

1 **ORDINANCE NO. 20091105-_____**

2 **AN ORDINANCE AUTHORIZING THE ISSUANCE AND**
3 **SALE OF “CITY OF AUSTIN, TEXAS, WATER AND**
4 **WASTEWATER SYSTEM REVENUE REFUNDING**
5 **BONDS, SERIES 2009A” AND RELATED DOCUMENTS.**

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

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

10 “Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND
11 WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2009A”
12 authorized for issuance by the Seventeenth Supplement.

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

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

18 “Master Ordinance” means Ordinance No. 000608-56A passed by the city
19 council on June 8, 2000.

20 “Seventeenth Supplement” means Ordinance No. 20091105-_____
21 authorizing the issuance of the Bonds.

22 “Paying Agent/Registrar” means the financial institution specified in Section
23 4 of the Seventeenth Supplement.

24 “Previously Issued Parity Water/Wastewater Obligations” mean the
25 outstanding (1) “City of Austin, Texas, Water and Wastewater System Revenue
26 Refunding Bonds, Series 2000” (2) “City of Austin, Texas, Water and Wastewater
27 System Revenue Refunding Bonds, Series 2001A”, (3) “City of Austin, Texas,
28 Water and Wastewater System Revenue Refunding Bonds, Series 2001B”, (4)
29 “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds,
30 Series 2001C”, (5) “City of Austin, Texas, Water and Wastewater System Revenue
31 Refunding Bonds, Series 2002A”, (6) “City of Austin, Texas, Water and
32 Wastewater System Revenue Refunding Bonds, Series 2003”, (7) “City of Austin,

Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004”, together with certain regularly scheduled payments under the Interest Rate Swap Agreement, the Liquidity Agreement and the Insurance Obligation (as such terms are defined in Ordinance No. 040812-43), (8) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A”, (9) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006”, (12) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006A”, (13) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007”, (14) “City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008”, together with certain regularly scheduled payments under the Series 2008 Interest Rate Management Agreement and the Series 2008 Liquidity Agreement (as such terms are defined in Ordinance No. 20080306-053), and (15) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009”.

“Prior Supplements” mean Ordinances Nos. 000608-56B, 010419-77, 011129-65, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-37, 051020-051, 20051117-060, 20061116-051, 20071108-081, 20080306-052, 20080306-053 and 20081211-77 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

“Refunded Obligations” means \$_____ in principal amount of the Series A Notes.

“Security Register” shall have the meaning given in Section 4 of the Seventeenth Supplement.

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

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

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

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

72 The Refunded Obligations should be refunded and refinanced into long term
73 obligations at this time to enable the City's Water and Wastewater Department to
74 continue utilizing its allocated share of the commercial paper program.

75 The Bonds can and shall be on a parity with the outstanding "Parity
76 Water/Wastewater Obligations" issued in accordance with and under the terms and
77 provisions of the Master Ordinance and the Prior Supplements.

78 **SECTION 2: AUTHORIZATION – DESIGNATION – PRINCIPAL**
79 **AMOUNT - PURPOSE.** Revenue bonds of the City are authorized to be issued in
80 the aggregate principal amount of TWO HUNDRED THREE MILLION FOUR
81 HUNDRED NINETY-FIVE DOLLARS (\$203,495,000) to be designated and bear
82 the title "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM
83 REVENUE REFUNDING BONDS, SERIES 2009A", for the purpose of
84 refinancing and refunding the Refunded Obligations and paying costs of issuance,
85 in conformity with the Constitution and laws of the State of Texas, including
86 V.T.C.A., Government Code, Chapters 1207 and 1371.

87 **SECTION 3: FULLY REGISTERED OBLIGATIONS - AUTHORIZED**
88 **DENOMINATIONS – STATED MATURITIES - DATE.** The Bonds shall be
89 issued as fully registered obligations, without coupons, shall be dated October 15,
90 2009 (the "Bond Date") and, other than the single fully registered Initial Bond
91 referenced in Section 9 of this Ordinance, shall be in denominations of \$5,000 or
92 any integral multiple thereof (within a Stated Maturity), shall be numbered
93 consecutively from One (1) upward and shall become due and payable on
94 November 15 and in principal amounts (the "Stated Maturities") in accordance
95 with the following schedule:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
2011			2026		
2012			2027		
2013			2028		
2014			2029		
2015			2030		
2016			2031		
2017			2032		
2018			2033		
2019			2034		
2020			2035		
2021			2036		
2022			2037		
2023			2038		
2024			2039		
2025					

97 The Bonds shall bear interest on the unpaid principal amounts from the
98 Bond Date or the most recent interest payment date to which interest has been paid
99 or provided for, at the rate(s) per annum shown in the above schedule (calculated
100 on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds
101 shall be payable on May 15 and November 15 in each year, commencing May 15,
102 2010, until maturity or prior redemption.

103 **SECTION 4: TERMS OF PAYMENT - PAYING AGENT/REGISTRAR.**
104 The principal of, premium, if any, and the interest on the Bonds, due and payable
105 by reason of maturity, redemption or otherwise, shall be payable only to the
106 Holders appearing on the registration and transfer books maintained by the Paying
107 Agent/Registrar and such payment shall be in any coin or currency of the United
108 States of America, which at the time of payment is legal tender for the payment of
109 public and private debts, and shall be without exchange or collection charges to the
110 Holders.

111 The selection and appointment of Wells Fargo Bank, National Association,
112 Austin, Texas, to serve as Paying Agent/Registrar for the Bonds is approved and
113 confirmed. Books and records relating to the registration, payment, transfer and

exchange of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar as provided in the Seventeenth Supplement and in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as **Exhibit A**, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor and City Clerk are authorized to execute and deliver such Paying Agent/Registrar Agreement. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

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

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

SECTION 5: REDEMPTION. (a) Optional Redemption. The Bonds having Stated Maturities on and after November 15, 2020, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/ Registrar), on November 15, 2019 or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

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

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

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__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__	\$,000	November 15, 20__	\$,000
November 15, 20__ (maturity)	\$,000	November 15, 20__	\$,000
		November 15, 20__ (maturity)	\$,000

Approximately forty-five days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service

Fund. Any Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

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

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

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

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption has been given or waived as provided in this Section, such

Bond (or the principal amount to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys sufficient for the payment of such Bonds (or of the principal amount to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

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

At the option of the Holder, Bonds (other than the Initial Bond(s) authorized in Section 9 of the Seventeenth Supplement) may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, bearing the same

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

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

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

Bonds canceled by reason of an exchange or transfer under the provisions of this Ordinance are defined to be "Predecessor Bonds," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered under Section 19 of the Seventeenth Supplement and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

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

SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND TRANSACTIONS. Notwithstanding the provisions contained in Sections 4, 5 and 6 of the Seventeenth Supplement relating to the payment, and transfer/exchange of the Bonds, the City hereby approves and authorizes the use of the "Book-Entry-Only"

securities clearance, settlement and transfer system provided by The Depository Trust Company (“DTC”), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representation, by and between the City and DTC (the “Depository Agreement”).

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

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

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

No Bond shall be entitled to any right or benefit under the Seventeenth Supplement, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in

Section 10(c), manually executed by the Comptroller of Public Accounts of the State of Texas or his or her authorized agent, or a certificate of registration substantially in the form provided in Section 10(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate upon any Bond signed shall be conclusive evidence, and the only evidence, that such Bond has been certified, registered and delivered.

SECTION 9: INITIAL BOND(S). The Bonds shall be initially issued either (i) as a single fully registered bond in the total principal amount referenced in Section 2 with principal installments to become due and payable as provided in Section 3 and numbered T-1, or (ii) as multiple fully registered bonds, being one bond for each stated maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the "Initial Bond(s)"). In either case, the Initial Bond(s) shall be registered in the name of the initial purchaser(s) or the purchaser(s)' designee. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the purchaser(s)' designee, shall cancel the Initial Bond(s) delivered pursuant to this Ordinance and exchange such Initial Bond(s) for definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the purchaser(s)' designee, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

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

executing such Bonds as evidenced by their execution. Any portion of the text of any Bonds may be set forth on the reverse of such Bonds, with an appropriate reference on the face of the Bond.

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

(b) Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
SERIES 2009A

Bond Date:
October 15, 2009

Interest Rate:

Stated Maturity:

CUSIP NO:

Registered Owner:

Principal Amount:

DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis and Williamson, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above; such interest being payable on May 15, 2010 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal of this Bond is payable at its Stated

393 Maturity or redemption to the registered owner hereof, upon presentation and
394 surrender, at the Designated Payment/Transfer Office of the Paying
395 Agent/Registrar executing the registration certificate appearing hereon, or its
396 successor; provided, however, while this Bond is registered to Cede & Co., the
397 payment of principal upon a partial redemption of the principal amount of this
398 Bond may be accomplished without presentation and surrender of this Bond.
399 Interest is payable to the Registered Owner of this Bond (or one or more
400 Predecessor Bonds, as defined in the Seventeenth Supplement) whose name
401 appears on the "Security Register" maintained by the Paying Agent/Registrar at the
402 close of business on the "Record Date", which is the last business day of the month
403 next preceding each interest payment date and interest shall be paid by the Paying
404 Agent/Registrar by check sent United States Mail, first class postage prepaid, to
405 the address of the registered owner recorded in the Security Register or by such
406 other method, acceptable to the Paying Agent/Registrar, requested by, and at the
407 risk and expense of, the registered owner. If the date for the payment of the
408 principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday,
409 or a day when banking institutions in the city where the Designated
410 Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized
411 by law or executive order to close, then the date for such payment shall be the next
412 succeeding day which is not such a Saturday, Sunday, legal holiday, or day when
413 banking institutions are authorized to close; and payment on such date shall have
414 the same force and effect as if made on the original date payment was due. All
415 payments of principal of, premium, if any, and interest on this Bond shall be
416 without exchange or collection charges to the owner hereof and in any coin or
417 currency of the United States of America which at the time of payment is legal
418 tender for the payment of public and private debts.

419 This Bond is one of the series specified in its title issued in the aggregate
420 principal amount of \$203,495,000 (the "Bonds") for the purpose of refinancing and
421 refunding the Refunded Obligations (identified and defined in the Seventeenth
422 Supplement), in conformity with the Constitution and laws of the State of Texas,
423 including V.T.C.A., Government Code, Chapters 1207 and 1371, and pursuant to a
424 Master Ordinance and Seventeenth Supplement adopted by the City Council of the
425 City (collectively referred to as the "Ordinances").

426 The Bonds maturing on the dates identified below (the "Term Bonds") are
427 subject to mandatory redemption prior to maturity with funds on deposit in the
428 Debt Service Fund established and maintained for the payment of the Bonds in the
429 Seventeenth Supplement, and shall be redeemed in part prior to maturity at the

price of par and accrued interest thereon to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

432

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	\$,000	November 15, 20	\$,000
November 15, 20	\$,000	November 15, 20	\$,000
November 15, 20	\$,000	November 15, 20	\$,000
November 15, 20 (maturity)	\$,000	November 15, 20	\$,000
		November 15, 20 (maturity)	\$,000

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

The Bonds maturing on and after November 15, 2020, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2019 or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

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

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

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

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

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

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

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

The City and the Paying Agent/Registrar, and any agent of either, may treat the Registered Owner of this Bond whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of

principal of this Bond at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non-payment of interest on a scheduled payment date and for thirty days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

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

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

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

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

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)

OF PUBLIC ACCOUNTS)

THE STATE OF TEXAS)

REGISTER NO. _____

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

The designated office of the Paying Agent/Registrar in Minneapolis, Minnesota is the Designated Payment/Transfer Office for this Bond.

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
Austin, Texas,
as Paying Agent/Registrar

Registration date: _____

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

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

DATED:

Signature guaranteed:

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

620

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

624

REGISTERED
NO. T-1

REGISTERED
\$203,495,000

625

UNITED STATES OF AMERICA

626

STATE OF TEXAS

627

CITY OF AUSTIN, TEXAS,

628

WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,

629

SERIES 2009A

Bond Date: October 15, 2009

Registered Owner:

Principal

Amount: Two Hundred Three Million Four Hundred Ninety-Five Thousand Dollars

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

STATED
MATURITY

PRINCIPAL
INSTALLMENTS

INTEREST
RATE

(Information to be inserted from schedule in Section 3 of the
Seventeenth Supplement).

(or so much of such pas shall not have been paid upon prior redemption) and to pay interest, computed on the basis of a 360-day year of twelve 30-day months, on the unpaid principal amounts hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rates of interest specified above; such interest being payable on May 15, 2010 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal installments of this Bond are payable to the Registered Owner by Wells Fargo Bank, National Association, Austin, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in Minneapolis, Minnesota (the "Designated Payment/Transfer Office"). Interest is payable to the Registered Owner whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Registered Owner and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 11: CRITERIA FOR ISSUANCE OF PARITY WATER/WASTEWATER OBLIGATIONS. The City has provided certain criteria and established certain covenants and agreements in relation to the issuance of Parity Water/Wastewater Obligations of the Water/Wastewater System pursuant

to the Master Ordinance and Prior Supplements. The Seventeenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment, and security of the Bonds which are Parity Water/Wastewater Obligations. The Master Ordinance is incorporated by reference and made a part of the Seventeenth Supplement for all purposes, except to the extent modified and supplemented by the Prior Supplements and the Seventeenth Supplement, and the Bonds are declared to be Parity Water/Wastewater Obligations under the Master Ordinance and Prior Supplements. The City hereby determines that it will have sufficient funds to meet the financial obligations of the Water/Wastewater System, including sufficient Net Revenues to pay the Annual Debt Service Requirements of the Bonds and the Previously Issued Parity Water/Wastewater Obligations and to meet all financial obligations of the City relating to the Water/Wastewater System.

SECTION 12: PLEDGE. Subject to the prior claim and lien on the Net Revenues of the Water/Wastewater System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Water/Wastewater System are hereby pledged to the payment of the Bonds, and the Bonds, together with the Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance with the terms of the Master Ordinance and the Seventeenth Supplement. Additionally, the Bonds and the Previously Issued Parity Water/Wastewater Obligations shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance with the terms of the Master Ordinance, the Prior Supplements and the Seventeenth Supplement. It is hereby ordained that the Parity Water/Wastewater Obligations, and the interest thereon, shall constitute a lien on the Net Revenues of the Water/Wastewater System and be valid and binding and fully perfected from and after the date of adoption of the Seventeenth Supplement without physical delivery or transfer or transfer of control of the Net Revenues, the filing of the Seventeenth Supplement or any other act, all as provided in Chapter 1208 of the Texas Government Code. The owners of the Parity Water/Wastewater Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Ordinance, the Prior Supplements and the Seventeenth Supplement.

711 Section 1208 of the Texas Government Code applies to the issuance of the
712 Bonds and the pledge of the Net Revenues of the Water/Wastewater System
713 granted by the City under this Section 12, and such pledge is valid, effective and
714 perfected. If Texas law is amended at any time while the Bonds are Outstanding
715 such that the pledge of the Net Revenues of the Water/Wastewater System granted
716 by the City under this Section 12 is to be subject to the filing requirements of
717 Chapter 9, Business & Commerce Code, then to preserve to the registered owners
718 of the Bonds the perfection of the security interest in said pledge, the City agrees to
719 take such measures as it determines are reasonable and necessary under Texas law
720 to comply with the applicable provisions of Chapter 9, Business & Commerce
721 Code, and enable a filing to perfect the security interest in said pledge to occur.

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

733 The required monthly deposits to the Debt Service Fund for the payment of
734 principal of and interest on the Bonds shall continue to be made in the manner
735 provided in this Section until such time as (i) the total amount on deposit in the
736 Debt Service Fund is equal to the amount required to fully pay and discharge all
737 Parity Water/Wastewater Obligations then Outstanding or (ii) the Bonds are no
738 longer outstanding, *i.e.*, fully paid as to principal and interest or all the Bonds have
739 been refunded.

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

745 **SECTION 14: RESERVE FUND.** In accordance with the provisions of the
746 Prior Supplements authorizing the issuance of the Previously Issued
747 Water/Wastewater Obligations, the Required Reserve Amount is funded with

surety bonds issued by MBIA Insurance Corporation, Financial Security Assurance Inc., Ambac Assurance Corporation and XL Capital Assurance Inc. By reason of the issuance of the Bonds, the total amount to be accumulated and maintained as a Required Reserve Amount has been determined to be \$_____. The Required Reserve Amount allocable to the Bonds in the amount of \$_____ will be funded in full on the date of the delivery of the Bonds with proceeds of sale of the Bonds. Any draws on the surety bonds or other credit agreements funding the Required Reserve Amount on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such surety bond or credit agreement) after applying available cash and investments in the Reserve Fund.

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

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

SECTION 16: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.

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

785 “*Closing Date*” means the date on which the Bonds are first
786 authenticated and delivered to the Underwriters against payment
787 therefor.

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

791 “*Computation Date*” has the meaning set forth in Section
792 1.148-1(b) of the Regulations.

793 “*Gross Proceeds*” means any proceeds as defined in Section
794 1.148-1(b) of the Regulations, and any replacement proceeds as
795 defined in Section 1.148-1(c) of the Regulations, of the Bonds.

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

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

802 “*Rebate Amount*” has the meaning set forth in Section
803 1.148-1(b) of the Regulations.

804 “*Regulations*” means any proposed, temporary, or final Income
805 Tax Regulations issued pursuant to Sections 103 and 141 through 150
806 of the Code, and 103 of the Internal Revenue Code of 1986, which are
807 applicable to the Bonds. Any reference to any specific Regulation
808 shall also mean, as appropriate, any proposed, temporary or final
809 Income Tax Regulation designed to supplement, amend or replace the
810 specific Regulation referenced.

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

814 (b) Not to Cause Interest to Become Taxable. The City shall not use,
815 permit the use of, or omit to use Gross Proceeds or any other amounts (or any
816 property the acquisition, construction or improvement of which is to be financed
817 directly or indirectly with Gross Proceeds) in a manner which if made or omitted,

respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

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

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

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

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property

acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

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

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

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

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

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

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

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

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

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction

results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

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

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

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

SECTION 17: AMENDMENT OF SEVENTEENTH SUPPLEMENT.

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

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

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

964
965 unless such amendment or amendments be approved by the owners of all of the
966 Bonds affected by the change or amendment then Outstanding.

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

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

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

998 (e) Implementation of Amendment. Upon the passage of any amendatory
999 ordinance pursuant to the provisions of this Section, the Seventeenth Supplement
1000 shall be deemed to be amended, and the respective rights, duties and obligations of
1001 the City under the Seventeenth Supplement and all the owners of then Outstanding
1002 Bonds shall thereafter be determined, exercised and enforced hereunder, subject in
1003 all respects to such amendment.

1004 (f) Amendment without Consent. The preceding provisions of this
1005 Section notwithstanding, the City by action of its governing body may amend the
1006 Seventeenth Supplement for any one or more of the following purposes:

1007 (1) To add to the covenants and agreements of the City
1008 contained in the Seventeenth Supplement, other covenants and
1009 agreements thereafter to be observed, grant additional rights or
1010 remedies to the owners of the Bonds or to surrender, restrict or limit
1011 any right or power reserved in the Seventeenth Supplement to or
1012 conferred upon the City;

1013 (2) To make such provisions for the purpose of curing any
1014 ambiguity, or curing, correcting or supplementing any defective
1015 provision contained in the Seventeenth Supplement, or in regard to
1016 clarifying matters or questions arising under the Seventeenth
1017 Supplement, as are necessary or desirable and not contrary to or
1018 inconsistent with the Seventeenth Supplement and which shall not
1019 adversely affect the interests of the owners of the Bonds then
1020 Outstanding;

1021 (3) To modify any of the provisions of the Seventeenth
1022 Supplement in any other respect whatever, provided that such
1023 modification shall be, and be expressed to be, effective only after all
1024 the Bonds outstanding at the date of the adoption of such modification
1025 shall cease to be outstanding;

1026 (4) To make such amendments to the Seventeenth Supplement
1027 as may be required, in the opinion of Bond Counsel, to ensure
1028 compliance with sections 103 and 141 through 150 of the Code and
1029 the regulations promulgated thereunder and applicable thereto;

1030 (5) To make such changes, modifications or amendments as
1031 may be necessary or desirable to allow the owners of the Bonds to
1032 thereafter avail themselves of a book-entry system for payments,

transfers and other matters relating to the Bonds, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of the Seventeenth Supplement and which shall not adversely affect the interests of the owners of the Bonds;

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

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

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

SECTION 18: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Seventeenth Supplement when payment of the principal of, and redemption premium, if any, on such Bonds, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms of such Bonds, or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably

set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment provided for the satisfaction of the Paying Agent/Registrar. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of the Seventeenth Supplement, the Master Ordinance or a lien on and pledge of the Net Revenues of the Water/Wastewater System, and shall be entitled to payment solely from such money or Government Obligations.

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

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

SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner provided in this Section. An application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the

City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the Seventeenth Supplement equally and proportionately with any and all other Bonds issued under the Seventeenth Supplement.

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

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

as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Seventeenth Supplement.

SECTION 21: CONTINUING DISCLOSURE UNDERTAKING.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

(b) *Annual Reports.* The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2009) financial information and operating data with respect to the City of the general type included in the final Official Statement approved by Section 24 of the Seventeenth Supplement, being the information described in **Exhibit C** hereto and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Financial statements to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit C** hereto and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available at the time the financial information and operating data must be provided, then the City shall provide unaudited financial statements for the applicable fiscal year and shall provide audited financial statements, when and if the same becomes available.

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

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by

specific reference to any document available to the public on the MSRB's Internet web site or filed with the SEC.

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

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

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

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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

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

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

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

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Water/Wastewater System, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Seventeenth Supplement that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a

Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data filed pursuant to subsection (b) of this Section 21 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

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

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

SECTION 23: SALE OF BONDS. The Bonds are hereby sold by the City to Morgan Stanley & Co., Incorporated, Barclays Capital Inc., Cabrera Capital Markets, LLC, Goldman Sachs & Co., Morgan Keegan & Company, Inc., Rice Financial Products Company, Siebert Brandford Shank & Co., and Southwest Securities, Inc. (collectively, the "Underwriters") in accordance with the Bond Purchase Agreement, dated November 5, 2009, attached hereto as **Exhibit B** and incorporated by reference as a part of the Seventeenth Supplement for all purposes.

The Mayor is hereby authorized and directed to execute said Bond Purchase Agreement for and on behalf of the City and as the act and deed of this Council, and in regard to the approval and execution of the Bond Purchase Agreement, the Council hereby finds, determines and declares that the representations, warranties and agreements of the City contained in the Bond Purchase Agreement are true and correct in all material respects and shall be honored and performed by the City.

SECTION 24: OFFICIAL STATEMENT APPROVAL. The use of the Preliminary Official Statement, in the offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects, and the City Council hereby finds that the information and data contained in said Preliminary Official Statement pertaining to the City and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer or City Treasurer, one or more of said officials), shall be and is hereby in all respects approved and the Underwriters are hereby authorized to use and distribute said final Official Statement, dated November 5, 2009, in the offering, sale and delivery of the Bonds to the public.

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

Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the sale of the Bonds, the approval of the Attorney General and registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for their delivery to the Underwriters following such sale.

SECTION 26: PROCEEDS OF SALE. Immediately following the delivery of the Bonds, the proceeds of sale of the Bonds in an amount sufficient to pay and defease the Refunded Obligations shall be deposited with the US Bank, National

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

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

SECTION 27: LEGAL OPINION. The obligation of the Underwriters to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys, Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion is hereby authorized to be printed on the definitive Bonds or an executed counterpart of such opinion shall accompany the global Bonds deposited with The Depository Trust Company.

SECTION 28: CUSIP NUMBERS. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality of the Bonds and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 29: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Seventeenth Supplement or the Bonds, the performance date of any provision of the Seventeenth Supplement or the Bonds, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then such performance, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

1361 **SECTION 30: LIMITATION OF BENEFITS WITH RESPECT TO**
1362 **THE SEVENTEENTH SUPPLEMENT.** With the exception of the rights or
1363 benefits expressly conferred in the Seventeenth Supplement, nothing expressed or
1364 contained in the Seventeenth Supplement or implied from the provisions of the
1365 Seventeenth Supplement or the Bonds is intended or should be construed to confer
1366 upon or give to any person other than the City, the Holders, and the Paying
1367 Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason
1368 of or in respect to the Seventeenth Supplement or any covenant, condition,
1369 stipulation, promise, agreement, or provision contained in the Seventeenth
1370 Supplement. The Seventeenth Supplement and all of the covenants, conditions,
1371 stipulations, promises, agreements, and provisions are intended to be and shall be
1372 for and inure to the sole and exclusive benefit of the City, the Holders, and the
1373 Paying Agent/Registrar as provided in the Seventeenth Supplement and in the
1374 Bonds.

1375 **SECTION 31: NOTICES TO HOLDERS-WAIVER.** Wherever the
1376 Seventeenth Supplement provides for notice to Holders of any event, such notice
1377 shall be sufficiently given (unless otherwise expressly provided in the Seventeenth
1378 Supplement) if in writing and sent by United States Mail, first class postage
1379 prepaid, to the address of each Holder appearing in the Security Register at the
1380 close of business on the business day next preceding the mailing of such notice.

1381 In any case where notice to Holders is given by mail, neither the failure to
1382 mail such notice to any particular Holders, nor any defect in any notice so mailed,
1383 shall affect the sufficiency of such notice with respect to all other Bonds. Where
1384 the Seventeenth Supplement provides for notice in any manner, such notice may be
1385 waived in writing by the Holder entitled to receive such notice, either before or
1386 after the event with respect to which such notice is given, and such waiver shall be
1387 the equivalent of such notice. Waivers of notice by Holders shall be filed with the
1388 Paying Agent/Registrar, but such filing shall not be a condition precedent to the
1389 validity of any action taken in reliance upon such waiver.

1390 **SECTION 32: GOVERNING LAW.** The Seventeenth Supplement shall be
1391 construed and enforced in accordance with the laws of the State of Texas and the
1392 United States of America.

1393 **SECTION 33: EFFECT OF HEADINGS.** The Section headings in the
1394 Seventeenth Supplement are for convenience of reference only and shall not affect
1395 the construction of the Seventeenth Supplement.

1396 **SECTION 34: CONSTRUCTION OF TERMS.** If appropriate in the
1397 context of the Seventeenth Supplement, words of the singular number shall be
1398 considered to include the plural, words of the plural number shall be considered to
1399 include the singular, and words of the masculine, feminine or neuter gender shall
1400 be considered to include the other genders.

1401 **SECTION 35: SEVERABILITY.** If any provision or the application of any
1402 provision of the Seventeenth Supplement to any circumstance shall be held to be
1403 invalid, the remainder of the Seventeenth Supplement and the application of this
1404 Supplement to other circumstances shall nevertheless be valid, and the City
1405 Council hereby declares that the Seventeenth Supplement would have been enacted
1406 without such invalid provision.

1407 **SECTION 36: PUBLIC MEETING.** It is officially found, determined, and
1408 declared that the meeting at which the Seventeenth Supplement is adopted was
1409 open to the public and public notice of the time, place, and subject matter of the
1410 public business to be considered at such meeting, including the Seventeenth
1411 Supplement, was given; all as required by V.T.C.A., Government Code, Chapter
1412 551.

1413 **SECTION 37: EFFECTIVE DATE.** This Seventeenth Supplement is
1414 passed on one reading as authorized by V.T.C.A., Government Code, Section
1415 1201.028, and shall be effective immediately upon its passage and adoption.

1416 *[remainder of page left blank intentionally]*

PASSED AND APPROVED

CITY OF AUSTIN, TEXAS

November 5, 2009

§
§
§

APPROVED:

LEE LEFFINGWELL
Mayor

ATTEST:

DAVID ALLAN SMITH
City Attorney

SHIRLEY A. GENTRY
City Clerk

(City Seal)

DRAFT

1417
1418
1419

EXHIBIT A

Paying Agent Registrar Agreement

DRAFT

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1421
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Exhibit B
Bond Purchase Agreement

DRAFT

Exhibit C

Continuing Disclosure Requirements Under the Rule

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 21 of the Seventeenth Supplement.

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 specified (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 Governmental Accounting Standards Board.