

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34

ORDINANCE NO. 20120628-___

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2012.

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

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

“Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2012” authorized for issuance by the Twenty-First Supplement.

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

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

“Insurance Agreement”, if any, means the Insurance Agreement related to the Reserve Fund Policy approved by the Pricing Officer in the Pricing Certificate.

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

“Paying Agent/Registrar” means Wilmington Trust, National Association, or other financial institution specified in the Pricing Certificate.

“Previously Issued Parity Water/Wastewater Obligations” mean the outstanding (1) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001A”, (2) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001C”, (3) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2002A”, (4) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003”, (5) “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 these terms are defined in Ordinance No. 040812-43), (6) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A”, (7) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005”, (8) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A”, (9) “City of

Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006A”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007”, (12) “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 these terms are defined in Ordinance No. 20080306-053), (13) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009”, (14) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009A”, (15) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2010”, (16) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010A”, (17) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010B (Direct Subsidy-Build America Bonds)” and (18) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2011”.

“Prior Supplements” mean Ordinances Nos. 010419-77, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-37, 051020-051, 20051117-060, 20061116-051, 20071108-081, 20080306-052, 20080306-053, 20081211-77, 20091105-051, 20091217-004, 20101118-074 and 20111103-051 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

“Refunded Bonds” means the principal amount of each of the series of bonds identified by the Pricing Officer in the Pricing Certificate.

“Refunded Notes” means the principal amount of the Series A Notes as specified in the Pricing Certificate.

“Refunded Obligations” means collectively, the Refunded Bonds, the Refunded Notes and the Termination Payment.

“Security Register” shall have the meaning given in Section 4 of the Twenty-First 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.

“Series 2003 Refunded Bonds” means the City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003, as specified in the Pricing Certificate to be refunded with a portion of the proceeds of the Bonds.

70 “Series 2004 Refunded Bonds” means the City of Austin, Texas, Water and
71 Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004, as specified
72 in the Pricing Certificate to be refunded with a portion of the proceeds of the Bonds.

73 “Termination Payment” means the termination payment associated with the
74 termination of the ISDA Master Agreement, dated as of July 2, 2004, including the
75 Schedule and the Credit Support Annex related to such document, and the Confirmation,
76 dated July 2, 2004 and an Amended and Restated Confirmation, dated July 29, 2004
77 associated with the Series 2004 Refunded Bonds.

78 “Twenty-First Supplement” means Ordinance No. 20120628-_____ authorizing
79 the issuance of the Bonds.

80 The terms used in the Twenty-First Supplement and not otherwise defined shall
81 have the meanings given in the Master Ordinance or the Prior Supplements.

82 In accordance with the provisions of V.T.C.A., Government Code, Chapter 1207,
83 the City is authorized to issue refunding bonds and deposit the proceeds of sale directly
84 with any place of payment for the Refunded Obligations, or other authorized depository,
85 and such deposit, when made in accordance with said statute, shall constitute the making
86 of firm banking and financial arrangements for the discharge and final payment of the
87 Refunded Obligations.

88 In accordance with the provisions of V.T.C.A., Government Code, Chapter 1371,
89 the City has authorized by ordinance and provided for the issuance and sale of the Series
90 A Notes and the refunding of the Series A Notes for the purposes of making such debt
91 long-term fixed rate debt of the City and restructuring the debt payable from the revenues
92 of the System is in the best interest of the City, and the manner in which such refunding
93 is being executed does not make it practicable to make the determinations otherwise
94 required by Section 1207.008(a)(2), Texas Government Code.

95 In accordance with the provisions of V.T.C.A. Government Code, Chapter 1207,
96 the City Council is delegating to the Pricing Officer (as defined below) the authority to
97 establish the terms and details related to the issuance and sale of the Bonds including:
98 (i) the principal amount of the Series A Notes and the principal amount and series of the
99 Refunded Bonds to be refunded, (ii) the amount of the Termination Payment to be paid,
100 (iii) the form and designation of the Bonds; (iv) the principal amount of the Bonds and
101 the amount of the Bonds to mature in each year; (v) the dates, price, interest rates, interest
102 payment dates, principal payment dates, and redemption features of the Bonds; and
103 (vi) any other details relating to the issuance, sale, delivery, and/or exchange of the
104 Bonds, all within certain specified parameters set forth in the Twenty-First Supplement.

The Refunded Notes are to be refunded and refinanced into long term obligations at this time to enable the City's Water and Wastewater Department to continue utilizing its allocated share of Series A Notes and it is a public purpose and in the best interests of the City to refund the Refunded Bonds in order to achieve a present value debt service savings, with such savings, among other information and terms to be included in a pricing certificate (the "Pricing Certificate") to be executed by the Pricing Officer (designated below), all in accordance with the provisions of Section 1207.007, Texas Government Code.

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

SECTION 2: AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT - PURPOSE. Revenue bonds of the City shall be and are authorized to be issued in the maximum aggregate principal amount determined as provided in Section 4 of the Twenty-First Supplement and designated the "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2012" (the "Bonds"), for the purpose of refinancing and refunding the Refunded Obligations identified in the Pricing Certificate and referred to as the "Refunded Obligations"), and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207.

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

The Bonds shall bear interest on the unpaid principal amounts from the date and at the rate(s) per annum as specified in the Pricing Certificate (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing on the date specified in the Pricing Certificate, until maturity or prior redemption.

SECTION 4: DELEGATION OF AUTHORITY TO PRICING OFFICER.

(a) As authorized by Section 1207.007, Texas Government Code, the City Manager or Chief Financial Officer of the City (either one of them, the "Pricing Officer")

142 is authorized to act on behalf of the City in selling and delivering the Bonds and carrying
143 out the other procedures specified in this Twenty-First Supplement, including selection of
144 the principal amount of the Refunded Notes to be refunded, the specified maturities or
145 series in whole or in part of the Refunded Bonds to be refunded, the determination of the
146 Termination Payment amount, determining the aggregate principal amount of the Bonds,
147 the date of the Bonds, any additional or different designation or title by which the Bonds
148 shall be known, the price at which the Bonds will be sold, the years in which the Bonds
149 will mature, the principal amount to mature in each of such years, the rate of interest to
150 be borne by each such maturity, the first interest payment date, the price and terms upon
151 and at which the Bonds shall be subject to redemption prior to maturity at the option of
152 the City, as well as any mandatory sinking fund redemption provisions, the designation of
153 a paying agent/registrar, if different from the Paying Agent/Registrar, the selection of a
154 surety bond provider, if any, as authorized by V.T.C.A., Government Code, Chapter
155 1371, with respect to the Reserve Fund or the amount to be deposited to fund the Reserve
156 Fund for the Bonds, and all other matters relating to the issuance, sale, and delivery of the
157 Bonds all of which shall be specified in the Pricing Certificate, provided that:

158 (i) the aggregate original principal amount of the Bonds shall not exceed
159 \$375,000,000;

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

163 (iii) with respect to the Bonds issued to refund the Refunded Bonds, the
164 refunding must produce a net present value debt service savings of at least 4.25%, net of
165 any contribution by the City; and

166 (iv) the maximum maturity for the Bonds shall not extend beyond November 15,
167 2042.

168 The execution of the Pricing Certificate shall evidence the sale date of the Bonds
169 by the City to the Purchasers (defined in (b) of this Section).

170 (b) In establishing the aggregate principal amount of the Bonds, the Pricing
171 Officer shall establish an amount not exceeding the amount authorized in Subsection
172 (a)(i) above, which shall be sufficient in amount to provide for the purposes for which the
173 Bonds are authorized and to pay costs of issuing the Bonds. This delegation shall expire
174 if not exercised by the Pricing Officer on or prior to December 28, 2012. The Bonds
175 shall be sold by negotiated sale to the underwriter(s) named in the Pricing Certificate (the
176 "Purchasers"), at such price and with and subject to such terms as set forth in the Pricing
177 Certificate. A finding or determination made by the Pricing Officer acting under
178 authority of this Ordinance with respect to all matters relating to the sale of the Bonds

and the refunding of the Refunded Obligations shall have the same force and effect as a finding or determination made by the City Council of the City.

SECTION 5: TERMS OF PAYMENT - PAYING AGENT /REGISTRAR.

The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of Wilmington Trust, National Association, Dallas, Texas, to serve as Paying Agent/Registrar for the Bonds is approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, all as provided in the Twenty-First Supplement, in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement," substantially in the form attached as **Exhibit A** and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Pricing Officer is authorized to execute and deliver such Agreement in connection with the delivery of the Bonds. 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 of the change 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 redemption of the Bonds, only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated offices in Wilmington, Delaware (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 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 Twenty-First Supplement. Any Bond may, in accordance with its terms and the terms of the Twenty-First Supplement, 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 Twenty-First 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 Twenty-First 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.

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

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

268 Bonds canceled by reason of an exchange or transfer under the provisions of the
269 Twenty-First Supplement are defined to be "Predecessor Bonds," evidencing all or a
270 portion, as the case may be, of the same obligation to pay evidenced by the Bond or
271 Bonds registered and delivered in the exchange or transfer. Additionally, the term
272 "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for
273 which a replacement Bond has been issued, registered and delivered under Section 19 of
274 the Twenty-First Supplement and such new replacement Bond shall be deemed to
275 evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

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

281 **SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND TRANSACTIONS.**

282 Notwithstanding the provisions contained in Sections 4, 5 and 6 of the Twenty-First
283 Supplement relating to the payment, and transfer/exchange of the Bonds, the City
284 approves and authorizes the use of the "Book-Entry-Only" securities clearance,
285 settlement and transfer system provided by The Depository Trust Company ("DTC"), a
286 limited purpose trust company organized under the laws of the State of New York, in
287 accordance with the operational arrangements referenced in the Blanket Issuer Letter of
288 Representation, by and between the City and DTC (the "Depository Agreement").

289 Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be
290 deposited with DTC, who shall hold said Bonds for its participants (the "DTC
291 Participants"). While the Bonds are held by DTC under the Depository Agreement, the
292 Holder of the Bonds on the Security Register for all purposes, including payment and
293 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. 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 the Twenty-First Supplement.

SECTION 8: EXECUTION - REGISTRATION. The Bonds shall be executed on behalf of the City by the Mayor or Mayor Pro Tem 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 Twenty-First 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 specified in the Pricing Certificate with principal installments to become due and payable as provided in the Pricing Certificate 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 designee thereof. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office

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

SECTION 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 Twenty-First Supplement and the Pricing Certificate 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 of the Bonds, are purchased with insurance and any reproduction of an opinion of counsel) as may be established by the City or determined by the officers executing such Bonds as evidenced by their execution of the Bonds. Any portion of the text of any Bonds may be set forth on the reverse of the 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 of the Bonds.

(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 2012

Bond Date: _____, 2012 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, Williamson and Hays, State of Texas, for value received promises to pay to the registered owner named above, or their registered assigns (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 of the Principal Amount 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 of this Bond 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 _____) at the per annum rate of interest specified above; such interest being payable on _____, 20____ and on each succeeding November 15 and May 15 until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing on this Bond, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Twenty-First Supplement) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this

Bond shall be without exchange or collection charges to the 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.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$_____ (the "Bonds") for the purpose of refinancing and refunding the Refunded Obligations (identified and defined in the Twenty-First Supplement), in conformity with the Constitution and laws of the State of Texas, including V.T.C.A., Government Code, Chapter 1207, and pursuant to a Master Ordinance and Twenty-First Supplement adopted by the City Council of the City, together the Pricing Certificate executed pursuant thereto (collectively referred to as the "Ordinances").

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

<u>Term Bonds due Redemption Date</u>	<u>Principal Amount</u>	<u>Term Bonds due Redemption Date</u>	<u>Principal Amount</u>
	\$,000		\$,000
	\$,000		\$,000
	\$,000		\$,000
	\$,000		\$,000
			\$,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, 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 previously credited against a mandatory redemption requirement.

The Bonds maturing on and after _____, 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 _____ or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.]]¹

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 of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within forty-five days of the redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, 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

¹ To conform to the provisions of the Pricing Certificate

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 related terms and conditions, 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 made to the Ordinances, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance of this Bond assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the 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 in the Ordinances may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding under the Ordinances; and for the other terms and provisions contained in the Ordinances. 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 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 after such event, 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 certified, recited, represented and covenanted that the City is a duly 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. 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. 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.

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 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 Wilmington, Delaware is the Designated Payment/Transfer Office for this Bond.

WILMINGTON TRUST, NATIONAL
ASSOCIATION, Dallas, Texas,
as Paying Agent/Registrar

Registration date:

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number (_____
) the within Bond and all rights under this Bond, and irrevocably
constitutes and appoints _____
attorney to transfer the within Bond on the books kept for registration 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.

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

REGISTERED
NO. T-1

REGISTERED
\$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
SERIES 2012

Bond Date:

Registered Owner:

Principal Amount:

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

<u>STATED MATURITY</u>	<u>PRINCIPAL INSTALLMENTS</u>	<u>INTEREST RATE</u>
----------------------------	-----------------------------------	--------------------------

(Information to be inserted from schedule in the Pricing Certificate).

(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 amounts of this Bond from the _____ at the per annum rates of interest specified above; such interest being payable on _____ and on each succeeding November 15 and May 15 until maturity or prior redemption. Principal installments of this Bond are payable to the Registered Owner by _____ (the “Paying Agent/Registrar”), upon presentation and surrender, at its designated offices in _____ (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 Twenty-First 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 Twenty-First Supplement for all purposes, except to the extent modified and supplemented by the Prior Supplements and the Twenty-First Supplement, and the Bonds are declared to be Parity Water/Wastewater Obligations under the Master Ordinance and Prior Supplements. The City 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 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 Twenty-First 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 Twenty-First Supplement. It is ordained that the Parity Water/Wastewater Obligations, and the interest on the Parity Water/Wastewater Obligations, 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 Twenty-First Supplement without physical delivery or transfer or transfer of control of the Net Revenues, the filing of the Twenty-First Supplement or any other act, all as provided in V.T.C.A., Government Code, Chapter 1208. 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 Twenty-First Supplement.

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

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

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

Accrued interest received from the Purchasers of the Bonds shall be deposited in the Debt Service Fund, and shall be taken into consideration and reduce the amount of the monthly deposits that would otherwise be required to be deposited to the credit of such Debt Service Fund from the Net Revenues of the Water/Wastewater System.

SECTION 14: RESERVE FUND. In accordance with the provisions of the Prior Supplements authorizing the issuance of the Previously Issued Water/Wastewater Obligations, the Required Reserve Amount is funded with cash and surety bonds issued by MBIA Insurance Corporation, Financial Security Assurance Inc. (now Assured Guaranty Municipal Corp.), Ambac Assurance Corporation and XL Capital Assurance

707 Inc. By reason of the issuance of the Bonds, the Required Reserve Amount shall be as
708 specified in the Pricing Certificate. The Required Reserve Amount allocable to the
709 Bonds shall be in the amount as specified in the Pricing Certificate will be funded as
710 provided in the Pricing Certificate. Any draws on the surety bonds or other credit
711 agreements funding the Required Reserve Amount on which there is available coverage
712 shall be made on a pro rata basis (calculated by reference to coverage then available
713 under each such surety bond or credit agreement) after applying available cash and
714 investments in the Reserve Fund.

715 The Insurance Agreement, if any, will be attached to and approved by the Pricing
716 Certificate in substantially the form and substance attached to the Pricing Certificate and
717 approved by the Pricing Officer, together with such changes or revisions as may be
718 necessary to comply with Texas law, is authorized to be executed by the Pricing Officer
719 for and on behalf of the City and as the act and deed of this governing body; and the
720 Insurance Agreement as executed by the Pricing Officer shall be deemed approved by the
721 City Council and constitute the Insurance Agreement approved.

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

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

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

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

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

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

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

754 “*Gross Proceeds*” means any proceeds as defined in Section
755 1.148-1(b) of the Regulations, and any replacement proceeds as defined in
756 Section 1.148-1(c) of the Regulations, of the Bonds.

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

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

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

765 “*Regulations*” means any proposed, temporary, or final Income Tax
766 Regulations issued pursuant to Sections 103 and 141 through 150 of the
767 Code, and 103 of the Internal Revenue Code of 1986, which are applicable
768 to the Bonds. Any reference to any specific Regulation shall also mean, as
769 appropriate, any proposed, temporary or final Income Tax Regulation
770 designed to supplement, amend or replace the specific Regulation
771 referenced.

772 “*Yield*” of (1) any Investment has the meaning set forth in Section
773 1.148-5 of the Regulations and (2) the Bonds has the meaning set forth in
774 Section 1.148-4 of the Regulations.

775 (b) Not to Cause Interest to Become Taxable. The City shall not use, permit the
776 use of, or omit to use Gross Proceeds or any other amounts (or any property the
777 acquisition, construction or improvement of which is to be financed directly or indirectly

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

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

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

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

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

of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

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

853 induce such purchase by measures designed to insure the excludability of the
854 interest thereon from the gross income of the owners thereof for federal
855 income tax purposes, the City shall pay to the United States out of the Debt
856 Service Fund or its general fund, as permitted by applicable Texas statute,
857 regulation or opinion of the Attorney General of the State of Texas, the
858 amount that when added to the future value of previous rebate payments
859 made for the Bonds equals (i) in the case of a Final Computation Date as
860 defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent
861 (100%) of the Rebate Amount on such date; and (ii) in the case of any other
862 Computation Date, ninety percent (90%) of the Rebate Amount on such
863 date. In all cases, the rebate payments shall be made at the times, in the
864 installments, to the place and in the manner as is or may be required by
865 section 148(f) of the Code and the Regulations and rulings thereunder, and
866 shall be accompanied by Form 8038-T or such other forms and information
867 as is or may be required by Section 148(f) of the Code and the Regulations
868 and rulings thereunder.

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

877 (i) Not to Divert Arbitrage Profits. Except to the extent permitted by section
878 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any
879 time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into
880 any transaction that reduces the amount required to be paid to the United States pursuant
881 to Subsection (h) of this Section because such transaction results in a smaller profit or a
882 larger loss than would have resulted if the transaction had been at arm's length and had
883 the Yield of the Bonds not been relevant to either party.

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

890 (k) Bonds Not Hedge Bonds. (1) At the time the original obligations refunded
891 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 Notes and the Series 2004 Refunded Bonds being refunded by the Bonds constitute a current refunding as the payment and/or redemption of the Refunded Notes and the Series 2004 Refunded Bonds will occur within 90 days of the delivery of the Bonds.

(m) Qualified Advance Refunding. The Bonds will be issued more than 90 days before the redemption of the Series 2003 Refunded Bonds. The City represents as follows:

(1) The Bonds are the first advance refunding of the Series 2003 Refunded Bonds, within the meaning of section 149(d)(3) of the Code.

(2) The Series 2003 Refunded Bonds are being called for redemption, and will be redeemed not later than the earliest date on which such bonds may be redeemed.

(3) The initial temporary period under section 148(c) of the Code will end: (i) with respect to the proceeds of the Bonds not later than 30 days after the date of issue of such Bonds; and (ii) with respect to proceeds of the Series 2003 Refunded Bonds on the Closing Date if not ended prior thereto.

(4) On and after the date of issue of the Bonds, no proceeds of the Series 2003 Refunded Bonds will be invested in Nonpurpose Investments having a Yield in excess of the Yield on the Series 2003 Refunded Bonds.

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

928 **SECTION 17: AMENDMENT OF TWENTY-FIRST SUPPLEMENT.**

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

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

945
946 unless such amendment or amendments be approved by the owners of all of the Bonds
947 affected by the change or amendment then Outstanding.

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

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

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

976 (e) Implementation of Amendment. Upon the passage of any amendatory
977 ordinance pursuant to the provisions of this Section, the Twenty-First Supplement shall
978 be deemed to be amended, and the respective rights, duties and obligations of the City
979 under the Twenty-First Supplement and all the owners of then Outstanding Bonds shall
980 be determined, exercised and enforced in all respects in accordance with such
981 amendment.

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

985 (1) To add to the covenants and agreements of the City contained in
986 the Twenty-First Supplement, other covenants and agreements thereafter to
987 be observed, grant additional rights or remedies to the owners of the Bonds
988 or to surrender, restrict or limit any right or power reserved in the Twenty-
989 First Supplement to or conferred upon the City;

990 (2) To make such provisions for the purpose of curing any ambiguity,
991 or curing, correcting or supplementing any defective provision contained in
992 the Twenty-First Supplement, or in regard to clarifying matters or questions
993 arising under the Twenty-First Supplement, as are necessary or desirable and
994 not contrary to or inconsistent with the Twenty-First Supplement and which
995 shall not adversely affect the interests of the owners of the Bonds then
996 Outstanding;

997 (3) To modify any of the provisions of the Twenty-First Supplement
998 in any other respect whatever, provided that such modification shall be, and
999 be expressed to be, effective only after all the Bonds outstanding at the date
1000 of the adoption of such modification shall cease to be outstanding;

(4) To make such amendments to the Twenty-First Supplement as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated under and applicable to such sections and regulations;

(5) To make such changes, modifications or amendments as may be necessary or desirable to allow the owners of the Bonds to 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 Twenty-First 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 shall be deemed to be the insurance company providing the insurance coverage on such Bonds; provided such amendment to the Twenty-First 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 Twenty-First Supplement when payment of the principal of, and redemption premium, if any, on such Bonds, plus interest on the Bonds to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have

1039 been made or caused to be made in accordance with the terms of such Bonds, or (ii) shall
1040 have been provided by irrevocably depositing with, or making available to, the Paying
1041 Agent/Registrar, in trust and irrevocably set aside exclusively for such payment,
1042 (1) money sufficient to make such payment or (2) Government Obligations, certified by
1043 an independent public accounting firm of national reputation, to mature as to principal
1044 and interest in such amounts and at such times as will insure the availability, without
1045 reinvestment, of sufficient money to make such payment, and all necessary and proper
1046 fees, compensation and expenses of the Paying Agent/Registrar with respect to which
1047 such deposit is made shall have been paid or the payment thereof provided for the
1048 satisfaction of the Paying Agent/Registrar. At such time as a Bond shall be deemed to be
1049 paid under the Twenty-First Supplement, as aforesaid, it shall no longer be secured by or
1050 entitled to the benefit of the Twenty-First Supplement, the Master Ordinance or a lien on
1051 and pledge of the Net Revenues of the Water/Wastewater System, and shall be entitled to
1052 payment solely from such money or Government Obligations.

1053 Any moneys so deposited with the Paying Agent/Registrar, or an authorized
1054 escrow agent, may at the direction of the City also be invested in Government
1055 Obligations, maturing in the amounts and at the times as set forth in this Section, and all
1056 income from all Government Obligations not required for the payment of the Bonds, the
1057 redemption premium, if any, and interest on the Bonds, with respect to which such
1058 money has been so deposited, shall be turned over to the City or deposited as directed by
1059 the City. The City covenants that no deposit will be made or accepted under clause (ii) of
1060 this Section and no use made of any such deposit which would cause the Bonds to be
1061 treated as arbitrage bonds within the meaning of Section 148 of the Internal Revenue
1062 Code of 1986, as amended.

1063 Notwithstanding any other provisions of the Twenty-First Supplement, all money
1064 or Government Obligations set aside and held in trust pursuant to the provisions of this
1065 Section for the payment of the Bonds, the redemption premium, if any, and interest on the
1066 Bonds, shall be applied to and used for the payment of such Bonds, the redemption
1067 premium, if any, and interest on such Bonds and the income on such money or
1068 Government Obligations shall not be considered to be "Gross Revenues" under the
1069 Twenty-First Supplement.

1070 **SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR**
1071 **DESTROYED BONDS.** In the event any Outstanding Bond is damaged, mutilated, lost,
1072 stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and
1073 delivered, a new bond of the same principal amount, maturity, and interest rate, as the
1074 damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the
1075 manner provided in this Section. An application for the replacement of damaged,
1076 mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar.
1077 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 Twenty-First Supplement equally and proportionately with any and all other Bonds issued under the Twenty-First 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 thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section. Furthermore, in accordance with V.T.C.A., Government Code, Section 1206.022, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is 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 Twenty-First Supplement for Bonds issued in exchange for other Bonds.

SECTION 20: TWENTY-FIRST SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by the Holders from time to time, the Twenty-First 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 Twenty-First Supplement by the City and the covenants and agreements set forth in the Twenty-First 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 under the Twenty-First Supplement over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Twenty-First Supplement.

1118 **SECTION 21: CONTINUING DISCLOSURE UNDERTAKING.**

1119 (a) Definitions. As used in this Section, the following terms have the meanings
1120 ascribed to such terms below:

1121 “*MSRB*” means the Municipal Securities Rulemaking Board.

1122 “*Rule*” means SEC Rule 15c2-12, as amended from time to time.

1123 “*SEC*” means the United States Securities and Exchange Commission.

1124 (b) Annual Reports. The City shall provide annually to the MSRB (1) within six
1125 months after the end of each fiscal year ending in the year stated in the Pricing
1126 Certificate, financial information and operating data with respect to the City of the
1127 general type included in the final Official Statement and which is customarily prepared
1128 by the City and is publicly available as described in the Pricing Certificate, and (2) if not
1129 provided as part such financial information and operating data, audited financial
1130 statements of the City, when and if available. Any financial statements so to be provided
1131 shall be prepared in accordance with the accounting principles described in the Pricing
1132 Certificate, or such other accounting principles as the City may be required to employ
1133 from time to time pursuant to state law or regulation, and audited, if the City
1134 commissions an audit of such statements and the audit is completed within the period
1135 during which they must be provided. If audited financial statements are not available by
1136 the required time, the City will provide unaudited financial information of the type
1137 included in the Official Statement by the required time and audited financial statements
1138 when and if such audited financial statements become available.

1139 If the City changes its fiscal year, it will notify the MSRB of the change (and of the
1140 date of the new fiscal year end) prior to the next date by which the City otherwise would
1141 be required to provide financial information and operating data pursuant to this Section.

1142 The financial information and operating data to be provided pursuant to this
1143 Section may be set forth in full in one or more documents or may be included by specific
1144 reference to any document available to the public on the MSRB’s Internet Web site or
1145 filed with the SEC.

1146 (c) Notice of Certain Events. The City shall provide notice of any of the
1147 following events with respect to the Bonds to the MSRB in a timely manner and not more
1148 than 10 Business Days after occurrence of the event:

- 1149 (1) Principal and interest payment delinquencies;
1150 (2) Non-payment related defaults, if material;
1151 (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
1152 (4) Unscheduled draws on credit enhancements reflecting financial difficulties;

- 1153 (5) Substitution of credit or liquidity providers, or their failure to perform;
1154 (6) Adverse tax opinions, the issuance by the Internal Revenue Service of
1155 proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form
1156 5701-TEB), or other material notices or determinations with respect to the tax-exempt
1157 status of the Bonds, or other material events affecting the tax status of the Bonds;
1158 (7) Modifications to rights of holders of the Bonds, if material;
1159 (8) Bond calls, if material, and tender offers;
1160 (9) Defeasances;
1161 (10) Release, substitution, or sale of property securing repayment of the Bonds, if
1162 material;
1163 (11) Rating changes;
1164 (12) Bankruptcy, insolvency, receivership, or similar event of the City, which
1165 shall occur as described below;
1166 (13) The consummation of a merger, consolidation, or acquisition involving the
1167 City or the sale of all or substantially all of its assets, other than in the ordinary course of
1168 business, the entry into of a definitive agreement to undertake such an action or the
1169 termination of a definitive agreement relating to any such actions, other than pursuant to
1170 its terms, if material; and
1171 (14) Appointment of a successor or additional trustee or the change of name of a
1172 trustee, if material.
1173

1174 For these purposes, any event described in the immediately preceding paragraph 12
1175 is considered to occur when any of the following occur: the appointment of a receiver,
1176 fiscal agent, or similar officer for the City in a proceeding under the United States
1177 Bankruptcy Code or in any other proceeding under state or federal law in which a court
1178 or governmental authority has assumed jurisdiction over substantially all of the assets or
1179 business of the City, or if such jurisdiction has been assumed by leaving the existing
1180 governing body and officials or officers in possession but subject to the supervision and
1181 orders of a court or governmental authority, or the entry of an order confirming a plan of
1182 reorganization, arrangement, or liquidation by a court or governmental authority having
1183 supervision or jurisdiction over substantially all of the assets or business of the City.

1184 The City shall notify the MSRB, in a timely manner, of any failure by the City to
1185 provide financial information or operating data in accordance with this Section by the
1186 time required by this Section.

1187 (d) Filings with the MSRB. All financial information, operating data, financial
1188 statements, notices, and other documents provided to the MSRB in accordance with this
1189 Section shall be provided in an electronic format prescribed by the MSRB and shall be
1190 accompanied by identifying information as prescribed by the MSRB.

1191 (e) Limitations, Disclaimers, and Amendments. The City shall be obligated to
1192 observe and perform the covenants specified in this Section with respect to the City and
1193 the Bonds while, but only while, the City remains an “obligated person” with respect to
1194 the Bonds within the meaning of the Rule, except that the City in any event will give the
1195 notice required by subsection (c) of this Section of any Bond calls and defeasance that
1196 cause the City to be no longer such an “obligated person.”

1197 The provisions of this Section are for the sole benefit of the Holders and beneficial
1198 owners of the Bonds, and nothing in this Section, express or implied, shall give any
1199 benefit or any legal or equitable right, remedy, or claim to any other person. The City
1200 undertakes to provide only the financial information, operating data, financial statements,
1201 and notices which it has expressly agreed to provide pursuant to this Section and does not
1202 undertake to provide any other information that may be relevant or material to a complete
1203 presentation of the financial results, condition, or prospects of the City or the State of
1204 Texas or undertake to update any information provided in accordance with this Section or
1205 otherwise, except as expressly provided in this Section. The City does not make any
1206 representation or warranty concerning such information or its usefulness to a decision to
1207 invest in or sell Bonds at any future date.

1208 UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE
1209 HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN
1210 CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART
1211 FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT
1212 FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT
1213 EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR
1214 TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO
1215 AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

1216 No default by the City in observing or performing its obligations under this Section
1217 shall constitute a breach of or default under this Ordinance for purposes of any other
1218 provision of this Ordinance.

1219 Nothing in this Section is intended or shall act to disclaim, waive, or otherwise
1220 limit the duties of the City under federal and state securities laws.

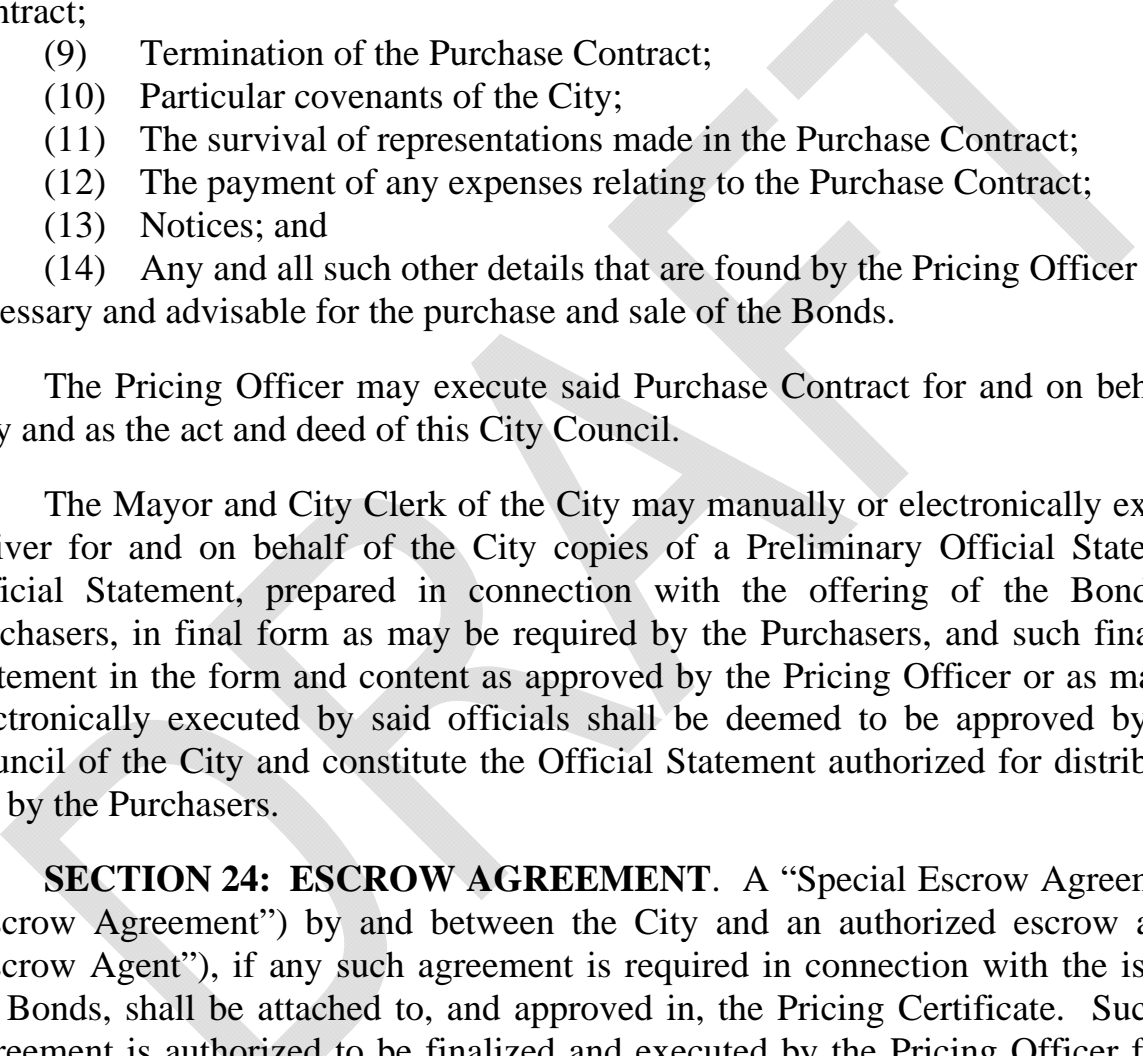
1221 Notwithstanding any provisions in this Ordinance to the contrary, the provisions of
1222 this Section may be amended by the City from time to time to adapt to changed
1223 circumstances resulting from a change in legal requirements, a change in law, or a change
1224 in the identity, nature, status, or type of operations of the City, but only if (1) the
1225 provisions of this Section, as so amended, would have permitted an underwriter to
1226 purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule,
1227 taking into account any amendments or interpretations of the Rule to the date of such
1228 amendment, as well as such changed circumstances, and (2) either (a) the Holders of a

majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City and the State of Texas (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 next provided in accordance with subsection (b) 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 Twenty-First 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 Twenty-First 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 Twenty-First 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 in such default, 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; OFFICIAL STATEMENT APPROVAL. The Bonds are to be sold by the City to the Purchasers in accordance with a bond purchase agreement (the "Purchase Contract"), the terms and provisions of which Purchase Contract are to be determined by the Pricing Officer, in accordance with Section 3 of this Ordinance. With regard to such terms and provisions of said Purchase Contract, the Pricing Officer may come to an agreement with the Purchasers on the following, among other matters:

- 1268 (1) The details of the purchase and sale of the Bonds;
1269 (2) The details of the public offering of the Bonds by the Purchasers;
1270 (3) The details of an Official Statement (and, if appropriate, any Preliminary
1271 Official Statement) relating to the Bonds and the City's Rule 15c2-12 compliance;
1272 (4) A security deposit for the Bonds;
1273 (5) The representations and warranties of the City to the Purchasers;. 
1274 (6) The details of the delivery of, and payment for, the Bonds;
1275 (7) The Purchasers' obligations under the Purchase Contract;
1276 (8) The certain conditions to the obligations of the City under the Purchase
1277 Contract;
1278 (9) Termination of the Purchase Contract;
1279 (10) Particular covenants of the City;
1280 (11) The survival of representations made in the Purchase Contract;
1281 (12) The payment of any expenses relating to the Purchase Contract;
1282 (13) Notices; and
1283 (14) Any and all such other details that are found by the Pricing Officer to be
1284 necessary and advisable for the purchase and sale of the Bonds.

1285 The Pricing Officer may execute said Purchase Contract for and on behalf of the
1286 City and as the act and deed of this City Council.

1287 The Mayor and City Clerk of the City may manually or electronically execute and
1288 deliver for and on behalf of the City copies of a Preliminary Official Statement and
1289 Official Statement, prepared in connection with the offering of the Bonds by the
1290 Purchasers, in final form as may be required by the Purchasers, and such final Official
1291 Statement in the form and content as approved by the Pricing Officer or as manually or
1292 electronically executed by said officials shall be deemed to be approved by the City
1293 Council of the City and constitute the Official Statement authorized for distribution and
1294 use by the Purchasers.

1295 **SECTION 24: ESCROW AGREEMENT.** A "Special Escrow Agreement" (the
1296 "Escrow Agreement") by and between the City and an authorized escrow agent (the
1297 "Escrow Agent"), if any such agreement is required in connection with the issuance of
1298 the Bonds, shall be attached to, and approved in, the Pricing Certificate. Such Escrow
1299 Agreement is authorized to be finalized and executed by the Pricing Officer for and on
1300 behalf of the City and as the act and deed of this City Council; and such Escrow
1301 Agreement as executed by said Pricing Officer shall be deemed approved by the City
1302 Council and constitute the Escrow Agreement approved by this Ordinance. With regard
1303 to the finalization of certain terms and provisions of said Escrow Agreement, a Pricing
1304 Officer is authorized to come to an agreement with the Escrow Agent on the following
1305 details, among other matters:

- 1306 (a) The identification of the Refunded Bonds;

1307 (b) The creation and funding of the Escrow Fund or Funds; and

1308 (c) The Escrow Agent's compensation, administration of the Escrow Fund or
1309 Funds, and the settlement of any paying agents' charges relating to the Refunded Bonds.

1310 Furthermore, appropriate officials of the City in cooperation with the Escrow
1311 Agent are authorized and directed to make the necessary arrangements for the purchase
1312 of the escrowed securities referenced in the Escrow Agreement and the delivery of the
1313 escrowed securities to the Escrow Agent on the day of delivery of the Bonds to the
1314 Purchasers for deposit to the credit of the "CITY OF AUSTIN, TEXAS, WATER AND
1315 WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2012
1316 ESCROW FUND" (referred to as the "Escrow Fund"), or such other designation as
1317 specified on the Pricing Certificate; all as contemplated and provided in V.T.C.A.,
1318 Government Code, Chapter 1207, as amended, this Twenty-First Supplement, the Pricing
1319 Certificate, and the Escrow Agreement.

1320 On or immediately prior to the date of the delivery of the Bonds to the Purchasers,
1321 the Pricing Officer shall also cause to be deposited (and is authorized to cause to be
1322 deposited) (a) with the Escrow Agent from moneys on deposit in the debt service fund(s)
1323 maintained for the payment of the Refunded Bonds an amount which, together with the
1324 proceeds of sale, and the investment earnings thereon, will be sufficient to pay in full the
1325 Refunded Bonds (or the amount of accrued interest due thereon) scheduled to mature and
1326 authorized to be redeemed on the earliest date established in the Pricing Certificate for
1327 the redemption of any of the Refunded Bonds (or the earliest date of payment, to be made
1328 from moneys in the Escrow Fund(s), as established in the Pricing Certificate, of the
1329 amount of accrued interest due thereon).

1330 **SECTION 25: REFUNDED BONDS; SWAP DOCUMENTS.** (a) In order to
1331 provide for the refunding, discharge, and retirement of the Refunded Bonds, the
1332 Refunded Bonds identified, described, and in the amounts set forth in the Pricing
1333 Certificate, are called for redemption on the first date(s) such Refunded Bonds are subject
1334 to redemption or such other date specified by the Pricing Officer in the Pricing Certificate
1335 at the price of par plus accrued interest to the redemption dates, and notice of such
1336 redemption shall be given in accordance with the applicable provisions of the
1337 ordinance(s) adopted by the City Council of the City, which authorized the issuance of
1338 the Refunded Bonds. The Pricing Officer is authorized and directed to issue or cause to
1339 be issued a Notice of Redemption for each series of the Refunded Bonds in substantially
1340 the form(s) set forth as (an) Exhibit(s) to the Pricing Certificate, to each and every paying
1341 agent/registrar for Refunded Bonds, in accordance with the redemption provisions
1342 applicable to each series of the Refunded Bonds.

1343 (b) Each paying agent/registrar for Refunded Bonds is directed to provide the
1344 appropriate notice(s) of redemption as required by the respective ordinances authorizing

the Refunded Bonds and is directed to make appropriate arrangements so that the Refunded Bonds may be redeemed on the redemption date.

(c) The source of funds for payment of the principal of and interest on the Refunded Bonds on their respective maturity or redemption dates shall be from the funds deposited with the Escrow Agent or the paying agent/registrar for the Refunded Bonds pursuant to the provisions of V.T.C.A., Government Code, Chapter 1207, as amended, this Ordinance and the Pricing Certificate.

(d) In connection with the refunding of the Series 2004 Refunded Bonds, the City has determined that the ISDA Master Agreement, dated as of July 2, 2004, including the Schedule and the Credit Support Annex related to the ISDA Master Agreement and the Confirmation, dated July 2, 2004 and the Amended and Restated Confirmation, dated July 29, 2004 (collectively, the "SWAP Documents") associated with the Series 2004 Refunded Bonds should be terminated and the Pricing Officer is authorized and directed to take all actions necessary to terminate the SWAP Documents and provide for the payment of the Termination Payment in accordance with the terms and conditions to be specified in the Pricing Certificate.

SECTION 26: CONTROL AND CUSTODY OF BONDS. The City Manager of the City shall be and is 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 of the Initial Bond(s) by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Initial Bond(s) to the Purchasers.

Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said officials, are 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 Purchasers following such sale.

SECTION 27: PROCEEDS OF SALE. Immediately following the delivery of the Bonds, proceeds of sale (less those proceeds of sale designated to pay costs of issuance, proceeds of sale designated to fund the Reserve Fund and any accrued interest received from the Purchasers of the Bonds) shall be deposited with (i) US Bank National Association (the "Deposit Agent") for the payment and discharge of the Refunded Notes, (ii) the Escrow Agent for application and disbursement in accordance with the provisions of the Escrow Agreement or deposited with the paying agent/registrar for the Refunded Bonds for the payment and redemption of the Refunded Bonds, or (iii) JPMorgan Chase

Bank for the payment and discharge of the Termination Payment in accordance with written instructions from the City or its Financial Advisor. The proceeds of sale of the Bonds not so deposited with the Escrow Agent (or the paying agent/registrar for the Refunded Bonds) for the refunding of the Refunded Bonds or with the Deposit Agent for the refunding of the Refunded Notes or with JPMorgan Chase Bank for the payment of the Termination Payment shall be disbursed for payment of costs of issuance, or deposited in the Debt Service Fund or the Reserve Fund for the Bonds, all in accordance with written instructions from the City or its Financial Advisor. Accrued interest, if any, received from the Purchasers shall be deposited to the credit of the Debt Service Fund.

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

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

SECTION 28: LEGAL OPINION. The obligation of the Purchasers to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys, approving the Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Bonds. A true and correct reproduction of said opinion is authorized to be printed on the definitive Bonds or an executed counterpart thereof shall accompany the global Bonds deposited with The Depository Trust Company.

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

SECTION 30: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Twenty-First Supplement or the Bonds, the performance date of any provision of the Twenty-First 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 the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

1421 **SECTION 31: LIMITATION OF BENEFITS WITH RESPECT TO THE**
1422 **TWENTY-FIRST SUPPLEMENT.** With the exception of the rights or benefits
1423 expressly conferred in the Twenty-First Supplement, nothing expressed or contained in
1424 the Twenty-First Supplement or implied from the provisions of the Twenty-First
1425 Supplement or the Bonds is intended or should be construed to confer upon or give to any
1426 person other than the City, the Holders, and the Paying Agent/Registrar, any legal or
1427 equitable right, remedy, or claim under or by reason of or in respect to the Twenty-First
1428 Supplement or any covenant, condition, stipulation, promise, agreement, or provision
1429 contained in the Twenty-First Supplement. The Twenty-First Supplement and all of the
1430 covenants, conditions, stipulations, promises, agreements, and provisions of the Twenty-
1431 First Supplement are intended to be and shall be for and inure to the sole and exclusive
1432 benefit of the City, the Holders, and the Paying Agent/Registrar as provided in the
1433 Twenty-First Supplement and in the Bonds.

1434 **SECTION 32: NOTICES TO HOLDERS-WAIVER.** Wherever the Twenty-
1435 First Supplement provides for notice to Holders of any event, such notice shall be
1436 sufficiently given (unless otherwise expressly provided in the Twenty-First Supplement)
1437 if in writing and sent by United States Mail, first class postage prepaid, to the address of
1438 each Holder appearing in the Security Register at the close of business on the business
1439 day next preceding the mailing of such notice.

1440 In any case where notice to Holders is given by mail, neither the failure to mail
1441 such notice to any particular Holders, nor any defect in any notice so mailed, shall affect
1442 the sufficiency of such notice with respect to all other Bonds. Where the Twenty-First
1443 Supplement provides for notice in any manner, such notice may be waived in writing by
1444 the Holder entitled to receive such notice, either before or after the event with respect to
1445 which such notice is given, and such waiver shall be the equivalent of such notice.
1446 Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such
1447 filing shall not be a condition precedent to the validity of any action taken in reliance
1448 upon such waiver.

1449 **SECTION 33: GOVERNING LAW.** The Twenty-First Supplement shall be
1450 construed and enforced in accordance with the laws of the State of Texas and the United
1451 States of America.

1452 **SECTION 34: EFFECT OF HEADINGS.** The Section headings in the Twenty-
1453 First Supplement are for convenience of reference only and shall not affect the
1454 construction of the Twenty-First Supplement.

1455 **SECTION 35: CONSTRUCTION OF TERMS.** If appropriate in the context of
1456 the Twenty-First Supplement, words of the singular number shall be considered to
1457 include the plural, words of the plural number shall be considered to include the singular,

and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

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

SECTION 37: INSURANCE. The Bonds may be sold with the principal of and interest being insured by a qualified municipal bond insurance provider. The Pricing Officer is authorized to make the selection of municipal bond insurance (if any) for the Bonds and to determine the provisions of any commitment for the municipal bond insurance.

SECTION 38: PUBLIC MEETING. It is officially found that the meeting at which the Twenty-First Supplement is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including the Twenty-First Supplement, was given; all as required by V.T.C.A., Government Code, Chapter 551.

SECTION 39: EFFECTIVE DATE. This Twenty-First Supplement is passed on one reading as authorized by V.T.C.A., Government Code, Section 1201.028, and shall be effective immediately upon its passage and adoption.

[remainder of page left blank intentionally]

PASSED AND APPROVED

CITY OF AUSTIN, TEXAS

June 28, 2012

§
§
§

APPROVED:

LEE LEFFINGWELL
Mayor

ATTEST:

KAREN M. KENNARD
City Attorney

SHIRLEY A. GENTRY
City Clerk

(City Seal)