuant
3019 to the provisions of Section 7(a) hereof, and (ii) any Mandatory Purchase Date.

3020 “Purchase Fund” shall mean the fund by that name created in Section 7(j)
3021 hereof.

3022 “Purchase Price” shall mean an amount equal to the principal amount of any
3023 Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date
3024 (unless the Purchase Date is an Interest Payment Date, in which case the Purchase
3025 Price shall not include accrued interest, which shall be paid in the normal course).

3026 “Quotation Agent” means Goldman, Sachs & Co., or, if Goldman, Sachs &
3027 Co. cannot perform the duties of a Quotation Agent set forth herein, such other
3028 quotation agent as may be designated by the City.

3029 “Rate Determination Date” shall mean any date on which the interest rate on
3030 Bonds shall be determined, which: (i) in the case of the Flexible Mode, shall be
3031 the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each
3032 Business Day commencing with the first day (which must be a Business Day) the
3033 Bonds become subject to the Daily Mode; (iii) in the case of the Weekly Mode,

(A) each Wednesday or, if Wednesday is not a Business Day, then the Business Day next succeeding such Wednesday and (B) not later than the Business Day preceding a Conversion Date, a Substitution Date or a Mandatory Purchase Date specified in clause (viii) of the definition of Mandatory Purchase Date; (iv) in the case of the Term Rate Mode, shall be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding the first day of an Interest Period, as determined by the Remarketing Agent; (v) in the case of the LIBOR Indexed Mode, shall be date that is two (2) London Business Days preceding the first day of each LIBOR Interest Period; and (vi) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Conversion Date.

“Rating Agencies” shall mean any of Moody’s, S&P or Fitch, which is then providing a rating on the Bonds.

“Rating Confirmation Notice” shall mean a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

“Record Date” shall mean: (i) with respect to Bonds in a Short-Term Mode or an Auction Mode, the last Business Day before an Interest Payment Date; and (ii) with respect to Bonds in a Long-Term Mode, the last business day of the month next preceding each Interest Payment Date.

“Redemption Date” shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

“Redemption Price” shall mean an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“Reimbursement Agreement” shall mean any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, by and between the Credit Provider or Liquidity Provider, as applicable, and the City. Initially, the Series 2008 Liquidity Agreement is the only Reimbursement Agreement.

“Remarketing Agent” shall mean any investment banking firm appointed as provided in Section 8(a) hereof.

3068 “Remarketing Agreement” shall mean that certain Remarketing Agreement
3069 relating to the Bonds, by and between the City and the Remarketing Agent
3070 attached to and approved in the Pricing Certificate in accordance with the
3071 provisions of the Fourteenth Supplement or any similar agreement between the
3072 City and the Remarketing Agent, as it may be amended or supplemented from time
3073 to time in accordance with its terms.

3074 “Remarketing Proceeds Account” shall mean the account by that name
3075 created in Section 7(i) hereof.

3076 “S&P” shall mean Standard & Poor’s Ratings Services, Inc., a division of
3077 The McGraw-Hill Companies, Inc., duly organized and existing under and by
3078 virtue of the laws of the State of New York, and its successors and assigns, except
3079 that if such corporation shall be dissolved or liquidated or shall no longer perform
3080 the functions of a securities rating agency, then the term “S&P” shall be deemed to
3081 refer to any other nationally recognized securities rating agency selected by the
3082 City after consultation with the Remarketing Agent, if any, and the Broker-Dealer,
3083 if any.

3084 “Securities Depository” shall mean The Depository Trust Company, 711
3085 Stewart Avenue, Garden City, New York 11530, Fax 516/227-4039 or 4190 and
3086 such other securities depository as the City may designate in a certificate of the
3087 City delivered to the Paying Agent/Registrar.

3088 “Security Register” shall have the meaning given said term in Section 4 of
3089 the Fifteenth Supplement.

3090 “Serial Bonds” shall mean the Bonds maturing on the Serial Maturity Dates,
3091 as determined pursuant to Section 5(i)(2) hereof.

3092 “Serial Maturity Dates” shall mean the dates on which the Serial Bonds
3093 mature, as determined pursuant to Section 5(i)(2) hereof.

3094 “Serial Payments” shall mean the payments to be made in payment of the
3095 principal of the Serial Bonds on the Serial Maturity Dates.

3096 “Series 2008 Interest Rate Management Agreement” means that certain
3097 interest rate management agreement entered into between the City and the Hedge
3098 Counterparty consisting of the 1992 ISDA Master Agreement, the Confirmation
3099 between such parties, and the Schedules and Credit Support Annex attached
3100 thereto attached to and approved in the Pricing Certificate pursuant to the

3101 provisions of the Fourteenth Supplement, together with any and all prior and future
3102 amendments to any of the foregoing.

3103 “Series 2008 Liquidity Agreement” means that certain Reimbursement
3104 Agreement and Letter of Credit, between the City and the Liquidity Provider
3105 attached to and approved in the Pricing Certificate pursuant to the provisions of the
3106 Fourteenth Supplement.

3107 “Short-Term Mode” shall mean the Daily Mode, the Weekly Mode or the
3108 Flexible Mode.

3109 “Substitution Date” shall mean the date upon which an Alternate Credit
3110 Enhancement or Alternate Liquidity Facility is scheduled to be substituted for the
3111 Credit Enhancement or Liquidity Facility then in effect.

3112 “Tender Agent” shall mean the commercial bank, trust company or other
3113 entity which may from time to time be appointed to serve as Tender Agent as
3114 provided in Section 8(c) hereof. Until such time as an alternate Tender Agent is
3115 appointed, the Tender Agent shall be the Paying Agent/Registrar.

3116 “Tender Agent Agreement” means that certain Tender Agent Agreement
3117 relating to the Bonds, by and between the City and the Tender Agent.

3118 “Tender Notice” shall mean a notice delivered by Electronic Means or in
3119 writing that states (i) the principal amount of such Bond to be purchased pursuant
3120 to Section 7(a) hereof, (ii) the Purchase Date on which such Bond is to be
3121 purchased, (iii) applicable payment instructions with respect to the Bonds being
3122 tendered for purchase and (iv) an irrevocable demand for such purchase.

3123 “Tender Notice Deadline” shall mean (i) during the Daily Mode, 11:00 A.M.
3124 on any Business Day and (ii) during the Weekly Mode, 5:00 P.M. on the Business
3125 Day seven days prior to the applicable Purchase Date.

3126 “Term Rate” shall mean the per annum interest rate for the Bonds in the
3127 Term Rate Mode determined pursuant to Section 5(e)(i) hereof.

3128 “Term Rate Mode” shall mean the Interest Rate Mode during which the
3129 Bonds bear interest at the Term Rate.

3130 “Term Rate Period” shall mean the period from (and including) the
3131 Conversion Date to (but excluding) the last day of the first period that the Bonds
3132 shall be in the Term Rate Mode as established by the City for the Bonds pursuant

to Sections 5(i)(1)(i) hereof and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for the Bonds by the City pursuant to Section 5(e)(i) while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in this Ordinance, an Interest Period for the Bonds in the Term Rate Mode must be at least 180 days in length.

“Three-Month LIBOR Rate” means the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 A.M., London time, on the Rate Determination Date, except that, if such rate does not appear on such page on the Rate Determination Date, the Three-Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 A.M., London time, on the Rate Determination Date, to prime banks in the London interbank market by four major banks in the London interbank market (herein referred to as the “Reference Banks”) selected by the Quotation Agent. The Quotation Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Quotation Agent, at approximately 11:00 A.M., New York City time, on the Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If the banks in New York City selected by the Quotation Agent are not then quoting rates for such loans, then the Three-Month LIBOR Rate for the ensuing LIBOR Interest Period will mean the Three-Month LIBOR Rate then in effect.

“Unremarketed Bonds Rate” shall mean (i) if a Liquidity Facility was delivered in connection with the Bonds, the Alternate Rate plus 3% per annum and (ii) if a Liquidity Facility was not delivered in connection with the Bonds, the Maximum Rate, provided in no event shall either such rate exceed the highest rate allowed by law.

3170 “Variable Rate Mode” shall mean the Short-Term Mode or the Term Rate
3171 Mode.

3172 “Weekly Mode” shall mean the Interest Rate Mode during which the Bonds
3173 bear interest at the Weekly Rate.

3174 “Weekly Rate” shall mean the per annum interest rate on the Bonds in the
3175 Weekly Mode determined pursuant to Section 5(d)(2) hereof.

3176 “Weekly Rate Period” shall mean the period during which a Bond in the
3177 Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on
3178 Thursday of each week to and including Wednesday of the following week, except
3179 (i) if the Bonds are issued in the Weekly Mode, in which case the first Weekly
3180 Rate Period shall be from the initial issuance of the Bonds to and including the
3181 Wednesday of the following week, (ii) in connection with a conversion to the
3182 Weekly Rate, in which case the first Weekly Rate Period shall be from the
3183 Conversion Date to and including the Wednesday of the following week, (iii) in
3184 the case of a Substitution Date or Mandatory Purchase Date specified in clause
3185 (viii) of the definition of Mandatory Purchase Date, in which case the Weekly Rate
3186 Period prior to the Substitution Date or such Mandatory Purchase Date shall end on
3187 the day before the Substitution Date or such Mandatory Purchase Date and a new
3188 Weekly Rate Period shall commence on the Substitution Date or such Mandatory
3189 Purchase Date and end on the Wednesday of the following week and (iv) in
3190 connection with a conversion from the Weekly Mode, the last Weekly Rate Period
3191 shall end on the day next preceding the Conversion Date.

3192 Defined terms relating to the Auction Mode (including but not limited to
3193 Auction, Auction Period Rate, Auction Agent, Auction Date, Auction Period,
3194 Auction Procedures, Broker-Dealer, Maximum Rate and Flexible Auction Period)
3195 shall have the meanings given to such terms in Exhibit E hereto.

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Exhibit C

Paying Agent/Registrar Agreement

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Exhibit D
Special Escrow Agreement

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3205
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Exhibit E
Auction Procedures

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3207

TABLE OF CONTENTS

3208

Page

3209 ARTICLE I Definitions.....3

3210 ARTICLE II Auction Procedures9

3211 Section 2.01 Orders by Existing Holders and Potential Holders.....9

3212 Section 2.02 Submission of Orders by Broker-Dealers to Auction
3213 Agent11

3214 Section 2.03 Treatment of Orders by the Auction Agent13

3215 Section 2.04 Determination of Auction Period Rate15

3216 Section 2.05 Allocation of Bonds16

3217 Section 2.06 Notice of Auction Period Rate.....18

3218 Section 2.07 Index.....19

3219 Section 2.08 Miscellaneous Provisions Regarding Auctions19

3220 Section 2.09 Changes in Auction Period or Auction Date20

3221

Both the Definitions in Article I and the Auction Procedures in Article II are subject to modification or amendment pursuant to Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to “Series” such as “a Series of Bonds” or “Bonds of a Series” shall not apply if there is only one Series of Bonds.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit E (hereinafter “this Exhibit”) and elsewhere in the Authorizing Document have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I:

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“All Hold Rate” has the meaning set forth in Schedule I.

“ARS Conversion Date” means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

“ARS Rate Period” means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

“Auction Agreement” means an agreement between the Auction Agent and the Paying Agent/Registrar pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means with respect to any Series of Bonds:

(a) *Daily Auction Period.* If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) *Flexible Auction Period.* If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) *Other Auction Periods.* If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four

weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I;

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction

Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

“Authorized Denomination” means \$25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

“Authorizing Document” has the meaning set forth in Schedule I.

“Available Bonds” means, for each Series of Bonds on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

3380 **“Bid”** has the meaning specified in subsection (a) of Section 2.01 of this
3381 Exhibit.

3382 **“Bidder”** means each Existing Holder and Potential Holder who places an
3383 Order.

3384 **“Bonds”** has the meaning set forth in Schedule I.

3385 **“Broker-Dealer”** means any entity that is permitted by law to perform the
3386 function required of a Broker-Dealer described in this Exhibit, that is a member of,
3387 or a direct participant in, the Securities Depository, that has been selected by the
3388 City and that is a party to a Broker-Dealer Agreement with the Auction Agent and
3389 the City. The **“Broker-Dealer of record”** with respect to any Bond is the Broker-
3390 Dealer which placed the Order for such Bond or whom the Existing Holder of such
3391 Bond has designated as its Broker-Dealer with respect to such Bond, in each case
3392 as reflected in the records of the Auction Agent.

3393 **“Broker-Dealer Agreement”** means an agreement among the Auction
3394 Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees
3395 to follow the procedures described in this Exhibit, as such agreement may from to
3396 time be amended or supplemented.

3397 **“Broker-Dealer Deadline”** means, with respect to an Order, the internal
3398 deadline established by the Broker-Dealer through which the Order was placed
3399 after which it will not accept Orders or any change in any Order previously placed
3400 with such Broker-Dealer; provided, however, that nothing shall prevent the
3401 Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to
3402 Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions
3403 herein. Any Broker-Dealer may change the time or times of its Broker-Dealer
3404 Deadline as it relates to such Broker-Dealer by giving notice not less than two
3405 Business Days prior to the date such change is to take effect to Bidders who place
3406 Orders through such Broker-Dealer.

3407 **“Business Day”** in addition to any other definition of **“Business Day”**
3408 included in the Authorizing Document, while Bonds bear interest at the Auction
3409 Period Rate, the term Business Day shall not include Saturdays, Sundays, days on
3410 which the New York Stock Exchange or its successor is not open for business,
3411 days on which the Federal Reserve Bank of New York is not open for business,
3412 days on which banking institutions or trust companies located in the state in which
3413 the operations of the Auction Agent are conducted are authorized or required to be

3414 closed by law, regulation or executive order of the state in which the Auction
3415 Agent conducts operations with respect to the Bonds.

3416 **“City”** has the meaning set forth in Schedule I.

3417 **“Clerical Error”** means a clerical error in the processing of an Order, and
3418 includes, but is not limited to, the following: (i) a transmission error, including but
3419 not limited to, an Order sent to the wrong address or number, failure to transmit
3420 certain pages or illegible transmission, (ii) failure to transmit an Order received
3421 from one or more Existing Holders or Potential Holders (including Orders from the
3422 Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-
3423 Dealer Deadline or generated by the Broker-Dealer’s Auction Desk for its own
3424 account prior to the Submission Deadline or (iii) a typographical error.
3425 Determining whether an error is a “Clerical Error” is within the reasonable
3426 judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the
3427 correct Order that shows it was so received or so generated prior to the Broker-
3428 Dealer Deadline or the Submission Deadline, as applicable.

3429 **“Conversion Date”** means the date on which any Series of the Bonds begin
3430 to bear interest at a rate which is determined other than by means of the Auction
3431 Procedures.

3432 **“Electronic Means”** means, facsimile transmission, email transmission or
3433 other similar electronic means of communication providing evidence of
3434 transmission, including a telephone communication confirmed by any other
3435 method set forth in this definition.

3436 **“Error Correction Deadline”** means one hour after the Auction Agent
3437 completes the dissemination of the results of the Auction to Broker-Dealers
3438 without regard to the time of receipt of such results by any Broker-Dealer;
3439 provided, however, in no event shall the Error Correction Deadline extend past
3440 4:00 p.m., New York City time, unless the Auction Agent experiences
3441 technological failure or force majeure in disseminating the Auction results which
3442 causes a delay in dissemination past 3:00 p.m., New York City time.

3443 **“Existing Holder”** means a Person who is the beneficial owner of Bonds;
3444 provided, however, that for purposes of conducting an Auction, the Auction Agent
3445 may consider a Broker-Dealer acting on behalf of its customer as an Existing
3446 Holder.

3447 **“Flexible Auction Period”** means with respect to a Series of Bonds,

(a) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a business Day or

(b) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01 (a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Initial Period Rate” has the meaning set forth in Schedule I.

“Interest Payment Date” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such

3483 Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which
3484 interest on the Bonds would be payable if such Bonds bore interest at a fixed rate
3485 of interest and on the Business Day immediately following such Flexible Auction
3486 Period, and (d) the date when the final payment of principal of the Bonds of such
3487 Series becomes due and payable (whether at stated maturity, upon redemption or
3488 acceleration, or otherwise).

3489 **“Maximum Rate”** has the meaning set forth in Schedule I.

3490 **“Order”** means a Hold Order, Bid or Sell Order.

3491 **“Person”** has the meaning set forth in Schedule I.

3492 **“Potential Holder”** means any Person, including any Existing Holder, who
3493 may be interested in acquiring a beneficial interest in the Bonds in addition to the
3494 Bonds currently owned by such Person, if any; provided, however, that for
3495 purposes of conducting an Auction, the Auction Agent may consider a Broker-
3496 Dealer acting on behalf of its customer as a Potential Holder.

3497 **“Record Date”** means, notwithstanding anything else in the Authorizing
3498 Document, while the Bonds bear interest at the Auction Period Rate, the Business
3499 Day immediately preceding an Interest Payment Date.

3500 **“Schedule I”** means Schedule I to this Exhibit.

3501 **“Securities Depository”** means, notwithstanding anything else in the
3502 Authorizing Document to the contrary, The Depository Trust Company and its
3503 successors and assigns or any other securities depository selected by the City.

3504 **“Sell Order”** has the meaning specified in subsection (a) of Section 2.01 of
3505 this Exhibit.

3506 **“Submission Deadline”** means, unless changed by Schedule I, 1:00 p.m.,
3507 New York City time, on each Auction Date not in a daily Auction Period and
3508 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period,
3509 or such other time on such date as shall be specified from time to time by the
3510 Auction Agent if directed in writing by the Paying Agent/Registrar or the City
3511 pursuant to the Auction Agreement as the time by which Broker-Dealers are
3512 required to submit Orders to the Auction Agent. Notwithstanding the foregoing,
3513 the Auction Agent will follow the Securities Industry and Financial Markets
3514 Association’s Early Market Close Recommendations for shortened trading days for
3515 the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is

instructed otherwise in writing by the Paying Agent/Registrar or the City. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Sufficient Clearing Bids” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Holders specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

“Units” has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

“Winning Bid Rate” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 2.01 *Orders by Existing Holders and Potential Holders.*

(a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Holder.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Holder or a Potential Holder or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more

than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Holder shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Holder shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the

3613 Auction Rate for the next succeeding Auction Period shall be equal to
3614 such specified rate.

3615 (c) Anything herein to the contrary notwithstanding:

3616 (i) If an Order or Orders covering all of the Bonds of a particular
3617 Series held by an Existing Holder is not submitted to the Broker-Dealer of
3618 record for such Existing Holder prior to the Broker-Dealer Deadline, such
3619 Broker-Dealer shall deem a Hold Order to have been submitted on behalf of
3620 such Existing Holder covering the principal amount of Bonds held by such
3621 Existing Holder and not subject to Orders submitted to such Broker-Dealer;
3622 provided, however, that if there is a conversion from one Auction Period to a
3623 longer Auction Period and Orders have not been submitted to such Broker-
3624 Dealer prior to the Broker-Dealer Deadline covering the aggregate principal
3625 amount of Bonds of a particular Series to be converted held by such Existing
3626 Holder, such Broker-Dealer shall deem a Sell Order to have been submitted
3627 on behalf of such Existing Holder covering the principal amount of Bonds to
3628 be converted held by such Existing Holder not subject to Orders submitted
3629 to such Broker-Dealer.

3630 (ii) for purposes of any Auction, any Order by any Existing Holder
3631 or Potential Holder shall be revocable until the Broker-Dealer Deadline, and
3632 after the Broker-Dealer Deadline, all such Orders shall be irrevocable,
3633 except as provided in Sections 2.02(e)(ii) and 2.02(f); and

3634 (iii) for purposes of any Auction other than during a daily Auction
3635 Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii)
3636 above shall be sold or purchased at a price equal to 100% of the principal
3637 amount thereof; provided that, for purposes of any Auction during a daily
3638 Auction Period, such sale or purchase price shall be 100% of the principal
3639 amount thereof plus accrued interest to the date of sale or purchase.

3640 Section 2.02 *Submission of Orders by Broker-Dealers to Auction Agent.*

3641 (a) Each Broker-Dealer shall submit to the Auction Agent in writing, or
3642 by such Electronic Means as shall be reasonably acceptable to the Auction Agent,
3643 prior to the Submission Deadline on each Auction Date for Bonds of a Series, all
3644 Orders with respect to Bonds of such Series accepted by such Broker-Dealer in
3645 accordance with Section 2.01 above and specifying with respect to each Order or
3646 aggregation of Orders pursuant to Section 2.02(b) below:

3647 (i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Holder:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Holder;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Holder; and

(v) to the extent such Bidder is a Potential Holder, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Holder, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Holder submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Holders with those of other Potential Holders on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Holders with other Existing Holders on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the City, the Paying Agent/Registrar or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Holder, Potential Holder or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Holder or Potential Holder or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Holder or Potential Holder or is an Order received from the Broker-Dealer that was not originated by

the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Holder, a Potential Holder or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 2.03 *Treatment of Orders by the Auction Agent.* Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Holder up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Holder up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the

3788 Broker-Dealer of record over the number of Units of Bonds of such
3789 Series for which such Broker-Dealer is the Broker-Dealer of record
3790 subject to Hold Orders referred to in clause (i) above;

3791 (C) subject to clause (A) above, if more than one Bid with
3792 different rates is submitted by a Broker-Dealer, such Bids shall be
3793 considered Bids of an Existing Holder in the ascending order of their
3794 respective rates up to the amount of the excess of the number of Units
3795 of Bonds of such Series for which such Broker-Dealer is the Broker-
3796 Dealer of record over the number of Units of Bonds of such Series for
3797 which such Broker-Dealer is the Broker-Dealer of record subject to
3798 Hold Orders referred to in clause (i) above; and

3799 (D) the number of Units, if any, of such Bonds of such Series
3800 subject to Bids not considered to be Bids for which such Broker-
3801 Dealer is the Broker-Dealer of record under this clause (ii) shall be
3802 treated as the subject of a Bid by a Potential Holder;

3803 (iii) all Sell Orders shall be considered Sell Orders, but only up to
3804 and including the number of Units of Bonds of such Series equal to the
3805 excess of the number of Units of Bonds of such Series for which such
3806 Broker-Dealer is the Broker-Dealer of record over the sum of the number of
3807 Units of the Bonds of such Series considered to be subject to Hold Orders
3808 pursuant to clause (i) above and the number of Units of Bonds of such Series
3809 considered to be subject to Bids for which such Broker-Dealer is the Broker-
3810 Dealer of record pursuant to clause (ii) above.

3811 (d) If any Order is for other than an integral number of Units, then the
3812 Auction Agent shall round the amount down to the nearest number of whole Units,
3813 and the Auction Agent shall conduct the Auction Procedures as if such Order had
3814 been submitted in such number of Units.

3815 (e) For purposes of any Auction other than during a daily Auction Period,
3816 if an Auction Agent has been notified by the Paying Agent/Registrar or City that
3817 any portion of an Order by a Broker-Dealer relates to a Bond which has been
3818 called for redemption on or prior to the Interest Payment Date next succeeding
3819 such Auction, the Order shall be invalid with respect to such portion and the
3820 Auction Agent shall conduct the Auction Procedures as if such portion of such
3821 Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Paying Agent/Registrar or City has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

Section 2.04 *Determination of Auction Period Rate.*

(a) If requested by the Paying Agent/Registrar or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Paying Agent/Registrar, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction

Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Paying Agent/Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under "Determination of Auction Period Rate" if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Paying Agent/Registrar, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an

Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 2.05 *Allocation of Bonds.*

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Holder shall be accepted and the Submitted Bid of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring

each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Holder to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected.

3967 (b) In the event there are not Sufficient Clearing Bids for a Series of
3968 Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as
3969 follows in the following order of priority:

3970 (i) the Submitted Hold Order of each Existing Holder shall be
3971 accepted, thus requiring each such Existing Holder to continue to hold the
3972 Bonds that are the subject of such Submitted Hold Order;

3973 (ii) the Submitted Bid of each Existing Holder specifying any rate
3974 that is not higher than the Maximum Rate shall be accepted, thus requiring
3975 each such Existing Holder to continue to hold the Bonds that are the subject
3976 of such Submitted Bid;

3977 (iii) the Submitted Bid of each Potential Holder specifying any rate
3978 that is not higher than the Maximum Rate shall be accepted, thus requiring
3979 each such Potential Holder to purchase the Bonds that are the subject of such
3980 Submitted Bid;

3981 (iv) the Submitted Sell Orders of each Existing Holder shall be
3982 accepted as Submitted Sell Orders and the Submitted Bids of each Existing
3983 Holder specifying any rate that is higher than the Maximum Rate shall be
3984 deemed to be and shall be accepted as Submitted Sell Orders, in both cases
3985 only up to and including the number of Units of Bonds obtained by
3986 multiplying (A) the aggregate number of Units of Bonds subject to
3987 Submitted Bids described in clause (iii) of this subsection (b) by (B) a
3988 fraction the numerator of which shall be the number of Units of Outstanding
3989 Bonds held by such Existing Holder subject to such Submitted Sell Order or
3990 such Submitted Bid deemed to be a Submitted Sell Order and the
3991 denominator of which shall be the number of Units of Outstanding Bonds
3992 subject to all such Submitted Sell Orders and such Submitted Bids deemed
3993 to be Submitted Sell Orders, and the remainder of each such Submitted Sell
3994 Order or Submitted Bid shall be deemed to be and shall be accepted as a
3995 Hold Order and each such Existing Holder shall be required to continue to
3996 hold such excess amount of Bonds; and

3997 (v) the Submitted Bid of each Potential Holder specifying any rate
3998 that is higher than the Maximum Rate shall be rejected.

3999 (c) If, as a result of the undertakings described in Section 2.05(a) or (b)
4000 above, any Existing Holder or Potential Holder would be required to purchase or
4001 sell an aggregate principal amount of the Bonds that is not an integral multiple of

an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Holder or Potential Holder on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Holder or Potential Holder on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Holders or Potential Holders not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Holder would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Holders so that the principal amount of the Bonds purchased on such Auction Date by any Potential Holder shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Holders not purchasing the Bonds on such Auction Date.

Section 2.06 *Notice of Auction Period Rate.*

(a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Holder;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Holders on whose behalf such Broker-Dealer submitted Bids; and

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) if requested by an Existing Holder or a Potential Holder, advise such Existing Holder or Potential Holder on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Holder was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Holder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the City and Paying Agent/Registrar by mutually acceptable Electronic Means and the Paying Agent/Registrar shall promptly give notice of such Auction Rate to the Securities Depository.

Section 2.07 *Index.*

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the City, the Paying Agent/Registrar, the Broker-Dealers, the Auction Agent and the Holders of the Bonds.

Section 2.08 *Miscellaneous Provisions Regarding Auctions.*

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent/Registrar mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the City and the Paying Agent/Registrar a Favorable Opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the City that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the City within 90 days after the City receives notice or becomes aware of such condition, as the case may

be, the Auctions shall cease and the City shall execute and the Paying Agent/Registrar shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the City and the Paying Agent/Registrar.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Holder or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

Section 2.09 Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the City, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The City shall initiate the change in the length of the Auction Period by giving written notice to the Paying Agent/Registrar, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Bonds of any Series, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the City, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the City's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Paying Agent/Registrar, the City and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the

4182 Broker-Dealer for a majority of the outstanding Units (based on the number of
4183 Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing
4184 Holder Registry maintained by the Auction Agent pursuant to the Auction
4185 Agreement), and, if there is not a majority so directing, the Auction Date shall be
4186 moved to the next succeeding Business Day following the scheduled Auction Date,
4187 and the Interest Payment Date and the Auction Period shall be adjusted
4188 accordingly.

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SCHEDULE I

TO

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and Exhibit E, this Schedule I shall prevail.

4195 **“All Hold Rate”** means, as of any Auction Date, 60% of the Index in effect
4196 on such Auction Date for any Bond the interest on which is not includable in gross
4197 income of the beneficial owner of such Bond for federal income tax purposes and
4198 90% of the Index in effect on such Auction Date for any Bond the interest on
4199 which is includable in gross income of the beneficial owner of such Bond for
4200 federal income tax purposes.

4201 **“Auction Agent”** shall be determined by the City at least 5 Business Days
4202 before the Conversion Date of the Bonds into the Auction Mode.

4203 **“Auction Period”** shall include in the *Six-month Auction Period* either May
4204 14 or November 14.

4205 **“Authorized Denomination”** means \$25,000, and integral multiples
4206 thereof, unless another amount is specified here.

4207 **“Authorizing Document”** means Ordinance No. 20080306-_____.

4208 **“Bonds”** means the \$_____ City of Austin, Texas, Water and
4209 Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008.

4210 **“City”** means City of Austin, Texas.

4211 **“Index”** means on any Auction Date with respect to Bonds in any Auction
4212 Period of 35 days or less, the offered rate (rounded up to the next highest one one-
4213 thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month
4214 period which appears on the Reuters Screen LIBOR01 Page at approximately
4215 11:00 A.M., London time, on such date, or if such date is not a date on which
4216 dealings in U.S. dollars are transacted in the London interbank market, then on the
4217 next preceding day on which such dealings were transacted in such market. The
4218 Index with respect to Bonds in any Auction Period of more than 35 days shall be
4219 the rate on United States Treasury Securities having a maturity which most closely
4220 approximates the length of the Auction Period as last published in The Wall Street
4221 Journal or such other source as may be mutually agreed upon by City and the
4222 Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate
4223 agreed to by all Broker-Dealers and consented to by the City. For the purpose of
4224 this definition an Auction Period of 35 days or less means a 35-day Auction Period

4225 or shorter Auction Period, i.e. a 35-day Auction Period which is extended because
4226 of a holiday would still be considered an Auction Period of 35 days or less.

4227 **“Initial Period”** means following an ARS Conversion Date the Initial
4228 Period shall mean the period specified as the “Initial Period” in the notice of
4229 conversion to an ARS Rate Period.

4230 **“Initial Period Rate”** means for an Initial Period commencing on an ARS
4231 Conversion Date the lowest rate which, in the judgment of the Broker-Dealer, is
4232 necessary to enable the Bonds to be remarketed at a price equal to the principal
4233 amount thereof, plus accrued interest, if any, on the ARS Conversion Date. Such
4234 determination shall be conclusive and binding upon the City, the Paying
4235 Agent/Registrar, the Auction Agent, and the Holders. Not later than 5:00 p.m.,
4236 New York City time, on the date of determination of the Initial Period Rate, the
4237 Broker-Dealer shall notify the Paying Agent/Registrar, the City and the Auction
4238 Agent of the Initial Period Rate by Electronic Means.

4239 **“Maximum Rate”** means for any Bond the lesser of (a)(i) 15% if the
4240 interest on such Bond is not includable in gross income of the beneficial owner of
4241 such Bond for federal income tax purposes or (ii) 21% if the interest on such Bond
4242 is includable in gross income of the beneficial owner of such Bond for federal
4243 income tax purposes and (b) the maximum rate permitted by applicable law.

4244 **AUCTION PROCEDURES**

4245 *Determination of ARS Rate.* The percentage of the Index in Section 2.04(c)
4246 is 75% for any Bond the interest on which is not includable in gross income of the
4247 beneficial owner of such Bond for federal income tax purposes and 110% for any
4248 Bond the interest on which is includable in gross income of the beneficial owner of
4249 such Bond for federal income tax purposes.

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Exhibit F
Form of Variable Rate Bond

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Exhibit G

Form of Flexible Rate, Term Rate and Fixed Rate Bond

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Exhibit H
Form of Auction Rate Bond

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