

Late Backup

#100
7-24-08

ORDINANCE NO. 20080724-100

**AN ORDINANCE AUTHORIZING THE ISSUANCE
AND SALE OF "CITY OF AUSTIN, TEXAS, ELECTRIC
UTILITY SYSTEM REVENUE REFUNDING BONDS,
SERIES 2008A"; AND RELATED DOCUMENTS.**

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

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

"Bonds" means collectively, the "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2008A" authorized for issuance by the Ninth Supplement

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

"Holders" means the registered owners or holders of the Bonds

"Master Ordinance" means Ordinance No. 010118-53A, passed by the city council on January 18, 2001

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

"Ninth Supplement" means Ordinance No. 20080724-100 authorizing the issuance of the Bonds and passed by the city council on July 24, 2008.

"Paying Agent/Registrar" means the financial institution named in Section 4 of the Ninth Supplement

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

1 AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING
2 BONDS, SERIES 2002", DATED February 15, 2002, "CITY OF AUSTIN,
3 TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS,
4 SERIES 2002A", dated July 15, 2002, "CITY OF AUSTIN, TEXAS, ELECTRIC
5 UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2003", dated
6 February 1, 2003, "CITY OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM
7 REVENUE REFUNDING BONDS, SERIES 2006", dated May 15, 2006, "CITY
8 OF AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE
9 REFUNDING BONDS, SERIES 2006A", dated October 15, 2006, "CITY OF
10 AUSTIN, TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING
11 BONDS, SERIES 2007", dated August 15, 2007, and "CITY OF AUSTIN,
12 TEXAS, ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS,
13 TAXABLE SERIES 2008", dated March 1, 2008.

14 "Prior Supplements" means Ordinances No. 010118-53B, 020228-13,
15 020718-17, 030206-34, 20060518-040, 20061019-055, 20070322-026, and
16 20080228-078 authorizing the issuance of the Previously Issued Electric Utility
17 Obligations

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

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

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

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

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

30 "Series A Notes" means the City of Austin, Texas Combined Utility System
31 Commercial Paper Notes, Series A, up to an aggregate principal amount of
32 \$350,000,000 to finance the costs of additions, improvements and extensions to the
33 City's water and wastewater system and the City's electric light and power system.

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

3 In accordance with the provisions of V.T.C.A., Government Code, Chapter
4 1371, the City has authorized by ordinance and provided for the issuance and sale
5 of the Series A Notes

6 The best interest of the City is served by issuing the Bonds to refund short
7 term obligations into long term obligations and the manner in which the refunding
8 is executed does not make it practicable to make the determination required by
9 V.T.C.A., Government Code, Section 1207 008(a)(2).

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

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

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

23 **SECTION 3: FULLY REGISTERED OBLIGATIONS; AUTHORIZED**
24 **DENOMINATIONS; STATED MATURITIES; DATE.** The Bonds shall be
25 issued as fully registered obligations, without coupons, shall be dated July 15, 2008
26 (the "Bond Date") and, other than the single fully registered Initial Bond
27 referenced in Section 9 of the Ninth Supplement, shall be in denominations of
28 \$5,000 or any integral multiple thereof (within a stated maturity), shall be
29 numbered consecutively from 1 upward and shall become due and payable on
30 November 15 in each of the years (the "Stated Maturities") and in principal
31 amounts and bear interest at per annum rates in accordance with the following
32 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

1 (the "Security Register") shall at all times be kept and maintained on behalf of the
2 City by the Paying Agent/Registrar, as provided in the Ninth Supplement and in
3 accordance with the terms and provisions of a "Paying Agent/Registrar
4 Agreement", substantially in the form attached as Exhibit A, and such reasonable
5 rules and regulations as the Paying Agent/Registrar and the City may prescribe.
6 The mayor and city clerk may execute and deliver such a Paying Agent/Registrar
7 Agreement. The City covenants to maintain and provide a Paying Agent/Registrar
8 at all times until the Bonds are paid and discharged, and any successor Paying
9 Agent/Registrar shall be a bank, trust company, financial institution or other entity
10 qualified and authorized to serve in such capacity and perform the duties and
11 services of Paying Agent/Registrar. Upon any change in the Paying
12 Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice
13 thereof to be sent to each Holder by United States Mail, first class postage prepaid,
14 which notice shall also give the address of the new Paying Agent/Registrar.

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

34 In the event of a non payment of interest on one or more maturities on a
35 scheduled payment date, and for thirty (30) days thereafter, a new record date for
36 such interest payment for such maturity or maturities (a "Special Record Date")
37 will be established by the Paying Agent/Registrar, if and when funds for the
38 payment of such interest have been received from the City. Notice of the Special

1 Record Date and of the scheduled payment date of the past due interest (which
2 shall be 15 days after the Special Record Date) shall be sent at least five (5)
3 business days prior to the Special Record Date by United States Mail, first class
4 postage prepaid, to the address of each Holder of such maturity or maturities
5 appearing on the Security Register at the close of business on the last business day
6 next preceding the date of mailing of such notice.

7 **SECTION 5 REDEMPTION.**

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

14 At least forty-five (45) days prior to a redemption date for the Bonds (unless
15 a shorter notification period shall be satisfactory to the Paying Agent/Registrar),
16 the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds,
17 the principal amount of each Stated Maturity to be redeemed, and the date of
18 redemption. The decision of the City to exercise the right to redeem Bonds shall
19 be entered in the minutes of the governing body of the City.

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

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*	

25 *maturity
26

27 Approximately forty-five (45) days prior to each mandatory redemption date
28 for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of
29 the Term Bonds within the applicable Stated Maturity to be redeemed on the next

1 following November 15 from moneys set aside for that purpose in the Debt Service
2 Fund. Any Term Bond not selected for prior redemption shall be paid on the date
3 of their Stated Maturity.

4 The principal amount of the Term Bonds for a Stated Maturity required to be
5 redeemed on a mandatory redemption date may be reduced, at the option of the
6 City, by the principal amount of Term Bonds of like Stated Maturity which, at least
7 50 days prior to the mandatory redemption date, (1) shall have been acquired by
8 the City at a price not exceeding the principal amount of such Term Bonds plus
9 accrued interest to the date of purchase thereof, and delivered to the Paying
10 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the
11 optional redemption provisions set forth in paragraph(a) of this Section and not
12 theretofore credited against a mandatory redemption requirement

13 (c) Selection of Bonds for Redemption If less than all Outstanding
14 Bonds of the Stated Maturity are to be redeemed on a redemption date, the Paying
15 Agent/Registrar shall treat such Bonds as representing the number of Bonds
16 Outstanding which is obtained by dividing the principal amount of such Bonds by
17 \$5,000 and shall select the Bonds to be redeemed within such Stated Maturity by
18 lot

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

27 All notices of redemption shall specify the date of redemption for the Bonds,
28 identify the Bonds to be redeemed and, in the case of a portion of the principal
29 amount to be redeemed, the principal amount to be redeemed, state the redemption
30 price, state that the Bonds, or the portion of the principal amount to be redeemed,
31 shall become due and payable on the redemption date specified, and the interest on
32 such Bonds, or on the portion of the principal amount of such Bonds to be
33 redeemed, shall cease to accrue from and after the redemption date, and specify
34 that payment of the redemption price for the Bonds, or the principal amount of the
35 Bonds to be redeemed, shall be made at the Designated Payment/Transfer Office of
36 the Paying Agent/Registrar only upon presentation and surrender thereof by the
37 Holder. If a Bond is subject to prior redemption and has been called for

1 redemption and notice of redemption of such Bonds has been given or waived as
2 provided in the Ninth Supplement, such Bond (or the principal amount of such
3 Bonds to be redeemed) shall become due and payable, and interest on such Bond
4 shall cease to accrue from and after the redemption date, provided moneys
5 sufficient for the payment of such Bonds (or of the principal amount of such Bond
6 to be redeemed) at the applicable redemption price are held for the purpose of such
7 payment by the Paying Agent/Registrar.

8 **SECTION 6 REGISTRATION, TRANSFER, EXCHANGE OF**
9 **BONDS; PREDECESSOR BONDS** The Paying Agent/Registrar shall obtain,
10 record, and maintain in the Security Register the name and address of each
11 registered owner of the Bonds issued under and pursuant to the provisions of the
12 Ninth Supplement. Any Bond may, in accordance with its terms and the terms of
13 the Ninth Supplement, be transferred or exchanged for Bonds of other authorized
14 denominations upon the Security Register by the Holder in person or by the
15 authorized agent of such person, upon surrender of such Bond to the Paying
16 Agent/Registrar for cancellation, accompanied by a written instrument of transfer
17 or request for exchange executed by the Holder or by the authorized agent of such
18 person, in form satisfactory to the Paying Agent/Registrar

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

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

34 All Bonds issued upon any transfer or exchange of Bonds shall be delivered
35 at the Designated Payment/Transfer Office, or sent by United States Mail, first
36 class postage prepaid, to the Holder and, upon the delivery thereof, the same shall
37 be valid obligations of the City, evidencing the same obligation to pay, and entitled

1 to the same benefits under the Ninth Supplement, as the Bonds surrendered in such
2 transfer or exchange.

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

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

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

23 **SECTION 7. BOOK-ENTRY-ONLY TRANSFERS AND**
24 **TRANSACTIONS.** Notwithstanding the provisions contained in Sections 4, 5
25 and 6 of the Ninth Supplement relating to the payment, and transfer/exchange of
26 the Bonds, the City approves and authorizes the use of "Book-Entry-Only"
27 securities clearance, settlement and transfer system provided by The Depository
28 Trust Company (DTC), a limited purpose trust company organized under the laws
29 of the State of New York, in accordance with the operational arrangements
30 referenced in the Blanket Issuer Letter of Representations, by and between the City
31 and DTC (the "Depository Agreement").

32 Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall
33 be deposited with DTC who shall hold said Bonds for its participants (the "DTC
34 Participants"). While the Bonds are held by DTC under the Depository
35 Agreement, the Holder of the Bonds on the Security Register for all purposes,
36 including payment and notices, shall be Cede & Co., as nominee of DTC,

1 notwithstanding the ownership of each actual purchaser or owner of each Bond
2 (the "Beneficial Owners") being recorded in the records of DTC and DTC
3 Participants

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

15 **SECTION 8. EXECUTION; REGISTRATION** The Bonds shall be
16 executed on behalf of the City by the mayor under its seal reproduced or impressed
17 thereon and countersigned by the city clerk. The signature of said officers on the
18 Bonds may be manual or facsimile. Bonds bearing the manual or facsimile
19 signatures of individuals who are or were the proper officers of the City on the
20 Bond Date shall be deemed to be executed on behalf of the City, notwithstanding
21 that such individuals or either of them shall cease to hold such offices at the time
22 of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds
23 delivered in subsequent exchanges and transfers, all as authorized and provided in
24 V.T.C.A., Government Code, Chapter 1201

25 No Bond shall be entitled to any right or benefit under the Ninth
26 Supplement, or be valid or obligatory for any purpose, unless there appears on such
27 Bond either a certificate of registration substantially in the form provided in
28 Section 10(c), manually executed by the Comptroller of Public Accounts of the
29 State of Texas or his or her authorized agent, or a certificate of registration
30 substantially in the form provided in Section 10(d), manually executed by an
31 authorized officer, employee or representative of the Paying Agent/Registrar, and
32 either such certificate upon any Bond signed shall be conclusive evidence, and the
33 only evidence, that such Bond has been certified, registered and delivered

34 **SECTION 9 INITIAL BOND(S)** The Bonds shall be initially issued
35 either (i) as a single fully registered bond in the total principal amount referenced
36 in Section 2 with principal installments to become due and payable as provided in
37 Section 3 and numbered T-1, or (ii) as multiple fully registered bonds, being one

1 bond for each year of maturity in the applicable principal amount and
2 denomination and to be numbered consecutively from T-1 and upward (the "Initial
3 Bond(s)") and, in either case, the Initial Bond(s) shall be registered in the name of
4 the initial purchaser(s) or the designee thereof. The Initial Bond(s) shall be the
5 Bonds submitted to the Office of the Attorney General of the State of Texas for
6 approval, certified and registered by the Office of the Comptroller of Public
7 Accounts of the State of Texas and delivered to the initial purchaser(s). Any time
8 after the delivery of the Initial Bond(s), the Paying Agent/Registrar pursuant to
9 written instructions from the initial purchaser(s), or the designee thereof, shall
10 cancel such delivered Initial Bond(s) and exchange for such Initial Bond(s)
11 definitive Bonds of authorized denominations, Stated Maturities, principal amounts
12 and bearing applicable interest rates for transfer and delivery to the Holders named
13 at the addresses provided, all pursuant to and in accordance with such written
14 instructions from the initial purchaser(s), or the designee of the initial purchaser(s),
15 and such other information and documentation as the Paying Agent/Registrar may
16 reasonably require.

17 SECTION 10. FORMS

18 (a) Forms Generally. The Bonds, the Registration Certificate of the
19 Comptroller of Public Accounts of the State of Texas, the Certificate of
20 Registration, and the form of Assignment to be printed on each of the Bonds, shall
21 be substantially in the forms set forth in this Section with such appropriate
22 insertions, omissions, substitutions, and other variations as are permitted or
23 required by the Ninth Supplement and may have such letters, numbers, or other
24 marks of identification (including identifying numbers and letters of the
25 Committee on Uniform Securities Identification Procedures of the American
26 Bankers Association) and such legends and endorsements (including insurance
27 legends if the Bonds or any maturities of the Bonds, are purchased with insurance
28 and any reproduction of an opinion of counsel) on such Bonds as may, consistently
29 with the provisions of the Ninth Supplement, be established by the City or
30 determined by the officers executing such Bonds as evidenced by their execution
31 of such Bonds. Any portion of the text of any Bonds may be set forth on the
32 reverse of such Bond, with an appropriate reference on the face of the Bond.

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

1 (b) Form of Definitive Bond

2 REGISTERED
3 NO _____

REGISTERED
\$ _____

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

Bond Date
July 15, 2008

Interest Rate. _____

Stated Maturity. _____

CUSIP NO. _____

Registered Owner _____

Principal Amount. _____

DOLLARS

7 The City of Austin (the "City"), a body corporate and municipal corporation
8 in the Counties of Travis and Williamson, State of Texas, for value received,
9 hereby promises to pay to the registered owner named above, or the registered
10 assigns thereof (the "Registered Owner"), solely from the revenues identified in
11 this Bond on the Stated Maturity date shown above the Principal Amount stated
12 above (or so much of such Principal Amount as shall not have been paid upon
13 prior redemption), and to pay interest (computed on the basis of a 360 day year of
14 twelve 30-day months) on the unpaid Principal Amount of this Bond from the
15 interest payment date next preceding the "Registration Date" of this Bond
16 appearing below (unless this Bond bears a "Registration Date" as of an interest
17 payment date, in which case it shall bear interest from such date, or unless the
18 "Registration Date" of this Bond is prior to the initial interest payment date in
19 which case it shall bear interest from the Bond Date) at the per annum rate of
20 interest specified above, such interest being payable on May 15 and November 15
21 of each year, commencing November 15, 2008. Principal of this Bond is payable
22 at its Stated Maturity or redemption to the Registered Owner, upon presentation
23 and surrender, at the Designated Payment/Transfer Office of the Paying
24 Agent/Registrar executing the registration certificate appearing on this Bond, or its
25 successor, provided, however, while this Bond is registered to Cede & Co, the
26 payment of principal upon a partial redemption of the principal amount of this
27 Bond may be accomplished without presentation and surrender of this Bond
28 Interest is payable to the registered owner of this Bond (or one or more

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

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

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

1

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*	

2 *maturity

3
4 The particular Term Bonds of a stated maturity to be redeemed on each
5 redemption date shall be chosen by lot by the Paying Agent/Registrar, provided,
6 however, that the principal amount of Term Bonds for a stated maturity required to
7 be redeemed on a mandatory redemption date may be reduced, at the option of the
8 City, by the principal amount of Term Bonds of like stated maturity which, at least
9 50 days prior to the mandatory redemption date, (1) shall have been acquired by
10 the City at a price not exceeding the principal amount of such Term Bonds plus
11 accrued interest to the date of purchase, and delivered to the Paying
12 Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the
13 optional redemption provisions appearing below and not previously credited
14 against a mandatory redemption requirement.

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

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

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

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

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

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

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

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

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

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

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

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

19 CITY OF AUSTIN, TEXAS
20
21
22
23

Will Wynn, Mayor

24 COUNTERSIGNED
25
26

27 Shirley A. Gentry, City Clerk
28
29

(SEAL)

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

3 REGISTRATION CERTIFICATE OF
4 COMPTROLLER OF PUBLIC ACCOUNTS

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

REGISTER NO. _____

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

8 WITNESS my signature and seal of office this _____

9
10 Comptroller of Public Accounts
11 of the State of Texas

12 (SEAL)

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

15 REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

16 This Bond has been issued and registered in the name of the Registered
17 Owner shown above under the provisions of the within mentioned Ordinances, the
18 bond or bonds of the above entitled and designated series originally delivered
19 having been approved by the Attorney General of the State of Texas and registered
20 by the Comptroller of Public Accounts, as shown by the records of the Paying
21 Agent/Registrar

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

24 Registration Date: _____ REGIONS BANK, Houston, Texas,
25 as Paying Agent/Registrar
26 _____

27 By _____
28 Authorized Signature

1 (e) Form of Assignment.

2 ASSIGNMENT

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

6
7 (Social Security or other identifying number: _____)

8 the within Bond and all rights under this Bond, and irrevocably constitutes and
9 appoints _____ attorney to transfer the within Bond on
10 the books kept for registration thereof, with full power of substitution in the
11 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.

12 (f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of
13 this Section, except that the form of a single fully registered Initial Bond shall be
14 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

1 The City of Austin (the "City"), a body corporate and municipal corporation
2 in the Counties of Travis and Williamson, State of Texas, for value received,
3 hereby promises to pay to the registered owner named above, or the registered
4 assigns thereof (the "Registered Owner"), solely from the revenues identified in
5 this Bond, the Principal Amount above stated on November 15 in each of the years
6 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)

7 (or so much thereof as shall not have been redeemed prior to maturity) and to pay
8 interest, computed on the basis of a 360 day year of twelve 30 day months, on the
9 unpaid principal amounts of this Bond from the Bond Date at the per annum rates
10 of interest specified above, such interest being payable on May 15 and November
11 15 in each year, commencing November 15, 2008. Principal installments of this
12 Bond are payable in the year of maturity to the Registered Owner by Regions
13 Bank, Houston, Texas (the "Paying Agent/Registrar"), upon presentation and
14 surrender, at its designated offices in Homewood, Alabama (the "Designated
15 Payment/Transfer Office"). Interest is payable to the registered owner of this Bond
16 whose name appears on the "Security Register" maintained by the Paying
17 Agent/Registrar at the close of business on the "Record Date", which is the last
18 business day of the month next preceding each interest payment date and interest
19 shall be paid by the Paying Agent/Registrar by check sent United States Mail, first
20 class postage prepaid, to the address of registered owner recorded in the Security
21 Register or by such other method, acceptable to the Paying Agent/Registrar,
22 requested by, and at the risk and expense of, the registered owner. If the date for
23 the payment of the principal of or interest on the Bonds shall be a Saturday,
24 Sunday, a legal holiday, or a day when banking institutions in the city where the
25 Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are
26 authorized by law or executive order to close, then the date for such payment shall
27 be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or
28 day when banking institutions are authorized to close; and payment on such date
29 shall have the same force and effect as if made on the original date payment was
30 due. All payments of principal of, premium, if any, and interest on this Bond shall
31 be without exchange or collection charges to the owner hereof and in any coin or
32 currency of the United States of America which at the time of payment is legal
33 tender for the payment of public and private debts

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

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

1 demand payment out of funds raised or to be raised by taxation, or from any source
2 other than specified in the Master Ordinance, the Prior Supplements and the Ninth
3 Supplement.

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

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

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

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

1 **SECTION 14 RESERVE FUND.**

2 (a) Establishment A Reserve Fund shall not be required to be
3 established or maintained by the City for the payment of the Parity Electric Utility
4 Obligations so long as the "Pledged Net Revenues" of the System for a Fiscal Year
5 (the Net Revenues of the System in a Fiscal Year remaining after deducting the
6 amounts, if any, expended to pay the annual debt service requirements for Prior
7 First Lien Obligations and Prior Subordinate Lien Obligations in such Fiscal Year)
8 equal or exceed one hundred fifty per cent (150%) of the Annual Debt Service
9 Requirements of the Parity Electric Utility Obligations due and payable in such
10 Fiscal Year. If for any Fiscal Year such "Pledged Net Revenues" do not exceed
11 150% of the Annual Debt Service Requirements of the Parity Electric Utility
12 Obligations, the City shall be obligated to establish and maintain on the books of
13 the City a separate fund or account designated as the "Electric Utility System
14 Revenue Obligation Reserve Fund" (the "Reserve Fund"). Upon being established
15 and except as provided in subsection (f) below, the amount on deposit to the credit
16 of the Reserve Fund shall be maintained for the benefit of the owners of the Parity
17 Electric Utility Obligations. There shall be deposited into the Reserve Fund any
18 Reserve Fund Obligations so designated by the City. The amounts deposited to the
19 credit of the Reserve Fund shall be in a special fund maintained at an official
20 depository of City. Reserve Fund Obligations in the Reserve Fund shall be used for
21 the purpose of retiring the last of the Parity Electric Utility Obligations as they
22 become due or paying principal of and interest on the Parity Electric Utility
23 Obligations when and to the extent the amounts in the Debt Service Fund are
24 insufficient for such purpose.

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

29 (i) ten per cent (10%) of the Maximum Debt Service Requirement
30 for all Parity Electric Utility Obligations then Outstanding if the Pledged Net
31 Revenues for the previous Fiscal Year were less than 150% of the annual
32 Debt Service Requirement for such Fiscal Year, but greater than or equal to
33 140% of the annual Debt Service Requirement for such Fiscal Year,

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

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

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

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

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

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

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

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

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

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

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

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

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

15 **SECTION 16- COVENANTS TO MAINTAIN TAX EXEMPT**
16 **STATUS.**

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

19 "Closing Date" means the date on which the Bonds are first
20 authenticated and delivered to the Underwriters against payment
21 therefor.

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

24 "Computation Date" has the meaning set forth in Section 1.148
25 1(b) of the Regulations.

26 "Gross Proceeds" means any proceeds as defined in Section
27 1.148 1(b) of the Regulations, and any replacement proceeds as
28 defined in Section 1.148 1(c) of the Regulations, of the Bonds.

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

31 "Nonpurpose Investment" means any investment property, as
32 defined in section 148(b) of the Code, in which Gross Proceeds of the

1 Bonds are invested and which is not acquired to carry out the
2 governmental purposes of the Bonds

3 "Rebate Amount" has the meaning set forth in Section 1.148
4 1(b) of the Regulations

5 "Regulations" means any proposed, temporary, or final Income
6 Tax Regulations issued pursuant to Sections 103 and 141 through 150
7 of the Code, and 103 of the Internal Revenue Code of 1954, which are
8 applicable to the Bonds. Any reference to any specific Regulation
9 shall also mean, as appropriate, any proposed, temporary or final
10 Income Tax Regulation designed to supplement, amend or replace the
11 specific Regulation referenced.

12 "Yield" of (1) any Investment has the meaning set forth in
13 Section 1.148-5 of the Regulations, and (2) the Bonds has the
14 meaning set forth in Section 1.148-4 of the Regulations

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

27 (c) No Private Use or Private Payments Except as permitted by section
28 141 of the Code and the Regulations and rulings thereunder, the City shall at all
29 times prior to the last Stated Maturity of Bonds

30 (1) exclusively own, operate and possess all property the
31 acquisition, construction or improvement of which is to be financed or
32 refinanced directly or indirectly with Gross Proceeds of the Bonds
33 (including property financed with Gross Proceeds of the Refunded
34 Obligations), and not use or permit the use of such Gross Proceeds
35 (including all contractual arrangements with terms different than those

1 applicable to the general public) or any property acquired, constructed
2 or improved with such Gross Proceeds in any activity carried on by
3 any person or entity (including the United States or any agency,
4 department and instrumentality thereof) other than a state or local
5 government, unless such use is solely as a member of the general
6 public; and

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

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

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

35 (f) Not Federally Guaranteed. Except to the extent permitted by section
36 149(b) of the Code and the Regulations and rulings thereunder, the City shall not
37 take or omit to take any action which would cause the Bonds to be federally

1 guaranteed within the meaning of section 149(b) of the Code and the Regulations
2 and rulings thereunder

3 (g) Information Report The City shall timely file the information
4 required by section 149(e) of the Code with the Secretary of the Treasury on Form
5 8038 G or such other form and in such place as the Secretary may prescribe.

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

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

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

24 (3) As additional consideration for the purchase of the Bonds
25 by the Underwriters and the loan of the money represented thereby
26 and to induce such purchase by measures designed to insure the
27 excludability of the interest thereon from the gross income of the
28 owners thereof for federal income tax purposes, the City shall pay to
29 the United States out of the Debt Service Fund or its general fund, as
30 permitted by applicable Texas statute, regulation or opinion of the
31 Attorney General of the State of Texas, the amount that when added
32 to the future value of previous rebate payments made for the Bonds
33 equals (i) in the case of a Final Computation Date as defined in
34 Section 1.148-3(c)(2) of the Regulations, one hundred percent (100%)
35 of the Rebate Amount on such date; and (ii) in the case of any other
36 Computation Date, ninety percent (90%) of the Rebate Amount on

1 such date. In all cases, the rebate payments shall be made at the
2 times, in the installments, to the place and in the manner as is or may
3 be required by section 148(f) of the Code and the Regulations and
4 rulings thereunder, and shall be accompanied by Form 8038-T or such
5 other forms and information as is or may be required by Section
6 148(f) of the Code and the Regulations and rulings thereunder.

7 (4) The City shall exercise reasonable diligence to assure
8 that no errors are made in the calculations and payments required by
9 paragraphs (2) and (3), and if an error is made, to discover and
10 promptly correct such error within a reasonable amount of time
11 thereafter (and in all events within one hundred eighty (180) days
12 after discovery of the error), including payment to the United States of
13 any additional Rebate Amount owed to it, interest thereon, and any
14 penalty imposed under Section 1483(h) of the Regulations.

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

23 (j) Elections. The City hereby directs and authorizes the mayor, mayor
24 pro tem, city manager, chief financial officer or city treasurer, individually or
25 jointly, to make elections permitted or required pursuant to the provisions of the
26 Code or the Regulations, as they deem necessary or appropriate in connection with
27 the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate
28 certificate, form or document

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

1 (l) Current Refunding The payment and discharge of the Refunded
2 Obligations will occur within ninety (90) days after the issuance of the Bonds and,
3 therefore, the Bonds are a current refunding

4 SECTION 17 AMENDMENT OF NINTH SUPPLEMENT

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

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

22
23 unless such amendment or amendments be approved by the owners of all of
24 the Bonds affected by the change or amendment then Outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 **SECTION 18. FINAL DEPOSITS: GOVERNMENTAL**
17 **OBLIGATIONS.** All or any of the Bonds shall be deemed to be paid, retired and
18 no longer outstanding within the meaning of the Ninth Supplement when payment
19 of the principal of such Bonds, redemption premium, if any, on such Bonds, plus
20 interest thereon to the due date thereon (whether such due date be by reason of
21 maturity or otherwise) either (i) shall have been made or caused to be made in
22 accordance with the terms thereof (including the giving of any required notice of
23 redemption) or (ii) shall have been provided by irrevocably depositing with, or
24 making available to, the Paying Agent/Registrar, in trust and irrevocably set aside
25 exclusively for such payment: (A) money sufficient to make such payment or (2)
26 Government Obligations, certified by an independent public accounting firm of
27 national reputation, to mature as to principal and interest in such amounts and at
28 such times as will insure the availability, without reinvestment, of sufficient money
29 to make such payment, and all necessary and proper fees, compensation and
30 expenses of the Paying Agent/Registrar with respect to which such deposit is made
31 shall have been paid or the payment thereof provided for the satisfaction of the
32 Paying Agent/Registrar. At such time as a Bond shall be deemed to be paid
33 hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of
34 the Ninth Supplement, the Master Ordinance or a lien on and pledge of the Net
35 Revenues of the Electric Utility System, and shall be entitled to payment solely
36 from such money or Government Obligations.

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

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

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

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

1 benefits of the Ninth Supplement equally and proportionately with any and all
2 other Bonds issued under the Ninth Supplement

3 Notwithstanding the preceding provisions of this Section, if any such Bond
4 shall have matured, and no default has occurred which is then continuing in the
5 payment of the principal of, redemption premium, if any, or interest on the Bond,
6 the City may authorize the payment of the same (without surrender thereof except
7 in the case of a damaged or mutilated Bond) instead of issuing a replacement
8 Bond, provided security or indemnity is furnished as above provided in this
9 Section. Furthermore, in accordance with V.T.C.A., Government Code Section
10 1206 022, this Section shall constitute authority for the issuance of any such
11 replacement bond without necessity of further action by the governing body of the
12 City or any other body or person, and the duty of the replacement of such bonds is
13 hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying
14 Agent/Registrar shall authenticate and deliver such bonds in the form and manner
15 and with the effect, as provided in Section 6 of the Ninth Supplement, for Bonds
16 issued in exchange for other Bonds

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

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

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

31 "MSRB" means the Municipal Securities Rulemaking Board

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

1 "Rule" means SEC Rule 15c2 12

2 "SEC" means the United States Securities and Exchange
3 Commission.

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

8 (b) Annual Reports The City shall provide annually to each NRMSIR
9 and any SID, within six months after the end of each fiscal year (beginning with
10 the fiscal year ending September 30, 2008) financial information and operating
11 data with respect to the City of the general type included in the final Official
12 Statement approved by Section 23 of the Ninth Supplement, being the information
13 described in Exhibit B to the Ninth Supplement. Financial statements to be
14 provided shall be (1) prepared in accordance with the accounting principles
15 described in Exhibit B hereto, and (2) audited, if the City commissions an audit of
16 such statements and the audit is completed within the period during which they
17 must be provided. If audited financial statements are not available at the time the
18 financial information and operating data must be provided, then the City shall
19 provide unaudited financial statements for the applicable fiscal year to each
20 NRMSIR and any SID with the financial information and operating data and will
21 file the annual audit report when and if the same becomes available.

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

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

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

35 (1) Principal and interest payment delinquencies;

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

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

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

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

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

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

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

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

1 **SECTION 22 REMEDY IN EVENT OF DEFAULT.** In addition to all
2 rights and remedies provided by the laws of the State of Texas, the City covenants
3 and agrees particularly that if the City (a) defaults in payments to be made to the
4 Debt Service Fund as required by the Ninth Supplement or the Master Ordinance,
5 (b) defaults in the observance or performance of any other of the covenants,
6 conditions or obligations set forth in the Ninth Supplement or the Master
7 Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds
8 shall be entitled to a writ of mandamus issued by a court of proper jurisdiction,
9 compelling and requiring the City and its officers to observe and perform any
10 covenant, condition or obligation prescribed in the Ninth Supplement or the Master
11 Ordinance. No delay or omission to exercise any right or power accruing upon any
12 default shall impair any such right or power, or shall be construed to be a waiver of
13 any such default or acquiescence therein and every such right and power may be
14 exercised from time to time and as often as may be deemed expedient.

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

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

27 Furthermore, the use of the Preliminary Official Statement, dated July 17,
28 2008, in the offering and sale of the Bonds is hereby ratified, confirmed and
29 approved in all respects, and the city council hereby finds that the information and
30 data contained in said Preliminary Official Statement pertaining to the City and its
31 financial affairs is true and correct in all material respects and no material facts
32 have been omitted therefrom which are necessary to make the statements therein,
33 in light of the circumstances under which they were made, not misleading. The
34 final Official Statement, which reflects the terms of sale (together with such
35 changes approved by the mayor, mayor pro tem, city manager, chief financial
36 officer or city treasurer, one or more of said officials), shall be and is hereby in all
37 respects approved and the Underwriters may use and distribute said final Official

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

3 **SECTION 24 PROCEEDS OF SALE** Immediately following the
4 delivery of the Bonds, the proceeds of sale of the Bonds in an amount sufficient to
5 pay and defease the Refunded Obligations shall be deposited with the US Bank,
6 National Association (the "Deposit Agent"), the paying agent for the Refunded
7 Obligations, for the payment and discharge of the Refunded Obligations and the
8 balance of such proceeds shall be used for the payment of costs of issuance,
9 including amounts to pay municipal bond insurance and amounts to pay the surety
10 bond premium, if any, all in accordance with written instructions to the Paying
11 Agent/Registrar. Accrued interest received from the Underwriters shall be
12 deposited to the credit of the Debt Service Fund. Premium, if any, received from
13 the Underwriters shall either be deposited to the credit of the Debt Service Fund or
14 used for the payment of the costs of issuance or deposited with the Deposit Agent
15 and applied to the defeasance of the Refunded Obligations.

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

21 **SECTION 25 CONTROL AND CUSTODY OF BONDS.** The city
22 Manager of the City shall be and is hereby authorized to take and have charge of
23 all necessary orders and records pending the delivery of the Bonds, and shall take
24 and have charge and control of the initial Bonds pending the approval thereof by
25 the Attorney General, the registration thereof by the Comptroller of Public
26 Accounts and the delivery thereof to the Underwriters.

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

35 **SECTION 26 LEGAL OPINION.** The obligation of the Underwriters to
36 accept delivery of the Bonds is subject to being furnished a final opinion of

1 Fulbright & Jaworski L L P , Attorneys, approving such Bonds as to their validity,
2 said opinion to be dated and delivered as of the date of delivery and payment for
3 such Bonds A true and correct reproduction of said opinion may be printed on the
4 definitive Bonds or an executed counterpart thereof shall accompany the global
5 Bonds deposited with the Depository Trust Company

6 **SECTION 27 CUSIP NUMBERS.** CUSIP numbers may be printed or
7 typed on the definitive Bonds. It is expressly provided, however, that the presence
8 or absence of CUSIP numbers on the definitive Bonds shall be of no significance
9 or effect as regards the legality thereof and neither the City nor attorneys approving
10 said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly
11 printed or typed on the definitive Bonds

12 **SECTION 28 PAYMENT AND PERFORMANCE ON BUSINESS**
13 **DAYS** Whenever under the terms of the Ninth Supplement or the Bonds, the
14 performance date of any provision hereof or thereof, including the payment of
15 principal of or interest on the Bonds, shall occur on a day other than a Business
16 Day, then the performance thereof, including the payment of principal of and
17 interest on the Bonds, need not be made on such day but may be performed or
18 paid, as the case may be, on the next succeeding Business Day with the same force
19 and effect as if made on the date of performance or payment

20 **SECTION 29 LIMITATION OF BENEFITS WITH RESPECT TO**
21 **THE NINTH SUPPLEMENT** With the exception of the rights or benefits
22 expressly conferred in the Ninth Supplement, nothing expressed or contained in the
23 Ninth Supplement or implied from the provisions of the Ninth Supplement or the
24 Bonds is intended or should be construed to confer upon or give to any person
25 other than the City, the Holders, and the Paying Agent/Registrar, any legal or
26 equitable right, remedy, or claim under or by reason of or in respect to the Ninth
27 Supplement or any covenant, condition, stipulation, promise, agreement, or
28 provision contained in the Ninth Supplement The Ninth Supplement and all of the
29 covenants, conditions, stipulations, promises, agreements, and provisions hereof
30 are intended to be and shall be for and inure to the sole and exclusive benefit of the
31 City, the Holders, and the Paying Agent/Registrar as provided in the Ninth
32 Supplement and in the Bonds

33 **SECTION 30: NOTICES TO HOLDERS WAIVER** Wherever the Ninth
34 Supplement provides for notice to Holders of any event, such notice shall be
35 sufficiently given (unless otherwise expressly provided in the Ninth Supplement) if
36 in writing and sent by United States Mail, first class postage prepaid, to the address

1 of each Holder appearing in the Security Register at the close of business on the
2 business day next preceding the mailing of such notice.

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

12 **SECTION 31: GOVERNING LAW** The Ninth Supplement shall be
13 construed and enforced in accordance with the laws of the State of Texas and the
14 United States of America.

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

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

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

29 **SECTION 35: PUBLIC MEETING** It is officially found, determined, and
30 declared that the meeting at which the Ninth Supplement is adopted was open to
31 the public and public notice of the time, place, and subject matter of the public
32 business to be considered at such meeting, including the Ninth Supplement, was
33 given, all as required by V.T.C.A., Government Code, Chapter 551.

1 SECTION 36: **EFFECTIVE DATE.** The Ninth Supplement is hereby
2 passed on one reading as authorized by V.T.C.A , Government Code, Section
3 1201 028 and shall be effective immediately upon its passage and adoption.

4 *[remainder of page left blank intentionally]*

DRAFT

1 PASSED AND APPROVED

2
3
4
5
6 July 24, 2008

§
§
§

Will Wynn
Mayor

9
10 APPROVED:

11 David Allan Smith
12 City Attorney

ATTEST:

Shirley A. Gentry
City Clerk

13
14 (CITY SEAL)

DRAFT

1

EXHIBIT A

2

PAYING AGENT REGISTRAR AGREEMENT

DRAFT

1 EXHIBIT B
2 CONTINUING DISCLOSURE REQUIREMENTS UNDER THE RULE
3 DESCRIPTION OF ANNUAL FINANCIAL INFORMATION
4

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

6 **Annual Financial Statements and Operating Data**

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

11 1. The financial statements of the City appended to the Official
12 Statement as Appendix B, but for the most recently concluded fiscal year.

13 2. The information under the numbered tables.

14 **Accounting Principles**

15 The accounting principles referred to in such Section are the generally
16 accepted accounting principles as applicable to governmental units as prescribed
17 by The Government Accounting Standards Board.
18

EXHIBIT A

PAYING AGENT REGISTRAR AGREEMENT

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of July 24, 2008 (this "Agreement"), by and between the City of Austin, Texas (the "Issuer"), and Regions Bank, Houston, Texas, a banking corporation organized and existing under the laws of the State of Alabama and authorized to do business in the State of Texas, or its successors (the "Bank"),

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the execution and delivery of its "City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2008A" (the "Securities"), dated July 15, 2008, which Securities are scheduled to be delivered to the initial purchaser on or about August 20, 2008, and

WHEREAS, the Issuer has selected the Bank to serve as paying agent, registrar and transfer agent with respect to such Securities, and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and is duly qualified and otherwise capable of performing the duties and responsibilities contemplated by this Agreement with respect to the Securities,

NOW, THEREFORE, it is mutually agreed as follows

ARTICLE ONE
APPOINTMENT OF BANK AS
PAYING AGENT AND REGISTRAR

Section 1 01: Appointment The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities, and, as Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the "Bond Resolution" (hereinafter defined) The Issuer hereby appoints the Bank as Registrar with respect to the Securities and, as Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Bond Resolution".

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1 02: Compensation As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex A attached hereto

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel)

ARTICLE TWO DEFINITIONS

Section 2.01: Definitions For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the designated office of the Bank as indicated in Section 3 01 hereof The Bank will notify the Issuer in writing of any change in location of the Bank Office

"Bond Resolution" means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary or any other officer of the Issuer and delivered to the Bank

"Fiscal Year" means the fiscal year of the Issuer, ending September 30th

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the Mayor, City Clerk, City Manager, Assistant City Manager, Chief Financial Officer, Deputy Chief Financial

Officer, or City Treasurer, any one or more of said officials, and delivered to the Bank.

“Legal Holiday” means a day on which the Bank is required or authorized to be closed

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Resolution

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfers of Securities

“Stated Maturity” means the date specified in the Bond Resolution the principal of a Security is scheduled to be due and payable.

Section 2 02: Other Definitions The terms “Bank,” “Issuer,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement

ARTICLE THREE PAYING AGENT

Section 3 01: Duties of Paying Agent As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following address.

Regions Bank
298 West Valley Avenue, 2nd
Floor
Homewood, Alabama 35209
Attention Operations

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date. All payments of principal and/or interest on the Securities to the registered owners shall be accomplished (1) by the issuance of checks, payable to the registered owners, drawn on the fiduciary account provided in Section 5 05 hereof, sent by United States mail, first class, postage prepaid, to the address appearing on the Security Register or (2) by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense

Section 3 02: Payment Dates. The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Bond Resolution.

ARTICLE FOUR REGISTRAR

Section 4 01. Security Register - Transfers and Exchanges. The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer,

exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and Bank may prescribe. The Bank represents and warrants its office in Houston, Texas will at all times have immediate access to the Security Register by electronic or other means and will be capable at all times of producing a hard copy of the Security Register at its Houston office for use by the Issuer. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4 02. Certificates. The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4 03. Form of Security Register. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to

maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time

Section 4.04. List of Security Holders The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05. Return of Cancelled Certificates. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06. Mutilated, Destroyed, Lost or Stolen Securities The Issuer hereby instructs the Bank, subject to the provisions of the Bond Resolution, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only upon the approval of the Issuer and after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation,

execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen

Section 4 07: Transaction Information to Issuer The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3 01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4 01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

Section 5 01 Duties of Bank The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof

Section 5 02. Reliance on Documents, Etc. (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5 03: Recitals of Issuer The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds

Section 5 04. May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5 05 Moneys Held by Bank - Paying Agent Account/ Collateralization. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping and disbursement of moneys received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment

The Bank shall be under no liability for interest on any money received by it hereunder

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the Issuer, and the Holder of such Security shall thereafter look only to the Issuer

for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease

Section 5.06: Indemnification To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement

Section 5.07: Interpleader The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein

Section 5.08: DT Services It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls

ARTICLE SIX MISCELLANEOUS PROVISIONS

Section 6 01. Amendment This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6 02. Assignment This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6 03. Notices Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page hereof

Section 6 04: Effect of Headings The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6 05· Successors and Assigns All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not

Section 6 06· Severability. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby

Section 6 07 Benefits of Agreement Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08 Entire Agreement. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern

Section 6 09 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement

Section 6 10 Termination This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60)

days written notice, provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer

The provisions of Section 1 02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6 11: Governing Law This Agreement shall be construed in accordance with and governed by the laws of the State of Texas

[reminder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement
as of the day and year first above written.

REGIONS BANK, Houston, Texas

BY _____
Title:

Attest.

Address. 1717 St. James Place
Suite 500
Houston, Texas 77056

Title

CITY OF AUSTIN, TEXAS

Attest

BY _____
Will Wynn, Mayor

Address: P O Box 1088
Austin, Texas 78767

Shirley A Gentry, City Clerk

EXHIBIT B
CONTINUING DISCLOSURE REQUIREMENTS UNDER THE RULE
DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

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

Annual Financial Statements and Operating Data

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

1. The financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year

2 The information under the numbered tables

Accounting Principles

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