

1 **ORDINANCE NO. 20080724-____**

2 **AN ORDINANCE AUTHORIZING THE ISSUANCE**
3 **AND SALE OF “CITY OF AUSTIN, TEXAS, ELECTRIC**
4 **UTILITY SYSTEM REVENUE REFUNDING BONDS,**
5 **SERIES 2008A”; AND RELATED DOCUMENTS.**

6 **BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF**
7 **AUSTIN:**

8 **SECTION 1: DEFINITIONS AND FINDINGS.** The following terms
9 shall have the meanings set forth below, unless the text hereof specifically
10 indicates otherwise:

11 “Bonds” means collectively, the “CITY OF AUSTIN, TEXAS, ELECTRIC
12 UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2008A”
13 authorized for issuance by the Ninth Supplement.

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

18 “Holders” means the registered owners or holders of the Bonds.

19 “Master Ordinance” means Ordinance No. 010118-53A, passed by the city
20 council on January 18, 2001.

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

25 “Ninth Supplement” means Ordinance No. 20080724-____ authorizing the
26 issuance of the Bonds and passed by the city council on July 24, 2008.

27 “Paying Agent/Registrar” means the financial institution named in Section 4
28 of the Ninth Supplement.

29 “Previously Issued Electric Utility Obligations” mean the outstanding
30 “CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE
31 REFUNDING BONDS, SERIES 2001”, dated January 1, 2001, “CITY OF

AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2002", DATED February 15, 2002, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2002A", dated July 15, 2002, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2003", dated February 1, 2003, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2006", dated May 15, 2006, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2006A", dated October 15, 2006, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2007", dated August 15, 2007, and "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2008", dated March 1, 2008.

"Prior Supplements" means Ordinances No. 010118-53B, 020228-13, 020718-17, 030206-34, 20060518-040, 20061019-055, 20070322-026, and 20080228-078 authorizing the issuance of the Previously Issued Electric Utility Obligations.

"Refunded Obligations" means \$175,000,000 in principal amount of the Series A Notes.

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

"Reserve Fund" means the "Electric Utility System Revenue Obligation Reserve Fund" to be established and maintained pursuant to the Prior Supplements and Section 14 of the Ninth Supplement.

"Reserve Fund Obligations" means cash, Eligible Investments, any Credit Facility, or any combination thereof.

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

"Series A Notes" means the City of Austin, Texas Combined Utility System Commercial Paper Notes, Series A, up to an aggregate principal amount of \$350,000,000 to finance the costs of additions, improvements and extensions to the City's water and wastewater system and the City's electric light and power system.

The terms used in the Ninth Supplement and not otherwise defined shall have the meanings given in the Master Ordinance or the Prior Supplements.

In accordance with the provisions of V.T.C.A., Government Code, Chapter 1371, the City has authorized by ordinance and provided for the issuance and sale of the Series A. Notes.

The best interest of the City is served by issuing the Bonds to refund short term obligations into long term obligations and the manner in which the refunding is executed does not make it practicable to make the determination required by V.T.C.A., Government Code, Section 1207.008(a)(2).

The Refunded Obligations should be refunded and refinanced into long term obligations at this time to enable the City's Electric Utility Department to continue utilizing its allocated share of such commercial paper programs.

The Bonds can and shall be on a parity with the outstanding "Parity Electric Utility Obligations" issued in accordance with and under the terms and provisions of the Master Ordinance and the Prior Supplements.

SECTION 2: AUTHORIZATION; DESIGNATION; PRINCIPAL AMOUNT; PURPOSE. The Bonds shall be and are hereby authorized to be issued in the aggregate principal amount of ONE HUNDRED SEVENTY-FIVE MILLION DOLLARS (\$175,000,000) for the purpose of refinancing and refunding the Refunded Obligations and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207.

SECTION 3: FULLY REGISTERED OBLIGATIONS; AUTHORIZED DENOMINATIONS; STATED MATURITIES; DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated July 15, 2008 (the "Bond Date") and, other than the single fully registered Initial Bond referenced in Section 9 of the Ninth Supplement, shall be in denominations of \$5,000 or any integral multiple thereof (within a stated maturity), shall be numbered consecutively from 1 upward and shall become due and payable on November 15 in each of the years (the "Stated Maturities") and in principal amounts and bear interest at per annum rates in accordance with the following schedule:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
--------------------	-----------------------------	---------------------	--------------------	-----------------------------	---------------------

2010	200,000	2024	6,200,000
2011	200,000	2025	6,510,000
2012	200,000	2026	6,835,000
2013	200,000	2027	7,175,000
2014	200,000	2028	7,535,000
2015	200,000	2029	7,910,000
2016	4,195,000	2030	8,305,000
2017	4,405,000	2031	8,720,000
2018	4,625,000	2032	9,155,000
2019	4,855,000	2033	9,615,000
2020	5,100,000	2034	10,095,000
2021	5,355,000	2035	10,600,000
2022	5,620,000	2036	11,130,000
2023	5,905,000	2037	11,685,000
		2038	12,270,000

The Bonds shall bear interest on the unpaid principal amounts from the Bond Date at the rate(s) per annum shown in the above schedule (calculated on the basis of a 360 day year of twelve 30 day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing November 15, 2008, until maturity or prior redemption.

SECTION 4: TERMS OF PAYMENT; PAYING AGENT/REGISTRAR. The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders appearing on the respective registration and transfer books maintained by the Paying Agent/Registrar and the 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 Regions Bank, Houston, Texas, to serve as Paying Agent/Registrar for the Bonds is 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 in the Ninth Supplement and in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached as Exhibit A, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe.

118 The Mayor and city clerk may execute and deliver such a Paying Agent/Registrar
119 Agreement. The City covenants to maintain and provide a Paying Agent/Registrar
120 at all times until the Bonds are paid and discharged, and any successor Paying
121 Agent/Registrar shall be a bank, trust company, financial institution or other entity
122 qualified and authorized to serve in such capacity and perform the duties and
123 services of Paying Agent/Registrar. Upon any change in the Paying
124 Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice
125 thereof to be sent to each Holder by United States Mail, first class postage prepaid,
126 which notice shall also give the address of the new Paying Agent/Registrar.

127 Principal of and premium, if any, on the Bonds shall be payable at the Stated
128 Maturities or upon earlier redemption thereof, only upon presentation and
129 surrender of the Bonds to the Paying Agent/Registrar at its designated offices in
130 Homewood, Alabama, or, with respect to a successor Paying Agent/Registrar, the
131 offices so designated of such successor (the "Designated Payment/Transfer
132 Office"). Interest on the Bonds shall be paid to the Holders whose names appear in
133 the Security Register at the close of business on the Record Date (the last business
134 day of the month next preceding each interest payment date), and such interest
135 shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail,
136 first class postage prepaid, to the address of the Holder recorded in the Security
137 Register or (ii) by such other method, acceptable to the Paying Agent/Registrar,
138 requested by, and at the risk and expense of, the Holder. If the date for the
139 payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a
140 legal holiday, or a day when banking institutions in the city where the Designated
141 Payment/Transfer Office of the Paying Agent/Registrar is located are authorized
142 by law or executive order to close, then the date for such payment shall be the next
143 succeeding day which is not such a Saturday, Sunday, legal holiday, or day when
144 banking institutions are authorized to close; and payment on such date shall have
145 the same force and effect as if made on the original date payment was due.

146 In the event of a non payment of interest on one or more maturities on a
147 scheduled payment date, and for thirty (30) days thereafter, a new record date for
148 such interest payment for such maturity or maturities (a "Special Record Date")
149 will be established by the Paying Agent/Registrar, if and when funds for the
150 payment of such interest have been received from the City. Notice of the Special
151 Record Date and of the scheduled payment date of the past due interest (which
152 shall be 15 days after the Special Record Date) shall be sent at least five (5)
153 business days prior to the Special Record Date by United States Mail, first class
154 postage prepaid, to the address of each Holder of such maturity or maturities

appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 5: REDEMPTION.

(a) Optional Redemption. The Bonds having Stated Maturities on and after November 15, 2019, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2018 or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

At least forty-five (45) days prior to a redemption date for the 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 of each Stated Maturity to be redeemed, and the date of redemption. 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.

(b) Mandatory Redemption. The Bonds having Stated Maturities of November 15, 20____ and November 15, 20____ (the "Term Bonds") shall be subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20	
November 15, 20	
November 15, 20*	

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20	
November 15, 20	
November 15, 20*	

*maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

183 The principal amount of the Term Bonds for a Stated Maturity required to be
184 redeemed on a mandatory redemption date may be reduced, at the option of the
185 City, by the principal amount of Term Bonds of like Stated Maturity which, at least
186 50 days prior to the mandatory redemption date, (1) shall have been acquired by
187 the City at a price not exceeding the principal amount of such Term Bonds plus
188 accrued interest to the date of purchase thereof, and delivered to the Paying
189 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the
190 optional redemption provisions set forth in paragraph(a) of this Section and not
191 theretofore credited against a mandatory redemption requirement.

192 (c) Selection of Bonds for Redemption. If less than all Outstanding
193 Bonds of the Stated Maturity are to be redeemed on a redemption date, the Paying
194 Agent/Registrar shall treat such Bonds as representing the number of Bonds
195 Outstanding which is obtained by dividing the principal amount of such Bonds by
196 \$5,000 and shall select the Bonds to be redeemed within such Stated Maturity by
197 lot.

198 (d) Notice of Redemption. Not less than thirty (30) days prior to a
199 redemption date for the Bonds, a notice of redemption shall be sent by United
200 States Mail, first class postage prepaid, in the name of the City and at the City's
201 expense, to each Holder of a Bond to be redeemed in whole or in part at the
202 address of the Holder appearing on the Security Register at the close of business on
203 the business day next preceding the date of mailing such notice, and any notice of
204 redemption so mailed shall be conclusively presumed to have been given
205 irrespective of whether received by the Holder.

206 All notices of redemption shall specify the date of redemption for the Bonds,
207 identify the Bonds to be redeemed and, in the case of a portion of the principal
208 amount to be redeemed, the principal amount to be redeemed, state the redemption
209 price, state that the Bonds, or the portion of the principal amount to be redeemed,
210 shall become due and payable on the redemption date specified, and the interest on
211 such Bonds, or on the portion of the principal amount of such Bonds to be
212 redeemed, shall cease to accrue from and after the redemption date, and specify
213 that payment of the redemption price for the Bonds, or the principal amount of the
214 Bonds to be redeemed, shall be made at the Designated Payment/Transfer Office of
215 the Paying Agent/Registrar only upon presentation and surrender thereof by the
216 Holder. If a Bond is subject to prior redemption and has been called for
217 redemption and notice of redemption of such Bonds has been given or waived as
218 provided in the Ninth Supplement, such Bond (or the principal amount of such
219 Bonds to be redeemed) shall become due and payable, and interest on such Bond
220 shall cease to accrue from and after the redemption date, provided moneys

sufficient for the payment of such Bonds (or of the principal amount of such Bond to be redeemed) at the applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

SECTION 6: 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 registered owner of the Bonds issued under and pursuant to the provisions of the Ninth Supplement. Any Bond may, in accordance with its terms and the terms of the Ninth Supplement, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by the authorized agent of such person, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange executed by the Holder or by the authorized agent of such person, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond (other than the Initial Bonds authorized in Section 9 hereof) 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 having the same Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (other than the Initial Bonds authorized in Section 9 hereof) may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, 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. 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, 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 the Ninth Supplement, as the Bonds surrendered in such transfer or exchange.

256 All such transfers or exchanges of Bonds shall be made without expense or
257 service charge to the Holder, except as otherwise provided in the Ninth
258 Supplement, except that the Paying Agent/Registrar shall require payment by the
259 Holder requesting such transfer or exchange of any tax or other governmental
260 charges required to be paid with respect to such transfer or exchange.

261 Bonds canceled by reason of an exchange or transfer pursuant to the
262 provisions of the Ninth Supplement are defined to be "Predecessor Bonds,"
263 evidencing all or a portion, as the case may be, of the same obligation to pay
264 evidenced by the Bond or Bonds registered and delivered in the exchange or
265 transfer. Additionally, the term "Predecessor Bonds" shall include any mutilated,
266 lost, destroyed, or stolen Bond for which a replacement Bond has been issued,
267 registered and delivered in lieu of a mutilated, lost, destroyed or stolen Bond
268 pursuant to Section 19 of the Ninth Supplement and such new replacement Bond
269 shall be considered to evidence the same obligation as the mutilated, lost,
270 destroyed, or stolen Bond.

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

276 **SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND**
277 **TRANSACTIONS.** Notwithstanding the provisions contained in Sections 4, 5
278 and 6 of the Ninth Supplement relating to the payment, and transfer/exchange of
279 the Bonds, the City approves and authorizes the use of "Book-Entry-Only"
280 securities clearance, settlement and transfer system provided by The Depository
281 Trust Company (DTC), a limited purpose trust company organized under the laws
282 of the State of New York, in accordance with the operational arrangements
283 referenced in the Blanket Issuer Letter of Representation, by and between the City
284 and DTC (the "Depository Agreement").

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

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

304 **SECTION 8: EXECUTION; REGISTRATION.** The Bonds shall be
305 executed on behalf of the City by the Mayor under its seal reproduced or impressed
306 thereon and countersigned by the city clerk. The signature of said officers on the
307 Bonds may be manual or facsimile. Bonds bearing the manual or facsimile
308 signatures of individuals who are or were the proper officers of the City on the
309 Bond Date shall be deemed to be executed on behalf of the City, notwithstanding
310 that such individuals or either of them shall cease to hold such offices at the time
311 of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds
312 delivered in subsequent exchanges and transfers, all as authorized and provided in
313 V.T.C.A., Government Code, Chapter 1201.

314 No Bond shall be entitled to any right or benefit under the Ninth
315 Supplement, or be valid or obligatory for any purpose, unless there appears on such
316 Bond either a certificate of registration substantially in the form provided in
317 Section 10(c), manually executed by the Comptroller of Public Accounts of the
318 State of Texas or his or her authorized agent, or a certificate of registration
319 substantially in the form provided in Section 10(d), manually executed by an
320 authorized officer, employee or representative of the Paying Agent/Registrar, and
321 either such certificate upon any Bond signed shall be conclusive evidence, and the
322 only evidence, that such Bond has been certified, registered and delivered.

323 **SECTION 9: INITIAL BOND(S).** The Bonds shall be initially issued
324 either (i) as a single fully registered bond in the total principal amount referenced
325 in Section 2 with principal installments to become due and payable as provided in
326 Section 3 and numbered T-1, or (ii) as multiple fully registered bonds, being one
327 bond for each year of maturity in the applicable principal amount and
328 denomination and to be numbered consecutively from T-1 and upward (the "Initial
329 Bond(s)") and, in either case, the Initial Bond(s) shall be registered in the name of
330 the initial purchaser(s) or the designee thereof. The Initial Bond(s) shall be the

Bonds 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(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel such delivered Initial Bond(s) and exchange for such Initial Bond(s) definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses provided; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee of the initial purchaser(s), and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: **FORMS.**

(a) Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of Registration, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Ninth 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 if the Bonds, or any maturities of the Bonds, are purchased with insurance and any reproduction of an opinion of counsel) on such Bonds as may, consistently with the provisions of the Ninth Supplement, be established by the City or determined by the officers executing such Bonds as evidenced by their execution of such Bonds. Any portion of the text of any Bonds may be set forth on the reverse of such Bond, with an appropriate reference on the face of the Bond.

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

363 (b) Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
\$ _____

364 UNITED STATES OF AMERICA
365 STATE OF TEXAS
366 CITY OF AUSTIN, TEXAS,
367 ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
368 SERIES 2008A

Bond Date: Interest Rate: Stated Maturity: CUSIP NO:
July 15, 2008 _____

Registered Owner:

Principal Amount: DOLLARS

369 The City of Austin (the "City"), a body corporate and municipal corporation
370 in the Counties of Travis and Williamson, State of Texas, for value received,
371 hereby promises to pay to the registered owner named above, or the registered
372 assigns thereof (the "Registered Owner"), solely from the revenues identified in
373 this Bond, on the Stated Maturity date shown above the Principal Amount stated
374 above (or so much of such Principal Amount as shall not have been paid upon
375 prior redemption), and to pay interest (computed on the basis of a 360 day year of
376 twelve 30 day months) on the unpaid Principal Amount of this Bond from the
377 interest payment date next preceding the "Registration Date" of this Bond
378 appearing below (unless this Bond bears a "Registration Date" as of an interest
379 payment date, in which case it shall bear interest from such date, or unless the
380 "Registration Date" of this Bond is prior to the initial interest payment date in
381 which case it shall bear interest from the Bond Date) at the per annum rate of
382 interest specified above; such interest being payable on May 15 and November 15
383 of each year, commencing November 15, 2008. Principal of this Bond is payable
384 at its Stated Maturity or redemption to the Registered Owner, upon presentation
385 and surrender, at the Designated Payment/Transfer Office of the Paying
386 Agent/Registrar executing the registration certificate appearing on this Bond, or its
387 successor; provided, however, while this Bond is registered to Cede & Co., the
388 payment of principal upon a partial redemption of the principal amount of this
389 Bond may be accomplished without presentation and surrender of this Bond.
390 Interest is payable to the registered owner of this Bond (or one or more

Predecessor Bonds, as defined in the Ninth Supplement) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$175,000,000 ("Bonds") for the purpose of refinancing and refunding the Refunded Obligations (identified and defined in the Ninth Supplement) and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207, and pursuant to a Master Ordinance and Ninth Supplement adopted by the city council of the City (collectively referred to as the "Ordinances").

The Bonds maturing on the dates identified below (the "Term Bonds") are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment of such Bonds in the Ninth Supplement, and shall be redeemed in part prior to maturity at the price of par and accrued interest on such Bonds to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

423

Term Bonds due November 15, 20		Term Bonds due November 15, 20	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 20		November 15, 20	
November 15, 20		November 15, 20	
November 15, 20*		November 15, 20*	

424 *maturity

425

426 The particular Term Bonds of a stated maturity to be redeemed on each
427 redemption date shall be chosen by lot by the Paying Agent/Registrar; provided,
428 however, that the principal amount of Term Bonds for a stated maturity required to
429 be redeemed on a mandatory redemption date may be reduced, at the option of the
430 City, by the principal amount of Term Bonds of like stated maturity which, at least
431 50 days prior to the mandatory redemption date, (1) shall have been acquired by
432 the City at a price not exceeding the principal amount of such Term Bonds plus
433 accrued interest to the date of purchase, and delivered to the Paying
434 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the
435 optional redemption provisions appearing below and not previously credited
436 against a mandatory redemption requirement.

437 The Bonds maturing on and after November 15, 2019, may be redeemed
438 prior to their Stated Maturities, at the option of the City, in whole or in part in
439 principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a
440 Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2018 or
441 on any date thereafter at the redemption price of par plus accrued interest to the
442 redemption date.

443 At least thirty days prior to the date fixed for any redemption of Bonds, the
444 City shall cause a written notice of such redemption to be sent by United States
445 Mail, first class postage prepaid, to the registered owners of each Bond to be
446 redeemed at the address shown on the Security Register and subject to the terms
447 and provisions contained in the Ordinances. If a Bond (or any portion of its
448 principal sum) shall have been called for redemption and notice of such
449 redemption given, then upon such redemption date such Bond (or the portion of its
450 principal sum to be redeemed) shall become due and payable, and interest thereon
451 shall cease to accrue from and after said redemption date, provided moneys for the
452 payment of the redemption price and the interest on the principal amount to be

redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

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

The Bonds are special obligations of the City payable solely from and, together with the Previously Issued Electric Utility Obligations and Prior Subordinate Lien Obligations currently Outstanding, equally and ratably secured by a parity lien on and pledge of, the Net Revenues of the Electric Utility System in the manner provided in the Ordinances. Additionally, the Bonds, together with the Previously Issued Electric Utility Obligations, shall be 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 Ordinances. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Electric Utility System, except with respect to the Net Revenues. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

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

Reference is made to the Ordinances, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance of this Bond assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the Electric Utility System; the Net Revenues pledged to the payment of the principal

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

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

The City and the Paying Agent/Registrar, and any agent of either, may treat the registered owner hereof whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal of this Bond at its Stated Maturity or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non payment of interest on a scheduled payment 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.

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

IN WITNESS WHEREOF, the city council of the City has caused this Bond to be executed under the official seal of the City as of the Bond Date.

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

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

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner shown above under the provisions of the within mentioned Ordinances; 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.

The designated offices of the Paying Agent/Registrar in Homewood, Alabama is the Designated Payment/Transfer Office for this Bond.

Registration Date: REGIONS BANK, Houston, Texas,
as Paying Agent/Registrar

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned 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 under this Bond, and 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.

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

REGISTERED
NO. T-1

REGISTERED
\$175,000,000

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BOND,
SERIES 2008A

Bond Date:
July 15, 2008

Registered Owner:

Principal Amount: ONE HUNDRED SEVENTY-FIVE MILLION DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, the Principal Amount above stated on November 15 in each of the years and in principal installments in accordance with the following schedule:

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

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

(or so much thereof as shall not have been redeemed prior to maturity) and to pay interest, computed on the basis of a 360 day year of twelve 30 day months, on the unpaid principal amounts of this Bond from the Bond Date at the per annum rates of interest specified above; such interest being payable on May 15 and November 15 in each year, commencing November 15, 2008. Principal installments of this Bond are payable in the year of maturity to the Registered Owner by Regions Bank, Houston, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in Homewood, Alabama (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

637 **SECTION 11: CRITERIA FOR ISSUANCE OF PARITY ELECTRIC**
638 **UTILITY OBLIGATIONS.** The City has provided certain criteria and
639 established certain covenants and agreements in relation to the issuance of Parity
640 Electric Utility Obligations of the Electric Utility System pursuant to the Master
641 Ordinance. The Ninth Supplement provides for the authorization, issuance, sale,
642 delivery, form, characteristics, provisions of payment and redemption, and security
643 of the Bonds which are a series of Parity Electric Utility Obligations. The Master
644 Ordinance is incorporated by reference and made a part hereof for all purposes,
645 except to the extent modified and supplemented by the Prior Supplements and the
646 Ninth Supplement, and the Bonds are Parity Electric Utility Obligations under the
647 Master Ordinance and the Prior Supplements. The City determines that it will
648 have sufficient funds to meet the financial obligations of the Electric Utility
649 System, including sufficient Net Revenues to pay the Annual Debt Service
650 Requirements of the Bonds and to meet all financial obligations of the City relating
651 to the Electric Utility System.

652 **SECTION 12: PLEDGE.** Subject to the prior claim on and lien on the Net
653 Revenues of the Electric Utility System to the payment and security of the Prior
654 First Lien Obligations currently Outstanding, including the funding and
655 maintenance of the special funds established and maintained for the payment and
656 security of such Prior First Lien Obligations, the Net Revenues of the Electric
657 Utility System are pledged to the payment of the Bonds, and the Bonds, together
658 with the Prior Subordinate Lien Obligations and the Previously Issued Electric
659 Utility Obligations currently Outstanding, shall be equally and ratably secured by a
660 parity lien on and pledge of the Net Revenues of the Electric Utility System in
661 accordance with the terms of the Master Ordinance and the Ninth Supplement.
662 Additionally, the Bonds and the Previously Issued Electric Utility Obligations shall
663 be secured by a lien on the funds, if any, deposited to the credit of the Debt Service
664 Fund and the Reserve Fund in accordance with and to the extent required by the
665 terms of the Master Ordinance, the Prior Supplements and the Ninth Supplement.
666 The Bonds are and will be secured by and payable only from the Net Revenues of
667 the Electric Utility System, and are not secured by or payable from a mortgage or
668 deed of trust on any properties, whether real, personal, or mixed, of the Electric
669 Utility System. It is hereby ordained that the Parity Electric Utility Obligations,
670 and the interest thereon, shall constitute a lien on the Net Revenues of the Electric
671 Utility System and be valid and binding and fully perfected from and after the date
672 of adoption of the Ninth Supplement without physical delivery or transfer or
673 transfer of control of the Net Revenues, the filing of the Ninth Supplement or any
674 other act; all as provided in Chapter 1208 of the Texas Government Code. The
675 owners of the Parity Electric Utility 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 specified in the Master Ordinance, the Prior Supplements and the Ninth Supplement.

Section 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues of the Electric Utility System granted by the City under this Section 12, and such pledge is valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the Electric Utility System granted by the City under this Section 12 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then to preserve to the Registered Owners the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

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

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

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

712 **SECTION 14: RESERVE FUND.**

713 (a) Establishment. A Reserve Fund shall not be required to be
714 established or maintained by the City for the payment of the Parity Electric Utility
715 Obligations so long as the “Pledged Net Revenues” of the System for a Fiscal Year
716 (the Net Revenues of the System in a Fiscal Year remaining after deducting the
717 amounts, if any, expended to pay the annual debt service requirements for Prior
718 First Lien Obligations and Prior Subordinate Lien Obligations in such Fiscal Year)
719 equal or exceed one hundred fifty per cent (150%) of the Annual Debt Service
720 Requirements of the Parity Electric Utility Obligations due and payable in such
721 Fiscal Year. If for any Fiscal Year such “Pledged Net Revenues” do not exceed
722 150% of the Annual Debt Service Requirements of the Parity Electric Utility
723 Obligations, the City shall be obligated to establish and maintain on the books of
724 the City a separate fund or account designated as the “Electric Utility System
725 Revenue Obligation Reserve Fund” (the “Reserve Fund”). Upon being established
726 and except as provided in subsection (f) below, the amount on deposit to the credit
727 of the Reserve Fund shall be maintained for the benefit of the owners of the Parity
728 Electric Utility Obligations. There shall be deposited into the Reserve Fund any
729 Reserve Fund Obligations so designated by the City. The amounts deposited to the
730 credit of the Reserve Fund shall be in a special fund maintained at an official
731 depository of City. Reserve Fund Obligations in the Reserve Fund shall be used for
732 the purpose of retiring the last of the Parity Electric Utility Obligations as they
733 become due or paying principal of and interest on the Parity Electric Utility
734 Obligations when and to the extent the amounts in the Debt Service Fund are
735 insufficient for such purpose.

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

740 (i) ten per cent (10%) of the Maximum Debt Service Requirement
741 for all Parity Electric Utility Obligations then Outstanding if the Pledged Net
742 Revenues for the previous Fiscal Year were less than 150% of the annual
743 Debt Service Requirement for such Fiscal Year, but greater than or equal to
744 140% of the annual Debt Service Requirement for such Fiscal Year;

745 (ii) twenty per cent (20%) of the Maximum Debt Service
746 Requirement for all Parity Electric Utility Obligations then Outstanding if
747 the Pledged Net Revenues for the previous Fiscal Year were less than 140%
748 of the annual Debt Service Requirement for such Fiscal Year, but greater

than or equal to 130% of the annual Debt Service Requirement for such Fiscal Year;

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

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

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

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

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

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

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

798 (d) Reserve Amount Deficiency. In the event of a deficiency in the
799 Reserve Fund, or in the event that on the date of termination or expiration of any
800 Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund
801 Obligations, all in an aggregate amount at least equal to the Required Reserve
802 Amount, then the City shall, subject to satisfying or making provision for the uses
803 having a priority on the Gross Revenues before any deposits for the payment and
804 security of the Parity Electric Utility Obligations and after making required
805 deposits to the Debt Service Fund in accordance with the terms of the Ninth
806 Supplement and any Supplement, cause the aggregate Required Reserve Amount
807 then required to be on deposit in the Reserve Fund to be fully restored within 12
808 months from the date such deficiency, termination or expiration occurred by (i)
809 making substantially equal cash deposits to the Reserve Fund on or before the last
810 day of each month from the available Net Revenues, (ii) depositing Eligible
811 Investments or Credit Facility to the credit of the Reserve Fund or (iii) a
812 combination of (i) and (ii).

813 (e) Excess Required Reserve. As Parity Electric Utility Obligations
814 secured by the Reserve Fund are paid, redeemed or defeased and cease to be
815 Outstanding under the terms of the Ordinance or a Supplement, the Required
816 Reserve Amount may be recalculated and redetermined, and any Reserve Fund
817 Obligations on deposit in the Reserve Fund in excess of the Required Reserve
818 Amount may be withdrawn and transferred, at the option of the City, to (i) the
819 System Fund, if an amount equal to such excess was funded with Net Revenues, or
820 (ii) the Debt Service Fund.

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

SECTION 15: PAYMENT OF BONDS. 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 sufficient to pay such interest on and such principal amount of the Bonds, as shall become due on such dates, respectively, at maturity or by redemption prior to maturity. The Paying Agent/Registrar shall destroy all paid Bonds and furnish the City with an appropriate certificate of cancellation or destruction.

SECTION 16: COVENANTS TO MAINTAIN TAX EXEMPT STATUS.

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

“Closing Date” means the date on which the Bonds are first authenticated and delivered to the Underwriters 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 Internal Revenue Code of 1954, 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 preceding, 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 preceding 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 from the Closing Date of all Investments 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 Underwriters and the loan of the money represented thereby and 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, Mayor Pro Tem, city manager, chief financial officer or city 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 payment and discharge of the Refunded Obligations will occur within ninety (90) days after the issuance of the Bonds and, therefore, the Bonds are a current refunding.

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

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

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

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

(c) Time Period for Obtaining Consent. If within one year from (i) the date of the first publication of said notice or (ii) the date of the mailing by the Paying Agent of written notice to the owners of the Bonds, whichever date first

occurs if both methods of giving notice are used, the City shall receive an instrument or instruments executed by the owners of at least a majority in Outstanding Principal Amount of the Bonds consenting to and approving such amendment in substantially the form of the copy thereof on file with each Paying Agent, the governing body of the City may pass the amendatory ordinance in substantially the same form.

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

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

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

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

(2) To add to the covenants and agreements of the City in the Ninth Supplement contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the owners of the Bonds or to surrender, restrict or limit any right or

power in the Ninth Supplement reserved to or conferred upon the City;

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

(4) To modify any of the provisions of the Ninth Supplement in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all the Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding;

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

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

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

(8) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Bonds, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Bonds. Notice of any

such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

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

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

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, may at the direction of the City also be invested in Government

Obligations, maturing in the amounts and at the times as set forth in this Section, and all income from all Government Obligations not required for the payment of the Bonds, and interest on the Bonds, with respect to which such money has been so deposited, shall be turned over to the City or deposited as directed by the City. The City covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

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

SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. If any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner provided in this Section. An application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in 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 the Ninth Supplement equally and proportionately with any and all other Bonds issued under the Ninth Supplement.

Notwithstanding the preceding provisions of this Section, if 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, 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 6 of the Ninth Supplement for Bonds issued in exchange for other Bonds.

SECTION 20: NINTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds, the Ninth Supplement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Bonds and the pledge made in the Ninth Supplement by the City and the covenants and agreements set forth in the Ninth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds 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 the Ninth Supplement.

SECTION 21: CONTINUING DISCLOSURE UNDERTAKING.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

1212 “Rule” means SEC Rule 15c2 12.

1213 “SEC” means the United States Securities and Exchange
1214 Commission.

1215 “SID” means any person designated by the State of Texas or an
1216 authorized department, officer, or agency thereof as, and determined
1217 by the SEC or its staff to be, a state information depository within the
1218 meaning of the Rule from time to time.

1219 (b) Annual Reports. The City shall provide annually to each NRMSIR
1220 and any SID, within six months after the end of each fiscal year (beginning with
1221 the fiscal year ending September 30, 2008) financial information and operating
1222 data with respect to the City of the general type included in the final Official
1223 Statement approved by Section 23 of the Ninth Supplement, being the information
1224 described in Exhibit B to the Ninth Supplement. Financial statements to be
1225 provided shall be (1) prepared in accordance with the accounting principles
1226 described in Exhibit B hereto and (2) audited, if the City commissions an audit of
1227 such statements and the audit is completed within the period during which they
1228 must be provided. If audited financial statements are not available at the time the
1229 financial information and operating data must be provided, then the City shall
1230 provide unaudited financial statements for the applicable fiscal year to each
1231 NRMSIR and any SID with the financial information and operating data and will
1232 file the annual audit report when and if the same becomes available.

1233 If the City changes its fiscal year, it will notify each NRMSIR and any SID
1234 of the change (and of the date of the new fiscal year end) prior to the next date by
1235 which the City otherwise would be required to provide financial information and
1236 operating data pursuant to this Section.

1237 The financial information and operating data to be provided pursuant to this
1238 Section may be set forth in full in one or more documents or may be included by
1239 specific reference to any document (including an official statement or other
1240 offering document, if it is available from the MSRB) that previously has been
1241 provided to each NRMSIR and any SID or filed with the SEC.

1242 (c) Material Event Notices. The City shall notify any SID and either each
1243 NRMSIR or the MSRB, in a timely manner, of any of the following events with
1244 respect to the Bonds, if such event is material within the meaning of the federal
1245 securities laws:

1246 (1) Principal and interest payment delinquencies;

- 1247 (2) Non-payment related defaults;
1248 (3) Unscheduled draws on debt service reserves reflecting financial
1249 difficulties;
1250 (4) Unscheduled draws on credit enhancements reflecting financial
1251 difficulties;
1252 (5) Substitution of credit or liquidity providers, or their failure to perform;
1253 (6) Adverse tax opinions or events affecting the tax-exempt status of the
1254 Bonds;
1255 (7) Modifications to rights of holders of the Bonds;
1256 (8) Bond calls;
1257 (9) Defeasances;
1258 (10) Release, substitution, or sale of property securing repayment of the
1259 Bonds; and
1260 (11) Rating changes.
1261

1262 The City shall notify any SID and either each NRMSIR or the MSRB, in a
1263 timely manner, of any failure by the City to provide financial information or
1264 operating data in accordance with subsection (b) of this Section by the time
1265 required by such Section.

1266 (d) Limitations, Disclaimers, and Amendments. The City shall be
1267 obligated to observe and perform the covenants specified in this Section while, but
1268 only while, the City remains an “obligated person” with respect to the Bonds
1269 within the meaning of the Rule, except that the City in any event will give the
1270 notice required by subsection (c) hereof of any Bond calls and defeasance that
1271 cause the City to be no longer such an “obligated person.”

1272 The provisions of this Section are for the sole benefit of the Holders
1273 and beneficial owners of the Bonds, and nothing in this Section, express or
1274 implied, shall give any benefit or any legal or equitable right, remedy, or claim
1275 hereunder to any other person. The City undertakes to provide only the financial
1276 information, operating data, financial statements, and notices which it has
1277 expressly agreed to provide pursuant to this Section and does not hereby undertake
1278 to provide any other information that may be relevant or material to a complete
1279 presentation of the City’s financial results, condition, or prospects or hereby
1280 undertake to update any information provided in accordance with this Section or
1281 otherwise, except as expressly provided herein. The City does not make any
1282 representation or warranty concerning such information or its usefulness to a
1283 decision to invest in or sell Bonds at any future date.

1284 UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE
1285 TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY
1286 OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING
1287 IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER
1288 NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT
1289 SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY
1290 SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY
1291 SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS
1292 OR SPECIFIC PERFORMANCE.

1293 No default by the City in observing or performing its obligations
1294 under this Section shall constitute a breach of or default under the Ninth
1295 Supplement for purposes of any other provision of the Ninth Supplement.

1296 Nothing in this Section is intended or shall act to disclaim, waive, or
1297 otherwise limit the duties of the City under federal and state securities laws.

1298 The provisions of this Section may be amended by the City from time
1299 to time to adapt to changed circumstances resulting from a change in legal
1300 requirements, a change in law, or a change in the identity, nature, status, or type of
1301 operations of the City or the Electric Utility System, but only if (1) the provisions
1302 of this Section, as so amended, would have permitted an underwriter to purchase or
1303 sell Bonds in the primary offering of the Bonds in compliance with the Rule,
1304 taking into account any amendments or interpretations of the Rule to the date of
1305 such amendment, as well as such changed circumstances, and (2) either (a) the
1306 Holders of a majority in aggregate principal amount (or any greater amount
1307 required by any other provision of the Ninth Supplement that authorizes such an
1308 amendment) of the Outstanding Bonds consent to such amendment or (b) a Person
1309 that is unaffiliated with the City (such as nationally recognized bond counsel)
1310 determines that such amendment will not materially impair the interests of the
1311 Holders and beneficial owners of the Bonds. The provisions of this Section may
1312 also be amended from time to time or repealed by the City if the SEC amends or
1313 repeals the applicable provisions of the Rule or a court of final jurisdiction
1314 determines that such provisions are invalid, but only if and to the extent that
1315 reservation of the City's right to do so would not prevent underwriters of the initial
1316 public offering of the Bonds from lawfully purchasing or selling Bonds in such
1317 offering. If the City so amends the provisions of this Section, it shall include with
1318 any amended financial information or operating data filed with each NRMSIR and
1319 SID pursuant to subsection (b) of this Section 21 an explanation, in narrative form,
1320 of the reasons for the amendment and of the impact of any change in the type of
1321 financial information or operating data so provided.

1322 **SECTION 22: REMEDY IN EVENT OF DEFAULT.** In addition to all
1323 rights and remedies provided by the laws of the State of Texas, the City covenants
1324 and agrees particularly that if the City (a) defaults in payments to be made to the
1325 Debt Service Fund as required by the Ninth Supplement or the Master Ordinance,
1326 (b) defaults in the observance or performance of any other of the covenants,
1327 conditions or obligations set forth in the Ninth Supplement or the Master
1328 Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds
1329 shall be entitled to a writ of mandamus issued by a court of proper jurisdiction,
1330 compelling and requiring the City and its officers to observe and perform any
1331 covenant, condition or obligation prescribed in the Ninth Supplement or the Master
1332 Ordinance. No delay or omission to exercise any right or power accruing upon any
1333 default shall impair any such right or power, or shall be construed to be a waiver of
1334 any such default or acquiescence therein, and every such right and power may be
1335 exercised from time to time and as often as may be deemed expedient.

1336 The specific remedy herein provided shall be cumulative of all other existing
1337 remedies and the specification of such remedy shall not be deemed to be exclusive.

1338 **SECTION 23: SALE OF BONDS; OFFICIAL STATEMENT**
1339 **APPROVAL.** Pursuant to a public sale for the Bonds, the bid submitted by
1340 _____ (herein referred to as the "Underwriters")
1341 is declared to be the best bid received producing the lowest true interest cost rate to
1342 the City; such bid is hereby accepted and incorporated herein by reference as a part
1343 of the Ninth Supplement for all purposes and the sale of the Bonds to said
1344 Underwriters at the price of par and accrued interest to the date of delivery, plus a
1345 premium of \$_____, is hereby approved and confirmed. Delivery
1346 of the Bonds to the Underwriters shall occur as soon as possible upon payment
1347 being made therefor in accordance with the terms of sale.

1348 Furthermore, the use of the Preliminary Official Statement, dated July 17,
1349 2008, in the offering and sale of the Bonds is hereby ratified, confirmed and
1350 approved in all respects, and the city council hereby finds that the information and
1351 data contained in said Preliminary Official Statement pertaining to the City and its
1352 financial affairs is true and correct in all material respects and no material facts
1353 have been omitted therefrom which are necessary to make the statements therein,
1354 in light of the circumstances under which they were made, not misleading. The
1355 final Official Statement, which reflects the terms of sale (together with such
1356 changes approved by the Mayor, Mayor Pro Tem, city manager, chief financial
1357 officer or city treasurer, one or more of said officials), shall be and is hereby in all
1358 respects approved and the Underwriters may use and distribute said final Official

Statement, dated July 24, 2008, in the offering, sale and delivery of the Bonds to the public.

SECTION 24: 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 US Bank, National Association (the "Deposit Agent"), the paying agent for the Refunded Obligations, for the payment and discharge of the Refunded Obligations and the balance of such proceeds shall be used for the payment of costs of issuance, including amounts to pay municipal bond insurance and amounts to pay the surety bond premium, if any, all in accordance with written instructions to the Paying Agent/Registrar. Accrued interest received from the Underwriters shall be deposited to the credit of the Debt Service Fund. Premium, if any, received from the Underwriters shall either be deposited to the credit of the Debt Service Fund or used for the payment of the costs of issuance or deposited with the Deposit Agent and applied to the defeasance of the Refunded Obligations.

Furthermore, appropriate officials of the City in cooperation with the Deposit Agent are authorized and directed to make the necessary arrangements for the deposit of funds with the Deposit Agent for the payment of the Refunded Obligations; all as contemplated and provided in V.T.C.A., Government Code, Chapter 1207, the Ninth Supplement.

SECTION 25: CONTROL AND CUSTODY OF BONDS. The city Manager of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending the 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 Underwriters.

Furthermore, the Mayor, Mayor Pro Tem, city manager, chief financial officer, city clerk, city treasurer and city attorney, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for printing of definitive Bonds and the delivery of the Bonds to the Underwriters.

SECTION 26: 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., Attorneys, 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 may be printed on the definitive Bonds or an executed counterpart thereof shall accompany the global Bonds deposited with the Depository Trust Company.

SECTION 27: 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 28: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Ninth 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 29: LIMITATION OF BENEFITS WITH RESPECT TO THE NINTH SUPPLEMENT. With the exception of the rights or benefits expressly conferred in the Ninth Supplement, nothing expressed or contained in the Ninth Supplement or implied from the provisions of the Ninth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to the Ninth Supplement or any covenant, condition, stipulation, promise, agreement, or provision contained in the Ninth Supplement. The Ninth 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, and the Paying Agent/Registrar as provided in the Ninth Supplement and in the Bonds.

SECTION 30: NOTICES TO HOLDERS WAIVER. Wherever the Ninth Supplement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Ninth Supplement) 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 the Ninth 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 31: GOVERNING LAW. The Ninth Supplement shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 32: EFFECT OF HEADINGS. The Section headings in the Ninth Supplement are for convenience only and shall not affect the construction of the Ninth Supplement.

SECTION 33: CONSTRUCTION OF TERMS. If appropriate in the context of the Ninth Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 34: SEVERABILITY. If any provision of the Ninth Supplement or the application thereof to any circumstance shall be held to be invalid, the remainder of the Ninth Supplement and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that the Ninth Supplement would have been enacted without such invalid provision.

SECTION 35: INSURANCE. The Bonds have been sold with the principal of and interest thereon being insured by Assured Guaranty Corp. ("Assured Guaranty") pursuant to a Financial Guaranty Insurance Policy (the "Policy") and the City agrees to the provisions set forth below:

(a) With respect to notices and other information to be given to Assured Guaranty as follows:

(1) Any notice that is required to be given to the Holders of the Bonds, the NRMSIRs or the SID pursuant to the Rule or to Paying Agent/Registrar pursuant to this Ninth Supplement shall also be provided to Assured Guaranty simultaneously with the sending of such notices. All information furnished pursuant to Section 20 shall also be provided to Assured Guaranty, simultaneously with the furnishing of such information. All notices required to be given to Assured Guaranty shall be in writing and shall be sent by registered or certified mail addressed to Assured Guaranty Corp., 1325 Avenue of the Americas, New York, New York 10019, Attention: General Counsel, with a copy to Assured Guaranty, Attention: Risk Management Department – Public Finance Surveillance.

(2) Assured Guaranty shall have the right to receive such additional information as it may reasonably request.

(3) The City will permit Assured Guaranty to discuss the affairs, finances and accounts of the City or any information Assured Guaranty may reasonably request regarding the security for the Bonds with appropriate officers of the City, and will use best efforts to enable Assured Guaranty to have access to the facilities, books and records of the City on any Business Day upon reasonable prior notice.

(4) The Paying Agent/Registrar shall notify Assured Guaranty of any failure of the City to provide notices, certificates and other information under this Ninth Supplement.

(b) In the event that the principal and/or interest due on the Bonds shall be paid by Assured Guaranty pursuant to the policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Net Revenues and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of Assured Guaranty, and Assured Guaranty shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

In connection with the refunding and defeasance of the Bonds, the City will provide Assured Guaranty an opinion of counsel that refunding and defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the Bonds or the refunded bonds.

Any escrow agreement, and an opinion of counsel regarding the validity and enforceability of the escrow agreement, used in connection with a defeasance shall provide that:

(1) Any substitution of securities shall require verification by an independent certified public accountant and the prior written consent of Assured Guaranty.

(2) The City will not exercise any optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (A) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (B) as a condition of any such redemption there shall be provided to Assured Guaranty verification by an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.

(3) The City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of Assured Guaranty.

(c) With respect to the Paying Agent/Registrar, the following provisions shall apply:

(1) Assured Guaranty shall receive prior written notice of any name change of the Paying Agent/Registrar for the Bonds or the resignation or removal of the Paying Agent/Registrar.

(2) No removal, resignation or termination of the Paying Agent/Registrar shall take effect until a successor, acceptable to Assured Guaranty, shall be appointed.

(3) The Paying Agent/Registrar may be removed at any time, at the request of Assured Guaranty, for any breach of its obligations under this Ninth Supplement.

(d) With respect to amendments or supplements to this Ninth Supplement which do not require the consent of the Holders, Assured Guaranty must be given notice of any such amendments or supplements. With respect to

amendments or supplements to this Ninth Supplement which require the consent of the Holders, Assured Guaranty's prior written consent is required. Copies of any amendments or supplements to this Ninth Supplement which are consented to by Assured Guaranty shall be sent to the rating agencies which have assigned a rating to the Bonds. Notwithstanding any other provision of this Ninth Supplement, in determining whether the rights of Holders will be adversely affected by any action taken pursuant to the terms and provisions of this Ninth Supplement, the Paying Agent/Registrar shall consider the effect on the Holders as if there were no Policy.

(e) To the extent that this Ninth Supplement confers upon or gives or grants to Assured Guaranty any right, remedy or claim under or by reason of this Ninth Supplement, Assured Guaranty is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(f) Assured Guaranty shall be deemed to be the Holder of all of the Bonds for purposes of (a) exercising all remedies and directing the Paying Agent/Registrar to take actions or for any other purposes following the payment of interest on or principal of the Bonds by Assured Guaranty ("Event of Default"), and (b) granting any consent, direction or approval or taking any action permitted by or required under this Ninth Supplement to be granted or taken by the Holders of the Bonds.

Anything in this Ninth Supplement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, Assured Guaranty shall be entitled to control and direct enforcement of all rights and remedies granted to the Holders under this Ninth Supplement.

(g) The following consent rights apply:

(1) Consent of Assured Guaranty. Any provision of this Ninth Supplement expressly recognizing or granting rights in or to Assured Guaranty may not be amended in any manner which affects the rights of Assured Guaranty hereunder without the prior written consent of Assured Guaranty.

(2) Consent of Assured Guaranty in Addition to Holder Consent. Wherever this Ninth Supplement requires the consent of Holders, Assured Guaranty's consent shall also be required.

(3) Consent of Assured Guaranty in the Event of Insolvency. If the City is ever authorized to do so and does so, to the extent

permitted by law, any reorganization or liquidation plan with respect to the City must be acceptable to Assured Guaranty. In the event of any reorganization or liquidation, Assured Guaranty shall have the right to vote on behalf of all Holders who hold Bonds guaranteed by Assured Guaranty, absent a default by Assured Guaranty under the Policy.

(h) With respect to payment procedures under the Policy:

(1) At least two (2) Business Days prior to each payment date on the Bonds, the Paying Agent/Registrar will determine whether there will be sufficient funds to pay all principal and interest with respect to the Bonds due on the related payment date and shall immediately notify Assured Guaranty or its designee on the same business day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent/Registrar shall so notify Assured Guaranty or its designee.

(2) The Paying Agent/Registrar, after giving notice to Assured Guaranty as provided above, shall make available to Assured Guaranty and, at Assured Guaranty's written direction, to any Fiscal Agent, the registration books of the City maintained by the Paying Agent/Registrar and all records relating to the funds maintained under this Ninth Supplement.

(3) The Paying Agent/Registrar shall provide Assured Guaranty and any Fiscal Agent with a list of registered owners of Bonds entitled to receive principal or interest payments from Assured Guaranty under the terms of the Policy, and shall make arrangements with Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty to (i) mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from Assured Guaranty and (ii) pay principal with respect to Bonds surrendered to Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty by the registered owners of Bonds

entitled to receive full or partial principal payments from Assured Guaranty.

(4) The Paying Agent/Registrar, shall, at the time it provides notice to Assured Guaranty of any deficiency pursuant to paragraph (h)(1) above, notify registered owners of Bonds entitled to receive the payment of principal or interest with respect thereto from Assured Guaranty (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that Assured Guaranty will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to Assured Guaranty or any Fiscal Agent, in form satisfactory to Assured Guaranty, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from Assured Guaranty, they must surrender the related Bonds for payment first to the Paying Agent/Registrar, which will note on such Bonds the portion of the principal paid by the Paying Agent/Registrar and second to Assured Guaranty or its designee, together with an appropriate assignment, in form satisfactory to Assured Guaranty, to permit ownership of such Bonds to be registered in the name of Assured Guaranty, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from Assured Guaranty, they must surrender the related Bonds for payment to Assured Guaranty or its designee, rather than the Paying Agent/Registrar, together with the an appropriate assignment, in form satisfactory to Assured Guaranty, to permit ownership of such Bonds to be registered in the name of Assured Guaranty.

(5) In addition, if the Paying Agent/Registrar has notice that any Holder of the Bonds has been required to disgorge payments of principal or interest with respect to the Bonds previously Due for Payment pursuant to a final non-appealable order by a court of competent jurisdiction to the effect that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy laws, then the Paying Agent/Registrar shall notify Assured Guaranty or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

1642 (6) The Paying Agent/Registrar is hereby irrevocably
1643 designated, appointed, directed and authorized to act as attorney-in-
1644 fact for Holders of the Bonds as follows:

1645 i. If and to the extent there is a deficiency in
1646 amounts required to pay interest with respect to the
1647 Bonds, the Paying Agent/Registrar shall (a) execute and
1648 deliver to Assured Guaranty, in form satisfactory to
1649 Assured Guaranty, an instrument appointing Assured
1650 Guaranty as agent for such Holders in any legal
1651 proceeding related to the payment of such interest and an
1652 assignment to Assured Guaranty of the claims for interest
1653 to which such deficiency relates and which are paid by
1654 Assured Guaranty, (b) receive as designee of the
1655 respective Holders (and not as Paying Agent/Registrar) in
1656 accordance with the tenor of the Policy payment from
1657 Assured Guaranty with respect to the claims for interest
1658 so assigned, and (c) disburse the same to such respective
1659 Holders; and

1660 ii. If and to the extent of a deficiency in
1661 amounts required to pay principal of the Bonds, the
1662 Paying Agent/Registrar shall (a) execute and deliver to
1663 Assured Guaranty, in form satisfactory to Assured
1664 Guaranty, an instrument appointing Assured Guaranty as
1665 agent for such Holder in any legal proceeding related to
1666 the payment of such principal and an assignment to
1667 Assured Guaranty of the Bond surrendered to Assured
1668 Guaranty in an amount equal to the principal amount
1669 with respect thereto as has not previously been paid or
1670 for which moneys are not held by the Paying
1671 Agent/Registrar and available for such payment (but such
1672 assignment shall be delivered only if payment from
1673 Assured Guaranty is received), (b) receive as designee of
1674 the respective Holders (and not as Paying
1675 Agent/Registrar) in accordance with the tenor of the
1676 Policy payment therefor from Assured Guaranty, and (c)
1677 disburse the same to such Holders.

1678 (i) Payments with respect to claims for interest on and principal of the
1679 Bonds disbursed from proceeds of the Policy shall not be considered to discharge

the obligation of the City with respect to such Bonds, and the Bonds shall remain outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the City, and Assured Guaranty shall become the Holder of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise; and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of Assured Guaranty, and Assured Guaranty shall be subrogated to the rights of such registered owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

(j) Irrespective of whether any such assignment is executed and delivered, the City and the Paying Agent/Registrar hereby agree for the benefit of Assured Guaranty that:

(1) they recognize that to the extent Assured Guaranty makes payments directly or indirectly (e.g., by paying through the Paying Agent/Registrar) on account of principal or interest with respect to the Bonds, Assured Guaranty will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the City, with interest with respect thereto as provided and solely from the sources stated in this Ninth Supplement and the Bonds; and

(2) they will accordingly pay to Assured Guaranty the amount of such principal and interest with respect thereto as provided in this Ninth Supplement and the Bonds, but only from the sources and in the manner provided herein for the payment of principal and interest with respect to the Holders, and will otherwise treat Assured Guaranty as the owner of such rights to the extent of such principal and interest.

(3) The City hereby agrees to pay or reimburse Assured Guaranty, to the extent permitted by law, (A) for all amounts paid by Assured Guaranty under the terms of the Policy, and (B) any and all charges, fees, costs and expenses which Assured Guaranty may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of this Ninth Supplement or any other financing document

including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City or any affiliate thereof) relating to this Ninth Supplement or any other financing document, any party to this Ninth Supplement or any other financing document or the transaction contemplated by the financing documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under this Ninth Supplement or any other financing document, or the pursuit of any remedies under this Ninth Supplement or any other financing document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, this Ninth Supplement or any other financing document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of Assured Guaranty spent in connection with the actions described in clauses (B)(ii) through (B)(iv) herein. In addition, Assured Guaranty reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Ninth Supplement or any other financing document. To the extent permitted by law and subject to annual appropriation, the City will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the Reimbursement Rate.

(4) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto under law or in equity, the City agrees to pay or reimburse Assured Guaranty, to the extent permitted by law, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which Assured Guaranty or its officers, directors, shareholders, employees, agents and each Person, if any, who controls Assured Guaranty within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934 may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by this agreement or this Ninth Supplement by reason of:

i. any omission or action (other than by Assured Guaranty) in connection with the offering, issuance, sale, remarketing or delivery of the Bonds;

ii. the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the City in connection with any transaction arising from or relating to this agreement or this Ninth Supplement;

iii. the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it;

iv. the breach by the City of any representation, warranty or covenant under this Ninth Supplement or the occurrence, in respect of the City, under this Ninth Supplement of any "Event of Default" or any event which, with the giving of notice or lapse of time or both, would constitute any "Event of Default"; or

v. any untrue statement or alleged untrue statement of a material fact contained in any official statement relating to the Bonds, if any, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by Assured Guaranty in writing expressly for use therein.

(5) Assured Guaranty shall be entitled to pay principal or interest with respect to the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City, whether or not Assured Guaranty has received a Notice of Nonpayment or a claim upon the Policy.

(6) In addition, Assured Guaranty shall to the extent it makes any payment of principal or interest with respect to the Bonds become subrogated to the rights of the recipients of such payments in

1789 accordance with the terms of the Policy, and to evidence such
1790 subrogation (i) in the case of claims for interest, the Paying
1791 Agent/Registrar shall note Assured Guaranty's rights as subrogee on
1792 the registration books of the City maintained by the Paying
1793 Agent/Registrar, upon receipt of proof of payment of interest with
1794 respect thereto to the Holders of the Bonds, and (ii) in the case of
1795 claims for principal, the Paying Agent/Registrar, if any, shall note
1796 Assured Guaranty's rights as subrogee on the registration books of the
1797 City maintained by the Paying Agent/Registrar, upon surrender of the
1798 Bonds together with receipt of proof of payment of principal with
1799 respect thereto.

1800 (k) The City shall furnish to Assured Guaranty:

1801 (i) The fiscal year budget prior to the beginning of each fiscal year;

1802 (ii) Annual audited financial statements prepared by an independent
1803 certified public accountant, within one hundred eighty (180) days of the
1804 completion of the City's fiscal year;

1805 (iii) Prior to issuing additional parity obligations, any disclosure
1806 document or financing agreement pertaining to such additional debt which
1807 disclosure document or financing agreement shall include, without
1808 limitation, the applicable maturity schedule, interest rate or rates, redemption
1809 and security provisions pertaining to such additional debt;

1810 (iv) Immediate notice of any draw on the debt service reserve fund;
1811 and

1812 (v) Within thirty (30) days following any litigation or investigation
1813 that may have a material adverse affect on the financial position of the
1814 System, notice of such litigation.

1815 **SECTION 36: PUBLIC MEETING.** It is officially found, determined, and
1816 declared that the meeting at which the Ninth Supplement is adopted was open to
1817 the public and public notice of the time, place, and subject matter of the public
1818 business to be considered at such meeting, including the Ninth Supplement, was
1819 given; all as required by V.T.C.A., Government Code, Chapter 551.

1820 SECTION 37: **EFFECTIVE DATE.** The Ninth Supplement is hereby
1821 passed on one reading as authorized by V.T.C.A., Government Code, Section
1822 1201.028 and shall be effective immediately upon its passage and adoption.

1823 *[remainder of page left blank intentionally]*

DRAFT

PASSED AND APPROVED

July 24, 2008

§
§
§

Will Wynn
Mayor

APPROVED:

David Allan Smith
City Attorney

ATTEST:

Shirley A. Gentry
City Clerk

(CITY SEAL)

1838

EXHIBIT A

1839

PAYING AGENT REGISTRAR AGREEMENT

DRAFT

1840 EXHIBIT B
1841 CONTINUING DISCLOSURE REQUIREMENTS UNDER THE RULE

1842 DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
1843

1844 The following information is referred to in Section 21 of this Ordinance.

1845 **Annual Financial Statements and Operating Data**

1846 The financial information and operating data with respect to the City
1847 to be provided annually in accordance with such Section are as shown (and
1848 included in the Appendix or under the headings of the Official Statement referred
1849 to) below:

- 1850 1. The financial statements of the City appended to the Official
1851 Statement as Appendix B, but for the most recently concluded fiscal year.
- 1852 2. The information under the numbered tables.

1853 **Accounting Principles**

1854 The accounting principles referred to in such Section are the generally
1855 accepted accounting principles as applicable to governmental units as prescribed
1856 by The Government Accounting Standards Board.