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2 AN ORDINANCE AMENDING AND RESTATING ORDINANCE NO. 961121-A,
3 AS AMENDED BY ORDINANCE NO. 980513-A, AUTHORIZING THE
4 ISSUANCE OF CITY OF AUSTIN, TEXAS COMBINED UTILITY SYSTEMS
5 COMMERCIAL PAPER NOTES, SERIES A

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

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

9 "Act" shall mean Chapter 1371, Texas Government Code.

0 "Advance" shall mean (i) all draws made under the Letter of Credit that have not
1 been reimbursed, (ii) upon the substitution of a Revolving Credit Agreement for the
2 Reimbursement Agreement, advances and loans made under the terms set forth in a
3 Revolving Credit Agreement, and (iii) any obligations of the City to the Bank under the
4 Agreement.

5 "Agreement" shall mean the Reimbursement Agreement, or a substitute Revolving
6 Credit Agreement, together with any Bank Note, provided in substitution of the
7 Reimbursement Agreement, in accordance with the provisions of **Section 21**, and any
8 amendments or supplements.

0 "Authorized Denomination" shall mean \$100,000 or integral multiples of \$1,000 in
1 excess of \$100,000.

3 "Authorized Representative" shall mean one or more of the following officers or
4 employees of the City, acting in concert or individually: the City Manager, any Assistant
5 City Manager, the Chief Financial Officer of the City, any Deputy Chief Financial
6 Officer, the City Treasurer, any Deputy City Treasurer or any other officer or employee
7 of the City designated in writing by the City Manager or the Chief Financial Officer of
8 the City, and approved by council, to act as an Authorized Representative.

9 "Bank" shall mean The Bank of Tokyo-Mitsubishi UFJ, Ltd., acting through its New
0 York Branch, and its successors and assigns under the Agreement and the Letter of
1 Credit.

3 "Bank Note" shall mean a promissory note or notes issued pursuant to the Ordinance
4 and a Reimbursement Agreement or a Revolving Credit Agreement (including any
5 revolving credit note or the term notes, either or both, as defined in a Revolving Credit
6 Agreement) to evidence and secure Advances and term loans made by the Bank, having

the terms and characteristics contained in, and issued in accordance with, the Reimbursement Agreement or the Revolving Credit Agreement.

"Bonds" shall mean a series or issue of bonds, notes, or similar obligations (other than the Commercial Paper Notes, the Bank Note or the Agreement) issued or incurred by the City after the passage of the Ordinance, payable from and secured solely by a lien on and pledge of the Net Revenues of the Systems, superior, equal, or subordinate in rank and dignity to the lien and pledge securing the payment of the Prior Lien Bonds or the Subordinate Lien Bonds.

"Business Day" shall mean any day (a) when (i) the office of the Bank at which drawings under the Letter of Credit are required to be presented is not authorized or required to be closed and (ii) banks are not authorized to be closed in the City and (b) when banks or the New York Stock Exchange are not authorized to be closed in New York, New York.

"City" shall mean the City of Austin, Texas.

"Code" shall mean the Internal Revenue Code of 1986.

"Commercial Paper Notes" or "Notes" shall mean the commercial paper notes authorized to be issued pursuant to the terms of the Ordinance and shall include, except when the context otherwise requires, the Bank Note.

"Commitment" shall mean the maximum amount available to be drawn under the Letter of Credit for the payment of the principal of and interest on the Notes, as this amount may be reduced and reinstated from time to time as provided in the Letter of Credit or the maximum amount for which the Bank may, upon substitution of a Revolving Credit Agreement for the Reimbursement Agreement, become committed to make loans to the City for the payment or repayment of the principal of and interest on the Notes under a Revolving Credit Agreement.

"Contractual Obligations" shall mean those obligations (i) issued or incurred by the City payable from the Net Revenues of the Electric Light and Power System and the Net Revenues of the Waterworks and Sewer System, (ii) incurred pursuant to express charter or statutory authority and (iii) which by the terms of the ordinance authorizing their issuance or the incurring of the obligation provide for payments to be made by the City for their retirement or payment to be equally and ratably secured with the Prior Lien Bonds by a lien on and pledge of the Net Revenues of the Systems.

"Council" shall mean the governing body of the City.

77
78 "Dealer" shall mean the entity designated in **Section 41(b)**.
79

80 "Dealer Agreement" shall mean the agreement authorized to be entered into by
81 **Section 41(b)**, as from time to time amended or supplemented.
82

83 "Designated Office" means the corporate trust office of the Paying Agent/Registrar
84 designated as the place for payment, transfer and exchange of the Commercial Paper
85 Notes, initially, the corporate trust office of the Paying Agent/Registrar in New York,
86 New York.
87

88 "DTC" shall mean The Depository Trust Company, New York, New York.
89

90 "DTC Participant" shall mean the securities brokers and dealers, banks, trust
91 companies, clearing corporations and certain other organizations on whose behalf DTC
92 was created to hold securities to facilitate the clearance and settlement of securities
93 transactions among DTC Participants.
94

95 "Electric Fund" shall mean the fund so designated in **Section 26**.
96

97 "Electric Light and Power System" shall mean all properties, facilities and plants
98 currently owned, operated and maintained by the City, wholly or partially in participation
99 with others, for the generation, transmission, supply and distribution of electrical energy
100 and power, together with all future extensions, improvements, replacements and additions
101 to, and all replacements of, the properties, facilities and plants; provided that,
102 notwithstanding the foregoing, and to the extent authorized or permitted by law, the term
103 "Electric Light and Power System" shall not include facilities of any kind (including any
104 electric power generating and transmission facilities) which are declared not to be a part
105 of the Electric Light and Power System and which are acquired or constructed by the
106 City, or in participation with others, with the proceeds from the issuance of "Special
107 Facilities Bonds," which are defined as being special revenue obligations of the City
108 which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations
109 but which are payable from and secured by other liens on and pledges of any revenues,
110 sources or payments not pledged to the payment of Prior Lien Bonds, Subordinate Lien
111 Bonds or Separate Lien Obligations including, but not limited to, special contract
112 revenues or payments received from any other legal entity in connection with the special
113 facilities.
114

115 "Eligible Investments" shall mean any or all of the authorized investments described
116 in the Public Funds Investment Act, Chapter 2256, Texas Government Code, in which the
117 City may purchase, sell and invest its funds and funds under its control.

"Eligible Project" shall mean the acquisition or construction of improvements, additions or extensions for the Systems, including capital assets and facilities incident and related to their operation, maintenance and administration, all as provided in the Act.

"Fiscal Year" shall mean the twelve month financial accounting period used by the City in connection with the operation of the Systems, which may be any twelve consecutive month period established by the City.

"Gross Revenues of the Systems" and "Gross Revenues" shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants and proceeds derived from the sale or other disposition of all or part of the City's participating interest in the South Texas Project and revenues, sources or payment from facilities acquired or constructed with Special Facilities Bonds) of the respective system, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Prior Lien Bonds, the Subordinate Lien Bonds or the Separate Lien Obligations.

"Holder" or "Noteholder" shall mean any person, firm, association, or corporation who is in possession of any Note drawn, issued or endorsed to that person, firm, association or corporation or to the order of that person, firm, association or corporation or to bearer or in blank, including, unless the context shall otherwise require, the Bank.

"Issuing and Paying Agent," "Paying Agent/Registrar" or "Registrar" shall mean the agent appointed pursuant to **Section 3**, or any successor to the agent.

"Issuing and Paying Agency Agreement" shall mean the agreement authorized to be entered into by **Section 41(a)**, as from time to time amended or supplemented.

"Letter of Credit" shall mean the irrevocable, direct-pay, transferable letter of credit of the Bank substantially in the form attached to the Reimbursement Agreement, as the same may be amended, supplemented or extended pursuant to the terms of the Reimbursement Agreement.

"Maximum Interest Rate" shall mean 12%.

"Maximum Maturity Date" shall mean September 30, 2034.

"Maintenance and Operating Expenses" shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, all current expenses of

operating and maintaining the respective system, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only repairs and extensions, as in the judgment of council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and its inhabitants, or as might be necessary to meet some physical accident or condition which would otherwise impair the Priority Lien Obligations shall be deducted in determining Net Revenues. Depreciation shall never be considered as an expense of Maintenance and Operation. Maintenance and Operating Expenses shall include payment under contracts for the purchase of power and energy, water supply or other materials, goods or services for the Systems to the extent authorized by law and the provisions of the contract.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Net Revenues" and "Net Revenues of the Systems" shall mean, with respect to the Electric Light and Power System or the Waterworks and Sewer System, Gross Revenues of the respective system minus the respective system's Maintenance and Operating Expenses.

"Note Construction Account" shall mean the account so designated in **Section 17**.

"Note Payment Fund" shall mean the fund so designated in **Section 16**.

"Ordinance" shall mean Ordinance No. 961121-A, as amended by Ordinance No. 980513-A, and as amended and restated by this ordinance.

"Pledged Revenues" and "Pledged Revenues of the Systems" shall mean (i) the Net Revenues of the Systems, plus (ii) any additional revenues, income, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the City, be pledged to the payment of the Priority Lien Obligations, the Notes and the Taxable Notes, the repayment of Advances and any other obligations of the City to the Bank under the Agreement and the repayment of Taxable Advances under the Taxable Agreement.

"Prior Lien Bonds" shall mean:

City of Austin, Texas Combined Utility Systems Revenue Refunding Bonds, Series 1990-B, dated February 1, 1990; and

City of Austin, Texas Combined Utility Systems Revenue Refunding Bonds, Series 1994, dated September 1, 1994.

189 "Priority Lien Obligations" shall mean, collectively, the Prior Lien Bonds, the
190 Subordinate Lien Bonds and the Separate Lien Obligations.

191 "Project Costs" shall mean all costs and expenses incurred in relation to Eligible
192 Projects, including, without limitation, design, planning, engineering and legal costs,
193 acquisition costs of land, interests in land, right-of-way and easements, construction
194 costs, costs of machinery, equipment, and other capital assets incident and related to the
195 operation, maintenance, and administration of an Eligible Project; financing costs,
196 including interest during construction and thereafter, underwriter's discount and/or fees
197 for legal, financial, and other professional services; and reimbursement for Project Costs
198 attributable to Eligible Projects incurred prior to the issuance of any Notes.

199 "Regulations" shall mean all applicable temporary, proposed and final regulations
200 and procedures promulgated under the Code or the Internal Revenue Code of 1954, to the
201 extent applicable to the Code.

202 "Reimbursement Agreement" shall mean the Letter of Credit Reimbursement
203 Agreement by and between the City and the Bank authorized to be executed pursuant to
204 **Section 21**, as amended and supplemented from time to time, or any other letter of credit
205 and reimbursement agreement as may be entered into and delivered in addition to or in
206 substitution for the Letter of Credit and Reimbursement Agreement.

207 "Revolving Credit Agreement" shall mean an agreement by and between the City
208 and the Bank executed and delivered in substitution for or replacement of the
209 Reimbursement Agreement providing a credit or liquidity facility supporting the Notes,
210 including any Bank Notes to be issued and delivered under the agreement evidencing any
211 loans made or to be made to the City, providing additional security and liquidity for the
212 payment of the Notes, and as from time to time the agreement may be amended, restated
213 or supplemented.

214 "Separate Lien Obligations" shall mean those obligations (i) issued or incurred by
215 the City payable solely from the Net Revenues of either the Electric Light and Power
216 System or the Net Revenues of the Waterworks and Sewer System, but not both, (ii)
217 incurred pursuant to express charter or statutory authority and (iii) which by the terms of
218 the ordinance authorizing their issuance or the incurring of the obligations provide for
219 payments to be made by the City for their retirement or payment to be secured solely by a
220 lien on and pledge of the Net Revenues of the Electric Light and Power System or the
221 Net Revenues of the Waterworks and Sewer System, but not both, of equal dignity with
222 the lien on and pledge of Net Revenues securing the payment of the Subordinate Lien
223 Bonds.

224 "Similarly Secured Notes" shall mean the Notes and the Taxable Notes, payable
225 from and secured by a parity lien on and pledge of Pledged Revenues.

"South Texas Project" shall mean the City's ownership interest in two nuclear steam electric generating units and related land and facilities, as more particularly defined in the South Texas Project Participation Agreement effective as of December 1, 1973, as amended.

"Subordinate Lien Bonds" shall mean:

City of Austin, Texas, Subordinate Lien Revenue Refunding Bonds, Series 1998, dated October 1, 1998.

"Systems" shall mean, collectively, the Electric Light and Power System and the Waterworks and Sewer System.

"Taxable Advances" shall mean advances made under the Taxable Agreement.

"Taxable Agreement" shall mean the Letter of Credit and Reimbursement Agreement dated as of September 1, 2014 by and between the City and Citibank, N.A., as amended and supplemented from time to time.

"Taxable Notes" shall mean the "City of Austin, Texas Combined Utility Systems Taxable Commercial Paper Notes" authorized by Ordinance No. 980513-B and Ordinance No. 20140828-__, and as from time to time amended or supplemented by council.

"Water and Sewer Fund" shall mean the fund so designated in **Section 26**.

"Waterworks and Sewer System" means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions; provided, however, that notwithstanding the foregoing, and to the extent authorized or permitted by law, the term "Waterworks and Sewer System" shall not include facilities of any kind which are declared not to be a part of the Waterworks and Sewer System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of "Special Facilities Bonds," which are defined as being special revenue obligations of the City which are not Prior Lien Bonds, Subordinate Lien Bonds or Separate Lien Obligations but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of Prior Lien Bonds, the Subordinate Lien Bonds or Separate Lien Obligations including, but not limited to, special contract revenues or payments received from any other legal entity in connection with the special facilities.

259 Terms not defined by, but used in, the Ordinance shall have the meanings given in
260 the Reimbursement Agreement.

261 The authorized amount of commercial paper notes to be issued and sold shall be
262 increased from \$350,000,000 to \$400,000,000, and in connection with this increase, the
263 City shall execute and deliver a new Reimbursement Agreement pursuant to which the
264 Bank will issue a Letter of Credit in support of the Notes.

265 In accordance with the provisions of the Act, council delegates to each Authorized
266 Representative the authority to effect the issuance and sale of the Commercial Paper
267 Notes, all within certain specified parameters set forth in the Ordinance. The sale of
268 Commercial Paper Notes on the terms determined by an Authorized Representative is in
269 the best interests of the City.

270 If appropriate in the context of the Ordinance, words of the singular number shall be
271 considered to include the plural, words of the plural number shall be considered to
272 include the singular, and words of the masculine, feminine or neuter gender shall be
273 considered to include the other genders. Unless the context requires otherwise, all
274 references in the Ordinance to designated Sections and other subdivisions are to the
275 Sections and other subdivisions of the Ordinance. References to any named person
276 means that party and its successors and assigns. References to any constitutional,
277 statutory or regulatory provision means the provision as it exists on the date council
278 passed the Ordinance and any future amendments to or successor provisions of the
279 constitutional, statutory or regulatory provision.

280 **SECTION 2. AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT**
281 **- PURPOSE.** Acting under authority of the Act, council authorizes the issuance of
282 Commercial Paper Notes, designated the “**CITY OF AUSTIN, TEXAS COMBINED**
283 **UTILITY SYSTEMS COMMERCIAL PAPER NOTES, SERIES A**”. The
284 Commercial Paper Notes may be issued in an aggregate principal amount not to exceed
285 **FOUR HUNDRED MILLION DOLLARS (\$400,000,000)** at any one time outstanding
286 for the purpose of financing Project Costs of Eligible Projects and to refinance, renew or
287 refund Notes issued under the Ordinance or Priority Lien Obligations issued for Eligible
288 Projects.

289 In connection with the issuance of Commercial Paper Notes, a Bank Note may be
290 issued and shall initially be issued in an amount equal to the Stated Amount (as defined in
291 the Letter of Credit) of the Letter of Credit on the date of its issuance by the Bank,
292 reflecting the maximum principal amount of Commercial Paper Notes that may be
293 supported by the Letter of Credit plus interest thereon, calculated on the basis of a 365-
294 day year, for two hundred seventy (270) days at the Maximum Interest Rate, for the
295 purpose of evidencing Advances to retire maturing Commercial Paper Notes and all other

obligations of the City under the Agreement; all in accordance with and subject to the terms, conditions and limitations contained in the Ordinance and, with respect to the Bank Note, the Reimbursement Agreement. Any portion of outstanding Notes to be paid from money on deposit in the Note Payment Fund held by the Issuing and Paying Agent on the day of calculation and from the available proceeds of Notes or Priority Lien Obligations or other obligations of the City issued on the day of calculation, the proceeds of which are deposited in the Note Payment Fund on the day of calculation, shall not be considered Outstanding. The authority to issue Commercial Paper Notes from time to time under the provisions of the Ordinance shall exist until the Maximum Maturity Date, regardless of whether prior to the Maximum Maturity Date there are at any time no outstanding Commercial Paper Notes. Commercial Paper Notes may not be issued to refinance or refund Priority Lien Obligations without the prior approval of council and the Bank.

In connection with the refinancing or refunding of Notes, Priority Lien Obligations and any other authorized obligations of the System, including interest, the Notes, Priority Lien Obligations and any other authorized obligations of the System shall qualify as "obligations", as defined in the Act, at the time any refinancing or refunding occurs. The refunding or refinancing, other than a simultaneous refunding, of Notes, Priority Lien Obligations and other obligations of the System, to the extent then required by applicable law, shall be by means of a gross defeasance established at the time of the issuance of the refunding commercial paper notes, and the selection of Notes, Priority Lien Obligations and any other authorized obligations of the Systems to be so refunded or refinanced shall be made in the manner council determines.

SECTION 3. TERMS APPLICABLE TO THE NOTES. Subject to the limitations contained in the Ordinance, Commercial Paper Notes shall be dated on or before, and within thirty (30) days of, their date of issuance (Note Date), as determined by an Authorized Representative; shall bear interest at a fixed rate or rates per annum computed on the basis of actual days elapsed and a 365-day year (but in no event in any case to exceed the Maximum Interest Rate) as may be determined by an Authorized Representative or the Dealer acting at the request of an Authorized Representative; and all Commercial Paper Notes shall mature on or before the Maximum Maturity Date and on or before the fifth Business Day prior to the Stated Expiration Date (as defined in the Letter of Credit).

Subject to the Maximum Interest Rate limitation, Commercial Paper Notes may be issued without a fixed numerical rate of interest for their stated term to bear interest in accordance with any clearly stated formula or method of calculation set forth in the Commercial Paper Note as determined by an Authorized Representative.

333 Subject to applicable terms, limitations and procedures contained in the Ordinance,
334 Commercial Paper Notes may be sold at public or private sale and at par (within the
335 interest rate restrictions provided in the Ordinance) as an Authorized Representative shall
336 approve at the time of sale.

337 Council confirms that U.S. Bank National Association shall continue to serve as
338 Issuing and Paying Agent, Paying Agent/Registrar and Registrar for the Commercial
339 Paper Notes, and the City covenants to keep and maintain with the Registrar at its
340 Designated Office books and records (Registration Books) for the registration, payment,
341 transfer and exchange of the Commercial Paper Notes, all as provided in the Ordinance
342 and reasonable rules and regulations as the Registrar may prescribe. The City covenants
343 to maintain and provide a Registrar at all times while the Commercial Paper Notes are
344 outstanding, which shall be a national or state banking association or corporation or trust
345 company organized and doing business under the laws of the United States of America or
346 of any state and authorized under its laws to exercise trust powers. Should a change in
347 the Paying Agent/Registrar for the Commercial Paper Notes occur, the City agrees to
348 promptly cause a written notice to be (i) sent to the Bank and to each registered owner of
349 the Commercial Paper Notes then Outstanding by United States mail, first-class postage
350 prepaid, and (ii) published in a financial newspaper or journal of general circulation in
351 The City of New York, New York, once during each calendar week for at least two
352 calendar weeks; provided, however, publication of notice is not required if notice is sent
353 to each Holder of the Commercial Paper Notes. The notice shall give the address of the
354 successor Paying Agent/Registrar. Council may appoint a successor Paying
355 Agent/Registrar without the consent of the Holders.

356 The Commercial Paper Notes shall be issued in registered form, without coupons;
357 provided, however, Commercial Paper Notes may be registered to bearer. The principal
358 of and interest on the Commercial Paper Notes shall be payable in lawful money of the
359 United States of America, without exchange or collection charges to the Holder of the
360 Commercial Paper Note; principal is to be payable upon presentation and surrender of the
361 Commercial Paper Note at the Designated Office and interest is to be payable to the
362 registered owner thereof (when registered other than to bearer) either (i) by check sent by
363 United States mail, first-class postage prepaid, to the address of the registered owner
364 appearing on the Registration Books of the City maintained by the Registrar or (ii) by any
365 other method, acceptable to the Issuing and Paying Agent, requested by the Holder, but
366 interest on a Commercial Paper Note registered to bearer shall be payable only upon
367 presentation of the Commercial Paper Note at the Designated Office.

368 A copy of the Registration Books shall be provided to the City by the Paying
369 Agent/Registrar, by means of telecommunications equipment or other means as are
370 mutually agreed to, within two Business Days of either the opening of the Registration
371 Books or any change in the Registration Books.

372 The City and the Paying Agent/Registrar may treat the bearer (in the case of
373 Commercial Paper Notes so registered) or the registered payee as the absolute owner of
374 any Commercial Paper Note for the purpose of receiving payment and for all purposes,
375 and the City and the Paying Agent/Registrar shall not be affected by any notice or
376 knowledge to the contrary.

377 If an Authorized Representative determines that it is possible and desirable to
378 provide for a book-entry only system of Commercial Paper Note registration with DTC,
379 the Authorized Representative, acting for and on behalf of the City, is authorized to
380 approve, execute, and deliver a Letter of Representations to DTC and to enter into any
381 other agreement and execute any instrument as is necessary to implement a book-entry
382 only system, with approval to be conclusively evidenced by the execution by the
383 Authorized Representative of the agreement or instrument. Under the initial book-entry
384 only system with DTC, no physical Commercial Paper Note certificates will be delivered
385 to DTC. The execution and delivery to the Issuing and Paying Agent, as custodian for
386 DTC, of a master note (Master Note) with respect to the Commercial Paper Notes, is
387 approved. The ownership of the Commercial Paper Notes held in the book-entry-only
388 system shall be registered in the name of Cede & Co., as nominee of DTC, which will
389 serve as the initial securities depository for the Commercial Paper Notes. Ownership of
390 beneficial interests in the Commercial Paper Notes shall be shown by book-entry on the
391 system maintained and operated by DTC and DTC Participants, and transfers of
392 ownership of beneficial interests shall be made only by DTC and the DTC Participants by
393 book-entry. The City and the Issuing and Paying Agent have no responsibility for DTC's
394 book-entry system. DTC will be required to maintain records of the positions of the DTC
395 Participants in the Commercial Paper Notes, and the DTC Participants and persons acting
396 through the DTC Participants will be required to maintain records of the purchasers of
397 beneficial interests in the Commercial Paper Notes. During any period when a book-
398 entry only system is in effect, except as provided above, the Commercial Paper Notes
399 shall not be transferable or exchangeable, except for transfer to another securities
400 depository or to another nominee of a securities depository.

401 With respect to Commercial Paper Notes registered in the name of DTC or its
402 nominee, neither the City nor the Issuing and Paying Agent shall have any responsibility
403 or obligation to any DTC Participant or to any person on whose behalf a DTC Participant
404 holds an interest in the Commercial Paper Notes. Without limiting the immediately
405 preceding sentence, neither the City nor the Issuing and Paying Agent shall have any
406 responsibility or obligation with respect to (i) the accuracy of the records of DTC or any
407 DTC Participant with respect to any ownership interest in the Commercial Paper Notes,
408 (ii) the delivery to any DTC Participant or any other person, other than a registered owner
409 of the Commercial Paper Notes, as shown on the Registration Books, of any notice with
410 respect to the Commercial Paper Notes, and (iii) the payment to any DTC Participant or
411 any other person, other than a registered owner of the Commercial Paper Notes, as shown

in the Registration Books, of any amount with respect to principal of or interest on the Commercial Paper Notes.

Whenever, during the term of the Commercial Paper Notes, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in the Ordinance of holding, registering, delivering, exchanging, or transferring the Commercial Paper Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to holding, registering, delivering, exchanging, or transferring the book-entry to produce the same effect.

The City or DTC each may determine to discontinue the book-entry only system and, unless a new book-entry only system is put in place, physical certificates in the form set forth in **Section 10** shall be provided to the beneficial owners of the Commercial Paper Notes.

If at any time, DTC ceases to hold the Commercial Paper Notes, all references to DTC in the Ordinance shall be of no further force or effect.

Whenever the beneficial ownership of the Commercial Paper Notes is determined by a book-entry at DTC, delivery of Commercial Paper Notes for payment at maturity shall be made pursuant to DTC's payment procedures as are in effect from time to time and the DTC Participants shall transmit payment to beneficial owners whose Commercial Paper Notes have matured. The City and each of the Issuing and Paying Agent, the Bank and the Dealer are not responsible for transfer of payment to the DTC Participants or beneficial owners.

SECTION 4. COMMERCIAL PAPER NOTES. Commercial Paper Notes are authorized to be issued and sold and delivered from time to time in principal amounts as determined by an Authorized Representative in Authorized Denominations, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Commercial Paper Note shall (i) mature after the Maximum Maturity Date or after the fifth Business Day prior to the Stated Expiration Date (as defined in the Letter of Credit), (ii) have a term less than five (5) calendar days nor in excess of two hundred seventy (270) calendar days or (iii) be issued in a manner that would cause the City to violate the covenants set forth in **Section 7**. Interest, if any, on Commercial Paper Notes shall be payable at maturity with principal.

SECTION 5: ISSUANCE AND SALE OF COMMERCIAL PAPER NOTES.

(a) *Completion of Commercial Paper Notes.* Commercial Paper Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with telephonic, electronic or written instructions of the Authorized Representative and the Issuing and

Paying Agent Agreement. To the extent instructions are not written, they shall be confirmed in writing by the Authorized Representative within twenty-four (24) hours. The instructions shall specify the Commercial Paper Notes to be sold and the principal amounts, dates of issue, maturities, rates of discount or interest, or the formula or method of calculating interest and the basis upon which it is to be computed, and other terms and conditions which may be determined by the Authorized Representative at the time of sale of the Commercial Paper Notes. The instructions shall include the purchase price of the Commercial Paper Notes, and, if the Commercial Paper Notes are not held in accordance with a book-entry only system, a request that the Issuing and Paying Agent authenticate the Commercial Paper Notes by counter signature of its authorized officer or employee and deliver them to the named purchaser upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to the Commercial Paper Notes. The rules of the New York Clearinghouse shall apply. The instructions shall also contain provisions representing that all action on the part of the City necessary for the valid issuance of the Commercial Paper Notes then to be issued has been taken, that all provisions of Texas and federal law necessary for the valid issuance of the Commercial Paper Notes with provision for interest exemption from federal income taxation have been complied with, if applicable, and that the Commercial Paper Notes in the hands of the Holders will be valid and enforceable obligations of the City according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the extent constitutionally applicable and that, if applicable, based upon the advice of Bond Counsel, the stated interest on the Commercial Paper Notes is exempt from federal income taxation. The instructions shall also certify that:

(i) no Event of Default under **Section 33** has occurred and is continuing as of the date of the instructions and that the Issuing and Paying Agent has not received a No-Issuance Notice or Final Drawing Notice (each as defined in the Agreement);

(ii) the City has been advised by Bond Counsel that the projects to be financed with the proceeds of the Commercial Paper Notes will constitute Eligible Projects or that the obligations to be refunded were issued in connection with Eligible Projects;

(iii) the City is in compliance with the covenants set forth in **Sections 7, 22, 25, 26, and 28** as of the date of the instructions;

(iv) the City has been advised by Bond Counsel that the proposed expenditure of the proceeds of Commercial Paper Notes for Eligible Projects and the refunding of Commercial Paper Notes issued for Eligible Projects will not cause the City to be in violation of its covenants set forth in **Sections 29, 30, and 31**;

488
489 (v) the sum of the interest payable on the Commercial Paper Note will not
490 exceed a yield (calculated on the principal amount of the Commercial Paper Note on the
491 basis of actual number of days elapsed, and a 365-day year) to the maturity date of the
492 Commercial Paper Note in excess of the Maximum Interest Rate;

493
494 (vi) all action on the part of the City necessary for the valid issuance of the
495 Commercial Paper Notes then to be issued has been taken;

496
497 (vii) all provisions of Texas and federal law necessary for the valid issuance of
498 the Commercial Paper Notes have been complied with; and

499
500 (viii) the Commercial Paper Notes held by the Holders will be valid and
501 enforceable obligations of the City according to their terms, subject to the exercise of
502 judicial discretion in accordance with general principles of equity and bankruptcy,
503 insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights,
504 to the extent constitutionally applicable.

505
506 (b) *Execution of Agreement.* Upon its execution and delivery, the Agreement
507 and Letter of Credit are in full force and effect and Advances may be made in accordance
508 with the terms of the Agreement.

509
510 **SECTION 6: PROCEEDS OF SALE OF NOTES.** The proceeds of the sale of
511 any Commercial Paper Notes (net of all expenses and costs of sale and issuance) shall be
512 applied for any or all of the following purposes as directed by an Authorized
513 Representative:

514
515 (i) Proceeds shall first be used for the payment of outstanding Commercial
516 Paper Notes at or prior to maturity and the repayment in full of Advances and any other
517 amounts due under the Agreement shall be deposited to the Note Payment Fund;

518
519 (ii) Proceeds not retained in the Note Payment Fund as provided in
520 subparagraph (i) above shall be transferred and deposited to the Note Construction
521 Account and used and applied in accordance with the provisions of **Section 17**; and

522
523 (iii) Proceeds to be used for the payment of outstanding Priority Lien Obligations
524 (if prior approval is given by council and the Bank) shall be transferred to the appropriate
525 account or fund established pursuant to the proceedings authorizing the issuance of the
526 Priority Lien Obligations.

527 **SECTION 7: LIMITATION ON ISSUANCE.** Unless council amends the
528 Ordinance in accordance with the provisions of **Section 37**, the City covenants that there
529 will not be issued and outstanding at any time under the Ordinance more than
530 \$400,000,000 in aggregate principal amount of Commercial Paper Notes. For purposes
531 of this **Section 7** any portion of outstanding Notes to be paid from money on deposit in
532 the Note Payment Fund or the Series A Note Credit Facilities Account and available
533 proceeds of Notes or Bonds shall not be considered outstanding on that day. Any
534 improvement or extension to the Systems to be funded with Commercial Paper Notes
535 must qualify as an Eligible Project, and the City shall not direct the Issuing and Paying
536 Agent to issue Commercial Paper Notes that mature after the fifth Business Day prior to
537 the Stated Expiration Date of the Letter of Credit.

538 While a Letter of Credit or an Agreement is in effect and supports the payment of all
539 or any principal amount of the Commercial Paper Notes, the City covenants and agrees that
540 the total principal amount of all Commercial Paper Notes outstanding at any one time and
541 the total amount of interest accrued or to accrue on the Commercial Paper Notes shall not
542 exceed the Commitment (in the case of the Letter of Credit issued by the Bank, the Stated
543 Amount of the Letter of Credit).

544
545 **SECTION 8: PUNCTUAL PAYMENT.** The City will punctually pay or cause to
546 be paid the principal of and interest on the Notes and the Bank Note (but only from the
547 sources pledged by the Ordinance), in conformity with the Notes, the Ordinance and any
548 Agreement.

549 **SECTION 9: PAYMENT AND PERFORMANCE ON BUSINESS DAYS.**
550 Whenever under the terms of the Ordinance or the Commercial Paper Notes, the
551 performance date of any of their provisions, including the payment of principal of or
552 interest on the Commercial Paper Notes, shall occur on a day other than a Business Day,
553 then performance, including the payment of principal of and interest on the Commercial
554 Paper Notes, need not be made on that day but may be performed or paid on the next
555 succeeding Business Day with the same force and effect as if made on that day.

556
557 **SECTION 10: FORM OF COMMERCIAL PAPER NOTES.** The Commercial
558 Paper Notes and the Certificate of Authentication to appear on each of the Commercial
559 Paper Notes shall be substantially in the forms set forth in this section with appropriate
560 insertions, omissions, substitutions and other variations as are permitted or required by
561 the Ordinance, and may have letters, numbers or other marks of identification (including
562 identifying numbers and letters of the Committee on Uniform Securities Identification
563 Procedures of the American Bankers Association) and legends and endorsements as may
564 be approved by an Authorized Representative. The form of Commercial Paper Note may
565 be revised to reflect the City exercising the authority reserved in **Section 22(b)** to provide

that a Commercial Paper Note may not be supported by a liquidity and/or credit facility. The Commercial Paper Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

Form of Commercial Paper Note:

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS
COMBINED UTILITY SYSTEMS
COMMERCIAL PAPER NOTE,
SERIES A

No.: _____
Principal Amount: _____
Interest to Maturity: _____
Due at Maturity: _____
Note Date: _____
Maturity Date: _____
Number of Days: _____
Interest Rate (%): _____
Owner: _____

The City of Austin (the "City"), in Travis, Williamson and Hays Counties, State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the party specified above on the maturity date specified above, the principal sum specified above and to pay interest, if any, on said principal amount at said maturity date, from the above specified note date to said maturity date at the per annum interest rate shown above (computed on the basis of actual days elapsed and a 365-day year); both principal and interest on this Note being payable in lawful money of the United States of America at the designated corporate trust office of the Issuing and Paying Agent executing the "Certificate of Authentication" endorsed hereon and appearing below, or its successor. No interest will accrue on the principal amount hereof after the maturity date hereof. Defined terms used herein shall have the same meaning given to said terms in the hereinafter defined Ordinance, unless the context of the use of such term indicates otherwise. The interest rate borne by this Note shall not exceed the Maximum Interest Rate.

This Note is one of an issue of commercial paper notes (the "Commercial Paper Notes" or the "Notes") which has been duly authorized and issued in accordance with the

607 provisions of an ordinance (the "Ordinance") passed by the City Council of the City for
608 the purpose of financing Project Costs of Eligible Projects for the City's Electric Light
609 and Power System and the City's Waterworks and Sewer System (collectively, the
610 "Systems"); to refund obligations issued in connection with an Eligible Project; and to
611 refinance, renew or refund Notes or Priority Lien Obligations and any other authorized
612 obligations of the Systems, including interest thereon, issued for Eligible Projects; all in
613 accordance in strict conformity with the provisions of the laws of the State of Texas,
614 including the Act.

615
616 This Commercial Paper Note, together with the other Commercial Paper Notes, is
617 payable from and equally secured by a lien on and pledge of (i) the proceeds from (a) the
618 sale of other Commercial Paper Notes issued for such purpose and (b) the sale of a series
619 or issue of Bonds (as defined in the Ordinance) hereafter issued by the City and to be
620 used to pay or refund outstanding Notes, (ii) Advances (as defined in the Ordinance)
621 under and pursuant to an Agreement (as defined in the Ordinance) providing credit
622 enhancement or support to the City under the terms and conditions set forth therein, (iii)
623 the Pledged Revenues (identified and defined in the Ordinance) of the Systems, such lien
624 on and pledge of the Pledged Revenues, however, being (a) on an equal and ratable basis
625 with the lien and pledge securing the payment of the Taxable Notes (as defined in the
626 Ordinance) and (b) subordinate to the lien and pledge securing the payment of Priority
627 Lien Obligations (identified and defined in the Ordinance) now outstanding and hereafter
628 issued, and (iv) amounts in certain funds and accounts established pursuant to the
629 Ordinance.

630 This Commercial Paper Note, together with the other Commercial Paper Notes, is
631 payable solely from the sources hereinabove identified securing the payment thereof, and
632 the Commercial Paper Notes do not constitute a legal or equitable pledge, charge, lien or
633 encumbrance upon any other property of the City or the Systems. The holder hereof shall
634 never have the right to demand payment of this obligation from taxation or any sources or
635 properties of the City except as identified above.

636
637 It is hereby certified and recited that all acts, conditions and things required by law
638 and the Ordinance to exist, to have happened and to have been performed precedent to
639 and in the issuance of this Commercial Paper Note, do exist, have happened and have
640 been performed in regular and in due time, form and manner as required by law and that
641 the issuance of this Commercial Paper Note, together with all other Commercial Paper
642 Notes, is not in excess of the principal amount of Commercial Paper Notes permitted to
643 be issued under the Ordinance.

644
645 This Commercial Paper Note has all the qualities and incidents of a negotiable
646 instrument under the laws of the State of Texas.

647
648 This Commercial Paper Note shall not be entitled to any benefit under the
649 Ordinance or be valid or become obligatory for any purpose until this Commercial Paper
650 Note shall have been authenticated by the execution by the Issuing and Paying Agent of
651 the Certificate of Authentication hereon.

652
653 IN TESTIMONY WHEREOF, the City Council has caused the seal of the City to
654 be duly impressed or placed in facsimile hereon, and this Note to be signed with the
655 imprinted facsimile signature of the Mayor and attested by the facsimile signature of the
656 City Clerk.

657
658
659
660 *****
661 _____
662 City Clerk, City of Austin, Texas

663 (SEAL)

664 *****
665 _____
666 Mayor, City of Austin, Texas

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ISSUING AND PAYING AGENT'S
CERTIFICATE OF AUTHENTICATION

664 This Commercial Paper Note is one of the Commercial Paper Notes delivered
665 pursuant to the within mentioned Ordinance.

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_____,
as Issuing and Paying Agent

By: _____
Authorized Signatory

677 If Commercial Paper Notes are issued in book-entry only form pursuant to **Section**
678 **3**, they shall be issued in the form of the Master Note approved by council pursuant to the
679 Ordinance, to which there shall be attached the form of Commercial Paper Note as
680 prescribed above, and council declares that the provisions of the Commercial Paper Note
681 are incorporated into and shall be a part of the Master Note. Council declares that the
682 Ordinance and the form of Commercial Paper Note shall constitute the "underlying
683 records" referred to in the Master Note. Notwithstanding the provisions of **Section 11**,

the Master Note may be executed on behalf of the City with the manual signature of the City Manager or the Chief Financial Officer of the City.

SECTION 11: EXECUTION - AUTHENTICATION. Under authority granted by Section 1371.055, Texas Government Code, the Commercial Paper Notes shall be executed on behalf of the City by the Mayor, and attested by the City Clerk under its seal reproduced or impressed thereon, all as provided in **Section 10** (or in case of the Master Note and the Bank Note, executed on behalf of the City by the City Manager or the Chief Financial Officer of the City). The signatures appearing on the Commercial Paper Notes (including the Master Note) may be manual or facsimile. Commercial Paper Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the date of passage of the Ordinance are duly executed on behalf of the City, regardless of whether any individual ceases to hold office at the time of the initial sale and delivery of Commercial Paper Notes or at the time Commercial Paper Notes are delivered in future sales, exchanges and transfers, all as authorized and provided in Section 1371.055 and Chapter 1206, Texas Government Code.

No Commercial Paper Note shall be entitled to any right or benefit under the Ordinance, or be valid or obligatory for any purpose, unless there appears on the Commercial Paper Note a certificate of authentication executed by the Paying Agent/Registrar by manual signature, or, in the case of the Master Note, the Paying Agent/Registrar has executed the Master Note, and the execution of any Commercial Paper Note by the Paying Agent/Registrar is the only evidence necessary for the Commercial Paper Note to be duly certified or registered and delivered.

SECTION 12: NOTES MUTILATED, LOST, DESTROYED OR STOLEN. If any Commercial Paper Note shall become mutilated, the City, at the expense of the Holder of the Commercial Paper Note, shall execute and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the City of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of the loss, destruction or theft may be submitted to the City and, if evidence be satisfactory to it and indemnity satisfactory to it shall be given, the City, at the expense of the owner, shall execute and deliver a new Note of like tenor in lieu of and in substitution for the lost, destroyed or stolen Note. Neither the City nor the Paying Agent/Registrar shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same.

SECTION 13: NEGOTIABILITY, REGISTRATION AND EXCHANGEABILITY. The obligations issued under the Ordinance, including the Bank Note, shall be, and shall have all of the qualities and incidents of, a negotiable

instrument under the laws of the State of Texas, and each successive Holder, in accepting any obligation, agrees that the obligations shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

The Registration Books relating to the registration, payment and transfer or exchange of the Commercial Paper Notes shall at all times be kept and maintained by the City at the Designated Office of the Registrar, and the Registrar shall obtain, record and maintain in the Registration Books the name and address of each registered owner of the Commercial Paper Notes, except for Commercial Paper Notes registered to bearer, issued under the Ordinance, and the Registrar shall provide the information to the City as described in **Section 3**. Any Commercial Paper Note may, in accordance with its terms and the terms of the Ordinance, be transferred or exchanged for Commercial Paper Notes of like tenor and character and in Authorized Denominations upon the Registration Books by the Holder in person or by its duly authorized agent, upon surrender of the Commercial Paper Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by its duly authorized agent, in form satisfactory to the Registrar.

Upon surrender for transfer of any Commercial Paper Note at the Designated Office of the Registrar, the Registrar shall register and deliver, in the name of each designated transferee (or to bearer, as appropriate), one or more new Commercial Paper Notes executed on behalf of, and furnished by, the City of like tenor and character and in Authorized Denominations and having the same maturity, bearing interest at the same rate or rates and of a like aggregate principal amount as the Commercial Paper Note or Commercial Paper Notes surrendered for transfer.

Commercial Paper Notes may be exchanged for other Commercial Paper Notes of like tenor and character and of Authorized Denominations and having the same maturity, bearing the same rate or rates of interest and of like aggregate principal amount as the Commercial Paper Notes surrendered for exchange, upon surrender of the Commercial Paper Notes to be exchanged at the Designated Office of the Registrar. Whenever any Commercial Paper Notes is surrendered for exchange, the Registrar shall register and deliver new Commercial Paper Notes of like tenor and character as the Commercial Paper Notes exchanged, executed on behalf of, and furnished by, the City to the Holder requesting the exchange.

The City and the Registrar may charge the Noteholder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first exchange or transfer. The Registrar or the City may also require payment from the Holder of a sum sufficient to cover any tax, fee or other governmental charge that may be

imposed in relation thereto. These charges and expenses shall be paid before a new Commercial Paper Note shall be delivered.

New Commercial Paper Notes delivered upon any transfer or exchange shall be valid obligations of the City, evidencing the same debt as the Commercial Paper Notes surrendered, shall be secured by the Ordinance and shall be entitled to all of the security and benefits of the Ordinance to the same extent as the Commercial Paper Notes surrendered.

The City reserves the right to change the registration and transferability provisions of the Commercial Paper Notes at any time on or prior to the delivery of Commercial Paper Notes in order to comply with applicable laws and regulations of the United States in effect at the time of their issuance.

SECTION 14: CANCELLATION. All Commercial Paper Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest due and payable or are surrendered for transfer or exchange pursuant to the provisions of the Ordinance shall, upon payment or issuance of new Commercial Paper Notes, be cancelled by the Paying Agent/Registrar, and the Paying Agent/Registrar shall transmit to the City a certificate identifying the Commercial Paper Notes that have been duly cancelled and destroyed.

SECTION 15: FISCAL AND OTHER AGENTS. The City may from time to time appoint and provide for the payment of additional fiscal, paying or other agents and trustees as council determines are necessary or appropriate in connection with the Notes.

SECTION 16: NOTE PAYMENT FUND. The creation, establishment and maintenance of a separate and special fund designated as the "**City of Austin, Texas Combined Utility Systems Commercial Paper Series A Note Payment Fund**" (Note Payment Fund) with the Issuing and Paying Agent is confirmed. Moneys on deposit in the Note Payment Fund shall be used to pay principal of and interest on Commercial Paper Notes (including the Bank Note) as the same shall become due and payable as provided in the Ordinance and to repay any Advances and any other obligations of the City to the Bank under the Agreement. Amounts remaining in the Note Payment Fund not then necessary for the payment of Commercial Paper Notes may be transferred to the Note Construction Account (created pursuant to **Section 17**) at the request of an Authorized Representative; provided, that if any amount is due and payable under the Bank Note or the Agreement, and the Bank has not failed to honor a properly presented and conforming drawing under the Letter of Credit, no amounts shall be transferred without the prior written consent of the Bank.

800 The establishment and maintenance of a separate account within the Note Payment
801 Fund designated as the "Advance Payment Account" for the receipt and disbursement of
802 all proceeds of Advances made by the Bank under and pursuant to the Letter of Credit is
803 confirmed. All Advances for the payment of the Notes shall be deposited to the credit of
804 the Advance Payment Account, and the Advances shall be used only to pay the maturing
805 principal of and interest on the Notes as the same shall become due and payable. Any
806 amount in the Advance Payment Account after the payment of principal of and interest
807 on the Notes shall be promptly returned on the same Business Day to the Bank and shall
808 be held in trust for the Bank until so returned.

809 Pending the expenditure of moneys in the Note Payment Fund for authorized
810 purposes, the moneys shall be held uninvested.

811 **SECTION 17: NOTE CONSTRUCTION ACCOUNT.** The creation,
812 establishment and maintenance of a separate account designated as the "**City of Austin,**
813 **Texas Combined Utility Systems Commercial Paper Series A Note Construction**
814 **Account**" (Note Construction Account) is confirmed. The Note Construction Account
815 shall be held by the City with the City's depository bank, currently JPMorgan Chase
816 Bank, N.A. The City shall account for moneys deposited into the Note Construction
817 Account from Commercial Paper Notes issued. Moneys deposited in the Note
818 Construction Account shall be expended to pay for Project Costs, and to refund Priority
819 Lien Obligations or Notes issued in connection with Eligible Projects, and shall not be
820 used for any other purpose, except as provided below, and pending their expenditure,
821 moneys therein may be invested at the direction of the City Treasurer of the City or his
822 designee in Eligible Investments. Any investment income received (except as otherwise
823 required to be rebated to the United States of America in accordance with the provisions
824 of **Section 29**) shall be deposited, as received, into the Electric Fund or the Water and
825 Sewer Fund established by ordinances authorizing the issuance of the Prior Lien Bonds
826 and shall not be considered an amount held in the Note Construction Account.

827 Amounts on deposit in the Note Construction Account designated by an Authorized
828 Representative as eligible to pay interest during construction and up to one year after
829 construction is completed may be transferred from time to time at the direction of an
830 Authorized Representative to the credit of the Note Payment Fund for use in accordance
831 with the terms of **Section 16**. Any amounts remaining in the Note Construction Account
832 after the payment of all Project Costs shall be paid into the Note Payment Fund and used
833 either for the payment of the maturities of the Commercial Paper Notes coming due as
834 may be selected by an Authorized Representative or for the payment of Advances or
835 other amounts owing under the Agreement. In the event no Commercial Paper Notes are
836 Outstanding and there are no outstanding Advances or other amounts owing under the
837 Agreement, any amounts in the Note Construction Account not anticipated to be needed

to pay Project Costs shall be transferred to the debt service fund established for the payment of the Bonds, when issued.

SECTION 18: SERIES A NOTE CREDIT FACILITIES ACCOUNT. The creation, establishment and maintenance of a separate account on the books and records of the City known as the “Commercial Paper Series A Note Credit Facilities Payment Account” (Series A Note Credit Facilities Account) is confirmed. The Series A Note Credit Facilities Account shall be maintained while the Commercial Paper Notes are outstanding or any Advances, amounts owing on the Bank Note and any other amounts due under the Agreement remain unpaid and it may be a separate banking fund or an account within an existing banking fund maintained for the payment of the Priority Lien Obligations. Moneys deposited to the credit of the Series A Note Credit Facilities Account shall be expended solely for the repayment of Advances made under and pursuant to the Agreement.

SECTION 19: PLEDGE; PAYMENTS. The Notes (including the Bank Note) and any obligations of the City to the Bank under the Agreement are obligations of the City payable from and secured solely by the pledged funds pursuant to the Ordinance. The City agrees to make payments into the Note Payment Fund at the times and in the amounts as are necessary to provide for the full payment of the principal of and the interest on the Notes when due and the repayment of Advances made under and pursuant to the Agreement and any obligations of the City to the Bank under the Agreement.

To provide security for the payment of the principal of and interest on the Notes and any other amounts due under the Agreement as the same shall become due and payable, the City grants a lien on and pledge of, subject only to the provisions of the Ordinance permitting the application of the sources listed for purposes and on the terms and conditions set forth in the Ordinance, (i) the proceeds from (a) the sale of Bonds issued and to be used to pay outstanding Notes and (b) the sale of Commercial Paper Notes issued pursuant to the Ordinance and to be used to refund outstanding Commercial Paper Notes, (ii) Advances, (iii) the amounts held in the Note Payment Fund until those amounts are used for authorized purposes (provided, however, amounts in the Advance Payment Account shall be used only to pay the principal of and interest on the Commercial Paper Notes in full), (iv) the Pledged Revenues of the Systems, however, (a) on a parity with the lien and pledge securing the payment of the Taxable Notes and the Taxable Advances and the lien and pledge securing the payment of Advances made under and pursuant to the Agreement, and (b) subordinate to the lien on and pledge securing the payment of Priority Lien Obligations, and (v) the amounts remaining on deposit in the Note Construction Account after the payment of all Project Costs. Council declares that the principal of and interest on the Notes and any other amounts due under the Agreement shall be and are hereby equally and ratably secured by and payable from a

lien on and pledge of the sources hereinabove identified in clauses (i), (ii), (iii), (iv) and (v) subject and subordinate only to the exceptions noted above.

To provide security for the payment of the principal of and interest on Advances and any other amounts due under the Agreement as the same shall become due and payable, the City grants a lien on and pledge of the Pledged Revenues, subject only to the provisions of the Ordinance permitting the application of Pledged Revenues for purposes and on the terms and conditions set forth in the Ordinance; however, this lien on and pledge of the Pledged Revenues, and the lien and pledge securing the Taxable Notes and the Taxable Advances is subordinate only to the lien on and pledge of the Pledged Revenues securing the payment of Priority Lien Obligations and the debt service and reserve funds relating to the Priority Lien Obligations, and being on a parity and of equal dignity with the lien and pledge securing the payment of the Notes and the Taxable Notes. It is ordained that the payment obligations under the Bank Note are secured by a lien on Pledged Revenues, and as provided in Chapter 1208, Texas Government Code, the lien is valid, binding and fully perfected on the passage of the Ordinance without physical delivery or transfer of control of the Pledged Revenues, the filing of the Ordinance or any other act. Unless Advances are paid from the proceeds of Commercial Paper Notes or Bonds issued for that purpose, or amounts available in the Note Payment Fund or the Note Construction Account, payments are to be made from Pledged Revenues on deposit in the Series A Note Credit Facilities Account noted in **Section 18**.

Chapter 1208, Texas Government Code, applies to the issuance of the Notes and the pledge of the Pledged Revenues granted by the City, and the pledge is valid, effective and perfected. If Texas law is amended at any time while the Commercial Paper Notes or the Bank Note are outstanding or any amount is owing under the Agreement such that the pledge of the Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then to preserve to the Noteholders and the Bank the perfection of the security interest in the pledge, the City agrees to take measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in the pledge to occur.

SECTION 20: FUNDS SECURED. Moneys in all funds and accounts, to the extent not invested, shall be secured in the manner prescribed by law for securing moneys of the City.

SECTION 21: REIMBURSEMENT AGREEMENT. The Reimbursement Agreement, and the Letter of Credit in the amount of \$435,506,850.00 (\$400,000,000.00 being the maximum amount available to be drawn for the payment of principal on maturing Notes and \$35,506.850.00 being the maximum amount available to be drawn

for the payment of interest on maturing Notes), substantially in the forms attached to the Ordinance as **Exhibit A**, are approved, and shall be entered into with the Bank. Upon the approval by the City Attorney, evidenced by executing the Reimbursement Agreement, the City Manager is authorized to execute and deliver the Reimbursement Agreement and the Related Documents (as defined in the Reimbursement Agreement), and the City Clerk or Deputy City Clerk is authorized to place the City seal on these instruments.

The City also reserves the right to provide for an alternate credit facility (in substitution of the Letter of Credit) in the form and substance of a Revolving Credit Agreement, provided the terms and provisions of the Revolving Credit Agreement with respect to the line of credit and the amount and repayment of loans have been approved by the council, and the Issuing and Paying Agent has been (i) delivered an executed copy of the Revolving Credit Agreement and (ii) furnished written evidence from any two (2) nationally recognized credit rating agencies which have assigned a rating on the Notes to the effect that (a) the ratings maintained by the credit agencies on the Notes will not be revised downward or withdrawn as a result of the surrender of the Letter of Credit and the delivery of the proposed Revolving Credit Agreement or (b) if the ratings assigned the Notes are revised downward by reason of the substitution of a Revolving Credit Agreement for the Letter of Credit, the ratings assigned to the Notes by at least two nationally recognized rating agencies will be one of the three (3) highest rating categories for short terms obligations; provided, however, in all cases the Letter of Credit shall not expire or terminate prior to the date all Notes issued and secured by the Letter of Credit have been fully paid and retired.

The City also reserves the right to provide a substitute letter of credit with a different credit provider, provided the terms and provisions of the substitute letter of credit and reimbursement agreement have been approved by council, and the Issuing and Paying Agent has been (i) delivered an executed counterpart of the substitute letter of credit and reimbursement agreement, and (ii) furnished written evidence from any two nationally recognized credit rating agencies which have assigned a rating on the Notes to the effect that (a) the ratings maintained by the credit agencies on the Notes will not be revised downward or withdrawn as a result of the surrender of the Letter of Credit and the delivery of the substitute letter of credit or (b) if the ratings assigned the Notes is revised downward by reason of the substituted letter of credit for the Letter of Credit, the ratings assigned to the Notes by at least two (2) nationally recognized rating agencies will be one of the three (3) highest rating categories for short terms obligations; provided, however, in all cases the Letter of Credit shall not expire or terminate prior to the date all Notes issued and secured by the Letter of Credit have been fully paid and retired.

The City reserves the right to issue Commercial Paper Notes without credit or liquidity support, as provided in **Section 22(b)**.

959
960 **SECTION 22: MAINTENANCE OF AVAILABLE CREDIT FACILITIES**
961 **REQUIREMENT.** (a) Except as provided in **Section 22(b)**, the City covenants that at
962 all times up to and including the Maximum Maturity Date, unless the Commercial Paper
963 Notes are no longer outstanding, it will maintain credit facilities with banks, assuming
964 that all then outstanding Commercial Paper Notes were to become due and payable
965 immediately, in amounts available for borrowing under the credit facilities sufficient at
966 that time to pay principal and interest of all Commercial Paper Notes. No Commercial
967 Paper Note shall be issued if after giving effect to its issuance and, if applicable, the
968 immediate application of its proceeds to retire other Commercial Paper Notes secured by
969 the credit facility, the aggregate principal amount of all Commercial Paper Notes secured
970 by the credit facility would exceed the amount of the Commitment under the credit
971 facility (including, in the case of the Letter of Credit issued by the Bank, the Stated
972 Amount under the Letter of Credit). The availability for borrowing of amounts under the
973 credit facilities may be subject to reasonable conditions precedent, including, but not
974 limited to, bankruptcy of the City. In furtherance of this covenant, the City agrees that it
975 will not issue any Commercial Paper Notes or make any borrowings which will result in
976 a violation of the covenant, will not amend the Agreement in a manner which will cause a
977 violation of the covenant and, if and to the extent necessary to maintain compliance with
978 the covenant, will arrange for new credit facilities on or before the expiration of the
979 Letter of Credit.

980
981 (b) The provisions of **Section 22(a)** notwithstanding, council may amend the
982 Ordinance, in accordance with the provisions of **Section 37**, to provide that Commercial
983 Paper Notes issued under authority of the Ordinance may be issued without support of
984 liquidity and/or credit facilities. To exercise the authority reserved by this **Section 22(b)**,
985 the City shall provide written notice to the Dealer, the Issuing and Paying Agent and the
986 Rating Agencies (as defined in the Issuing and Paying Agent Agreement) of council's
987 determination to amend the Ordinance to permit Commercial Paper Notes to be issued
988 without liquidity and/or credit support. This notice shall be provided no later than ninety
989 (90) days prior to the proposed date council is to consider for adoption an ordinance
990 amending the Ordinance for the purpose described in this **Section 22(b)**. The City shall
991 cause written notice to be provided to the Noteholders no less than fifteen (15) days prior
992 to the date council enacts the amendatory ordinance. No amendatory ordinance shall be
993 adopted if, on or before the date council considers the amendatory ordinance, the ratings
994 to be assigned to the Commercial Paper Notes not being supported by a liquidity and/or
995 credit facility are lower than A-1 or its equivalent. Commercial Paper Notes issued under
996 the Ordinance with liquidity and/or credit facility support shall be retired in full either
997 through the issuance of Bonds or with the proceeds of Commercial Paper Notes issued
998 without the support of a liquidity and/or credit facility.
999

1000 **SECTION 23: ORDINANCE TO CONSTITUTE A CONTRACT; EQUAL**
1001 **SECURITY.** In consideration of the acceptance of the Notes and the Bank Note by
1002 those who shall hold the same from time to time, the Ordinance constitutes a contract
1003 between the City and the Holders from time to time of the Notes and the Bank (with
1004 respect to the Bank Note) and the pledge made in the Ordinance by the City and the
1005 covenants and agreements set forth in the Ordinance to be performed by the City shall be
1006 for the equal and proportionate benefit, security and protection of all Holders of the Notes
1007 and the Bank Note, without preference, priority or distinction as to security or otherwise
1008 of any of the Notes or the Bank Note authorized by the Ordinance over any of the others
1009 by reason of time of issuance, sale or maturity or otherwise for any cause, except as
1010 expressly provided in or permitted by the Ordinance or, with respect to Advances, the
1011 Agreement.

1012
1013 **SECTION 24: APPLICATION OF PRIOR COVENANTS.** The covenants and
1014 agreements (to the extent the same do not conflict with the covenants and agreements in
1015 the Ordinance) contained in the ordinances authorizing the issuance of the Priority Lien
1016 Obligations are incorporated by reference into the Ordinance and are for the benefit and
1017 protection of the Bank and its rights under and pursuant to the Agreement in like manner
1018 as applicable to the Priority Lien Obligations; provided, however, in the event of any
1019 conflict between the terms, covenants and agreements contained in the Ordinance and the
1020 terms, covenants and agreements contained in the ordinances authorizing the issuance of
1021 the Priority Lien Obligations, the provisions of the ordinances authorizing the issuance of
1022 the Priority Lien Obligations shall control.

1023
1024 **SECTION 25: RATES AND CHARGES.** The City hereby agrees and reaffirms
1025 its covenants to the holders of the Priority Lien Obligations and covenants to the Bank
1026 that it will at all times maintain rates and charges for the services furnished, provided,
1027 and supplied by the Electric Light and Power System and the Waterworks and Sewer
1028 System which shall comply with the provisions of ordinances authorizing the issuance of
1029 the Priority Lien Obligations, be reasonable and non-discriminatory and produce Gross
1030 Revenues in each Fiscal Year from each of the Systems sufficient:

- 1031 (1) To pay the respective system's Maintenance and Operating Expenses,
- 1032 (2) To produce Net Revenues of the Systems, collectively or individually, as the
1033 case may be, sufficient (i) to pay the amounts required to be deposited in any reserve or
1034 contingency fund and interest and sinking fund maintained for the payment and security
1035 of the Priority Lien Obligations and (ii) to satisfy any annual debt service coverage
1036 requirement specified in the ordinances authorizing the issuance of Priority Lien
1037 Obligations.
- 1038

1039 (3) To comply with any provisions contained in the Agreement and to the extent
1040 the same are incurred or reasonably anticipated to be paid with Pledged Revenues, to pay
1041 the interest on and principal of the Similarly Secured Notes or the repayment of
1042 Advances or the Bank Note and any other amounts due the Bank under the Agreement, as
1043 and when the same shall become due; and
1044

1045 (4) any other legal debt or obligation of the Systems, either or both, as and when
1046 the same shall become due.

1047 SECTION 26: **SYSTEM FUNDS.** The City reaffirms its covenants to the holders
1048 of the Priority Lien Obligations, and covenants to the Holders of the Notes and to the
1049 Bank, as follows:
1050

1051 (a) Gross Revenues of the Electric Light and Power System shall be, as
1052 collected, deposited into a separate account maintained with a depository bank of the City
1053 and known as the "Electric Light and Power System Fund" (Electric Fund) and Gross
1054 Revenues of the Electric Light and Power System shall be kept separate and apart from
1055 all other funds of the City. All revenues deposited in the Electric Fund shall be pledged
1056 and appropriated to the extent required for the following uses and order of precedence:
1057

1058 FIRST: To the payment of all necessary and reasonable Maintenance and
1059 Operating Expenses of the Electric Light and Power System, and expenses required by
1060 statute to be a first charge on and claim against its Gross Revenues.
1061

1062 SECOND: To the payment of the amounts required to be deposited in the special
1063 funds or accounts created for the payment and security of the Priority Lien Obligations in
1064 accordance with the provisions of the ordinances authorizing the issuance of the Priority
1065 Lien Obligations.

1066 THIRD: On a pro rata basis, to the payment of the amounts required to be
1067 deposited (i) in the Note Credit Facilities Account for the payment of Advances, amounts
1068 owing on the Bank Note and any other amounts due under the Agreement which remain
1069 unpaid in satisfaction of the pledge set forth in Section 19, (ii) in the Taxable Note Credit
1070 Facilities Account for the payment of Drawings or Term Amortizations and any other
1071 amounts due under the Taxable Agreement which remain unpaid, and (iii) in the Note
1072 Payment Fund and the Taxable Note Payment Fund to the extent the principal of and
1073 interest on the Notes, as the same becomes due and payable, are not paid with Advances
1074 or Drawings, as applicable.
1075

1076 (b) Gross Revenues of the Waterworks and Sewer System shall be, as collected,
1077 deposited into a separate account maintained with a depository bank of the City and

known as the "Water and Sewer System Fund" (Water and Sewer Fund) and Gross Revenues of the Waterworks and Sewer System shall be kept separate and apart from all other funds of the City. All revenues deposited in the Water and Sewer Fund shall be pledged and appropriated to the extent required for the following uses and order of precedence:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the Waterworks and Sewer System, and expenses required by statute to be a first charge on and claim against its Gross Revenues.

SECOND: To the payment of the amounts required to be deposited in the special funds or accounts created for the payment and security of the Priority Lien Obligations in accordance with the provisions of the ordinances authorizing the issuance of the Priority Lien Obligations.

THIRD: On a pro rata basis, to the payment of the amounts required to be deposited (i) in the Note Credit Facilities Account for the payment of Advances, amounts owing on the Bank Note and any other amounts due under the Agreement which remain unpaid in satisfaction of the pledge set forth in Section 19, (ii) in the Taxable Note Credit Facilities Account for the payment of Drawings or Term Amortizations and any other amounts due under the Taxable Agreement which remain unpaid, and (iii) in the Note Payment Fund and the Taxable Note Payment Fund to the extent the principal of and interest on the Notes, as the same becomes due and payable, are not paid with Advances or Drawings, as applicable.

(c) Any Net Revenues remaining in the Electric Fund or the Water and Sewer Fund after satisfying the priority payments, or making adequate and sufficient provision for the their payment, and after paying all other amounts due under the Agreement, may be appropriated and used for any other City purpose permitted by law.

SECTION 27: BONDS. The City hereby acknowledges that the Commercial Paper Notes are being issued as bond anticipation notes, and the City in good faith shall prior to the date of expiration of the Letter of Credit endeavor to sell a sufficient principal amount of Bonds in order to have funds available, together with other available moneys, to pay the principal and interest on the Notes, or any renewals of the Notes (including the Bank Note), as the same shall become due, and any other amounts due under the Agreement.

SECTION 28: COMPLIANCE WITH PRIORITY LIEN OBLIGATION ORDINANCES AND OTHER DOCUMENTS. The City will comply with the terms and provisions of the ordinances authorizing the Priority Lien Obligations, and any other

ordinance or contract to which the City is a party, the non-compliance with which would materially adversely affect the ability of the City to make payments on the Notes when due.

SECTION 29: COMMERCIAL PAPER NOTES TO REMAIN TAX EXEMPT. The City covenants to take any action to assure, or refrain from any action which would adversely affect, the treatment of the Commercial Paper Notes as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation if the Commercial Paper Notes are designated by the City as "tax exempt". In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Commercial Paper Notes or the projects financed with these proceeds (less amounts deposited to a reserve fund, if any) are used for any "private business use", as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether received by the City, with respect to the private business use, do not, under the terms of the Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Commercial Paper Notes, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) exceeds 5 percent of the proceeds of the Commercial Paper Notes or the projects financed with these proceeds (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate", within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Commercial Paper Notes (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Commercial Paper Notes being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Commercial Paper Notes being "federally guaranteed" within the meaning of section 149(b) of the Code;

1159 (f) to refrain from using any proceeds of the Commercial Paper Notes, directly
1160 or indirectly, to acquire or to replace funds which were used, directly or indirectly, to
1161 acquire "investment property" (as defined in section 148(b)(2) of the Code) which
1162 produces a materially higher yield over the term of the Commercial Paper Notes, other
1163 than investment property acquired with --

1164
1165 (1) proceeds of Commercial Paper Notes invested for a reasonable
1166 temporary period of three years or less until the proceeds are needed for the
1167 purpose for which the obligations are issued,

1168
1169 (2) amounts invested in a bona fide debt service fund, within the meaning
1170 of section 1.148-1(b) of the Regulations, and

1171
1172 (3) amounts deposited in any reasonably required reserve or replacement
1173 fund to the extent the amounts do not exceed 10 percent of the proceeds of the
1174 Commercial Paper Notes;

1175
1176 (g) to otherwise restrict the use of the proceeds of the Commercial Paper Notes
1177 or amounts treated as proceeds of the Commercial Paper Notes, as may be necessary, so
1178 that the Commercial Paper Notes do not otherwise contravene the requirements of section
1179 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the
1180 Code (relating to advance refundings);

1181
1182 (h) to pay to the United States of America at least once during each five-year
1183 period (beginning on the date of delivery of the Commercial Paper Notes) an amount that
1184 is at least equal to 90 percent of the "Excess Earnings", within the meaning of section
1185 148(f) of the Code, and to pay to the United States of America, not later than 60 days
1186 after the Commercial Paper Notes have been paid in full, 100 percent of the amount then
1187 required to be paid as a result of Excess Earnings under section 148(f) of the Code; and

1188
1189 (i) to timely file the information required by section 149(e) of the Code with the
1190 Secretary of the Treasury on the forms, at the places and in the manner as may be
1191 prescribed by law.

1192
1193 The City represents and covenants that it will not expend, or permit to be
1194 expended, the proceeds of any Commercial Paper Notes in any manner inconsistent with
1195 its reasonable expectations as certified in a federal tax certificate to be executed from
1196 time to time with respect to the Commercial Paper Notes; provided, however, that the
1197 City may expend Commercial Paper Note proceeds in any manner if the City first obtains
1198 an unqualified opinion of Bond Counsel that the expenditure will not impair the
1199 exemption from federal income taxation of interest paid on the Commercial Paper Notes.

1200 The City represents that it has not been notified of any listing or proposed listing by the
1201 Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications
1202 may not be relied upon.

1203
1204 The City understands that the term "proceeds" includes "disposition proceeds" as
1205 defined in the Regulations and, in the case of a refunding bond, transferred proceeds (if
1206 any) and proceeds of the refunded bonds expended prior to the date of the issuance of the
1207 Commercial Paper Notes. It is the understanding of the City that the covenants contained
1208 in this Section are intended to assure compliance with the Code and any regulations or
1209 rulings promulgated by the U.S. Department of the Treasury pursuant to the Code. In the
1210 event that regulations or rulings are promulgated which modify or expand provisions of
1211 the Code, as applicable to the Commercial Paper Notes, the City will not be required to
1212 comply with any covenant contained in this Section to the extent that a failure to comply,
1213 in the opinion of Bond Counsel, will not adversely affect the exemption from federal
1214 income taxation of interest on the Commercial Paper Notes under section 103 of the
1215 Code. In the event that regulations or rulings are promulgated which impose additional
1216 requirements applicable to the Commercial Paper Notes, the City agrees to comply with
1217 the additional requirements to the extent necessary, in the opinion of Bond Counsel, to
1218 preserve the exemption from federal income taxation of interest on the Commercial Paper
1219 Notes under section 103 of the Code. Council hereby authorizes the Mayor, the City
1220 Manager, the Chief Financial Officer of the City and the City Treasurer to execute any
1221 documents, certificates or reports required by the Code, and to make elections on behalf
1222 of the City which may be permitted by the Code as are consistent with the purpose for the
1223 issuance of the Commercial Paper Notes.

1224
1225 In order to facilitate compliance with the above clause (h), a "Rebate Fund" is
1226 established by the City for the sole benefit of the United States of America, and the
1227 Rebate Fund shall not be subject to the claim of any other person, including without
1228 limitation the Holders. The Rebate Fund is established for the additional purpose of
1229 compliance with section 148 of the Code.

1230
1231 **SECTION 30: ALLOCATION OF, AND LIMITATION ON,**
1232 **EXPENDITURES FOR ELIGIBLE PROJECTS.** The City covenants to account for
1233 on its books and records the expenditure of proceeds from the sale of the Commercial
1234 Paper Notes and any investment earnings earned by the investment of the proceeds to be
1235 used for Eligible Projects by allocating proceeds to expenditures within eighteen (18)
1236 months of the later of the date that (a) the expenditure on a Eligible Project is made or (b)
1237 each Eligible Project is completed. The foregoing notwithstanding, the City shall not
1238 expend proceeds or investment earnings more than sixty (60) days after the later of (a)
1239 the fifth anniversary of the date of delivery of the Commercial Paper Notes or (b) the date
1240 the Commercial Paper Notes are retired, unless the City obtains an opinion of Bond

Counsel substantially to the effect that the expenditure will not adversely affect the tax-exempt status of the Commercial Paper Notes. The City shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel to the effect that a failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 31: DISPOSITION OF ELIGIBLE PROJECTS. The City covenants that the property constituting an Eligible Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of Bond Counsel substantially to the effect that the sale or other disposition will not adversely affect the tax-exempt status of the Commercial Paper Notes. Personal property disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. The City shall not be obligated to comply with this covenant if it obtains an opinion of Bond Counsel to the effect that a failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

SECTION 32: ONGOING CONTINUING DISCLOSURE COVENANT. To the extent required by the provisions of Rule 15c2-12 (Rule) promulgated by the U.S. Securities and Exchange Commission, the City agrees to enter into an agreement to file financial information and operating data with respect to the Commercial Paper Notes with the Electronic Municipal Marketplace Access system administered by the MSRB. Under the provisions of the Rule existing on the date the Ordinance is passed, the City is exempted from complying with the undertaking described in the first sentence of this **Section 32**, as the Notes are to be issued in the form of Commercial Paper Notes with maturities of no greater than two hundred and seventy (270) days.

SECTION 33: EVENTS OF DEFAULT. If one or more of the following events shall occur:

(a) if default in the due and punctual payment of any installment of principal of and interest on any Commercial Paper Note occurs, when and as the same shall become due and payable, whether at maturity, by declaration or otherwise;

(b) an "Event of Default" shall have occurred and be continuing under the Agreement and notice, if required, of the event shall have been furnished to the City by the Bank;

(c) an "Event of Default" as defined in the Taxable Agreement shall have occurred and be continuing under the Taxable Agreement and notice, if required, of the

event shall have been furnished to the City in accordance with the terms of the Taxable Agreement;

(d) if default by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in the Ordinance or in the Commercial Paper Notes occurs, and the default shall continue for a period of sixty (60) days after written notice has been received by the City from the Bank, a Holder of the Notes, the Dealer or the Issuing and Paying Agent; provided, however, if the default cannot be cured within the sixty (60) day period but corrective action to cure the default is commenced and diligently pursued by the City until the default is corrected, the default shall not be an Event of Default; and provided, further, that so long as the Agreement is in effect and the Bank has not failed to honor a properly presented and conforming drawing under the Letter of Credit, no Event of Default shall be deemed to have occurred under this clause (d) unless the notice provided above to the City has been consented to in writing by the Bank;

(e) if there shall occur the dissolution (without a successor being named to assume the rights and obligations) or liquidation of the City or the filing by the City of a voluntary petition in bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for the adjustment of its debts instituted under the provisions of the Bankruptcy Code, as amended, or under any similar act in any jurisdiction which may be in effect or enacted; or

(f) if an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Systems, or any part of the Systems, or of the rents, fees, charges or other revenues of the Systems, or if an order or decree, having been entered without the consent or acquiescence of the City shall not be vacated or discharged or stayed within ninety (90) days of its entry;

then any event described above is an "Event of Default" under the Ordinance.

SECTION 34: SUITS AT LAW OR IN EQUITY AND MANDAMUS. In case any Event of Default occurs, then the Holder of any Note at the time outstanding, subject to the exception noted below while the Letter of Credit or the Reimbursement Agreement is in effect, is entitled to proceed to protect and enforce its rights by appropriate judicial proceeding as the Holder or the Bank, respectively, determines most effectual to protect and enforce its rights, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Ordinance, or in aid of the exercise of any power granted in the Ordinance, or to enforce any other legal or equitable

right vested in the Holders of Notes by the Ordinance or the Notes or by law; provided, that while the Letter of Credit and the Reimbursement Agreement are in effect, the Bank shall have the exclusive right to institute and enforce any remedies (including those remedies set forth in the Reimbursement Agreement). The provisions of the Ordinance shall be a contract with each and every Holder of Notes and the duties of the City shall be enforceable by any Noteholder or the Bank, respectively, by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

SECTION 35: REMEDIES NOT EXCLUSIVE. No remedy conferred upon or reserved to the Bank or the Holders of Notes by the Ordinance is intended to be exclusive of any other remedy, and every remedy shall be cumulative, and may be exercised at any time or from time to time, and as often as may be necessary, by the Bank or the Holder of any one or more of the Notes.

SECTION 36: SUPPLEMENTAL ORDINANCES. Except as permitted by the Ordinance, including **Section 28**, with respect to the issuance or incurrence of additional obligations of the City secured by the Pledged Revenues, the City will not adopt any supplemental ordinances with respect to the Pledged Revenues, pursuant to the ordinances authorizing the issuance of Priority Lien Obligations or otherwise, without the prior written consent of the Bank.

SECTION 37: AMENDMENTS OR MODIFICATIONS WITHOUT CONSENT OF HOLDERS OF NOTES. The Ordinance and the rights and obligations of the City and of the Holders of Notes may be modified or amended at any time by a supplemental ordinance, without notice to or the consent of any Holders, but only to the extent permitted by law, and, subject to the rights of the Bank and the Holders of the Notes:

(1) to add to the covenants and agreements of the City in the Ordinance, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the City by the Ordinance;

(2) to increase the principal amount of Similarly Secured Notes that may be outstanding at any one time under the terms of the ordinances authorizing the issuance of Similarly Secured Notes, or to issue additional commercial paper notes under the Act; provided that, with respect to the Commercial Paper Notes, the City satisfies either (i) the requirements of **Section 22(a)** in providing liquidity or credit support with respect to the increased principal amount of Commercial Paper Notes authorized to be outstanding at any one time or (ii) the requirements of **Section 22(b)** to issue the increased principal amount of Commercial Paper Notes without liquidity and/or credit support;

(3) to cure any ambiguity or inconsistency, or to cure or correct any defective provision contained in the Ordinance, upon receipt by the City of an approving opinion of Bond Counsel, that the amendment is necessary or advisable, and will more clearly express the intent of the Ordinance;

(4) to effect changes council determines are necessary or advisable in connection with exercising the authority reserved to the City in **Section 22(b)**; or

(5) to supplement the security for the Notes, replace or provide additional credit or liquidity facilities, make changes, modifications or amendments as may be necessary or desirable in order to obtain the approval of the Ordinance by the Attorney General of Texas, as required by **Section 44**, or to obtain or maintain the granting of a rating on the Notes by a nationally recognized municipal bond rating agency, or change the form of the Notes, or make any other changes in the provisions that are necessary or desirable and which shall not materially adversely affect the security, rights or interests of the Bank or the Holders of the Notes;

provided, however, that no amendment to the Ordinance or of the Commercial Paper Notes is permitted to:

- (A) Make any change in the maturity of any outstanding Commercial Paper Notes or the Bank Note;
- (B) Reduce the rate of interest borne by any outstanding Commercial Paper Notes or the Bank Note;
- (C) Reduce the amount of the principal payable on any outstanding Commercial Paper Notes or the Bank Note;
- (D) Modify the terms of payment of principal of or interest on the outstanding Commercial Paper Notes or the Bank Note, or impose any conditions with respect to their payment;
- (E) Affect the security, rights or interests of the Bank or the Holders of less than all of the outstanding Commercial Paper Notes; or
- (F) Reduce or restrict the pledge made pursuant to **Section 19** for payment of the Commercial Paper Notes or the Bank Note;

and provided, further, that no change, modification or amendment shall be made in the Ordinance or become valid and effective (i) without the approval of the change,

modification or amendment by the Attorney General of the State of Texas, to the extent required by the Act, and (ii) without the prior written consent of the Bank (which, in the case of an amendment authorizing an increase in the principal amount of Commercial Paper Notes at any one time outstanding, shall mean the written consent of the Bank providing, as of the effective date of the authority to issue additional Commercial Paper Notes in excess of the maximum principal amount of Commercial Paper Notes then authorized at any one time to be outstanding, the liquidity or credit support, if any, required by **Section 22(a)**).

SECTION 38: ADDITIONAL ACTIONS. Any Authorized Representative, the Mayor, the City Clerk, and the other officers of the City, each are authorized, jointly and severally, to do any and all things and to execute and deliver any and all certificates, instruments and other documents which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Notes and to effectuate the purposes of the Ordinance, the Agreement, the Dealer Agreement, the Issuing and Paying Agent Agreement and the Offering Memorandum. By passing the Ordinance, council authorizes the payment of the fees and expenses incurred and to be paid by the City in connection with the issuance, sale and delivery of the Notes and the execution and delivery of the Reimbursement Agreement, the Dealer Agreement and the Issuing and Paying Agent Agreement, including, without limitation, fees of Rating Agencies.

SECTION 39: LIMITATION OF BENEFITS WITH RESPECT TO THE ORDINANCE. With the exception of the rights or benefits expressly conferred by the Ordinance, nothing expressed or contained in, or implied from the provisions of, the Ordinance or the Notes is intended or should be construed to confer upon or give to any person other than the City, the Holders of the Notes, the Issuing and Paying Agent and the parties to the Dealer Agreement and the Agreement, any legal or equitable right, remedy or claim under or by reason of or in respect to the Ordinance or any of its covenants, conditions, stipulations, promises, agreements or provisions. The Ordinance and all of the covenants, conditions, stipulations, promises, agreements and provisions are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders of the Notes, the Issuing and Paying Agent and the parties to the Dealer Agreement and the Agreement.

SECTION 40: DEFEASANCE. If, when all or any portion of the Commercial Paper Notes shall have become due and payable in accordance with their terms or otherwise as provided in the Ordinance, the entire principal and interest so due and payable upon the Commercial Paper Notes shall be paid, or if at or prior to the date the Commercial Paper Notes have become due and payable, sufficient moneys or direct obligations of, or obligations guaranteed by, the United States of America the principal of and interest on which will provide sufficient moneys for their payment, together with all

amounts due or to become due under the Agreement, shall be held in trust by the Issuing and Paying Agent and provision shall also be made for paying all other sums payable by the City with respect to the Commercial Paper Notes, the pledge created for the Commercial Paper Notes shall cease, terminate and become discharged and the Commercial Paper Notes shall no longer be outstanding for purposes of the Ordinance and all the provisions of the Ordinance relating to the Commercial Paper Notes, including all covenants, agreements, liens and pledges made for the benefit of the Holders, shall be discharged, satisfied and released. The lien and pledge of Pledged Revenues under the Ordinance shall not be discharged if any amounts owing under the Agreement or the Bank Note are outstanding.

SECTION 41: ISSUING AND PAYING AGENT AGREEMENT; DEALER AGREEMENT. (a) *Issuing and Paying Agent Agreement.* The Issuing and Paying Agent Agreement by and between the City and U.S. Bank National Association, relating to the Commercial Paper Notes, substantially in the form to the Ordinance as **Exhibit B**, is approved as to form and content, and, upon the approval of the City Attorney, whose approval shall be evidenced by executing the Issuing and Paying Agent Agreement, the City Manager is authorized to execute the Issuing and Paying Agent Agreement for and on behalf of the City, and the City Clerk or Deputy City Clerk is authorized to place the City seal on the Issuing and Paying Agent Agreement. Any Authorized Representative is hereby authorized to enter into any supplemental agreement with the Issuing and Paying Agent or with any successor Issuing and Paying Agent in order to implement the functions of the Issuing and Paying Agent or Registrar with respect to the Commercial Paper Notes. Any successor Issuing and Paying Agent shall be a financial institution of recognized national standing organized and existing under the laws of the United States of America or the State of Texas and which has trust powers. The successor Issuing and Paying Agent shall have assumed the duties of the Issuing and Paying Agent to be replaced before it shall be relieved of the obligation to perform the duties as Issuing and Paying Agent, and the successor Issuing and Paying Agent shall have executed an agreement substantially in the same form and substance as the Issuing and Paying Agent Agreement approved by the Ordinance.

(b) *Dealer Agreement.* Council confirms the appointment of Goldman, Sachs & Co. to continue to serve as the dealer for the Commercial Paper Notes (Dealer). The Dealer Agreement by and between the City and the Dealer pertaining to the sale, from time to time, of Commercial Paper Notes or the purchase of Commercial Paper Notes from the City, at a fee as set forth in the Dealer Agreement, substantially in the form attached hereto as **Exhibit C**, is approved as to form and content, and, upon the approval of the Dealer Agreement by the City Attorney, whose approval shall be evidenced by executing the Dealer Agreement, the City Manager is authorized to execute and deliver the Dealer Agreement for and on behalf of the City, and the City Clerk or Deputy City

Clerk is authorized to place the City seal on the Dealer Agreement. Any Authorized Representative is hereby authorized to enter into any supplemental agreement with the Dealer or with any successor Dealer in order to implement the functions of the Dealer with respect to the Commercial Paper Notes.

SECTION 42: OPINION OF BOND COUNSEL. The City shall cause the legal opinion of Bond Counsel as to the validity of the Commercial Paper Notes and as to the exemption of interest on the Commercial Paper Notes from federal income taxation to be furnished to any Holder without cost. In connection with the annual updating of the Offering Memorandum (as provided in accordance with **Section 43**) if required by the Dealer Agreement, an annual updated opinion of Bond Counsel shall be furnished, at the cost of the City or the Dealer, as may be requested by either the City or the Dealer.

SECTION 43: USE OF OFFERING MEMORANDUM. The use by the Dealer of the Offering Memorandum, prepared by the Dealer in consultation with Authorized Representatives, in connection with the sale of Commercial Paper Notes, and the distribution of the Offering Memorandum by the Dealer, is approved. Any Authorized Representative is hereby authorized to provide to the Dealer information as may be necessary, in the reasonable judgment of the Dealer, to prepare and update, on an annual basis, the Offering Memorandum.

SECTION 44: APPROVAL OF ATTORNEY GENERAL. The Authorized Representative shall submit the Ordinance and a transcript of proceedings to the Attorney General of the State of Texas for approval, as required by the Act. No Notes shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved the Ordinance, the Agreement and other agreements and proceedings as may be required by the Act. Council authorizes the payment of the fee of the Office of the Attorney General of the State of Texas for the examination of the proceedings relating to the issuance of the Commercial Paper Notes, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code.

SECTION 45: SEVERABILITY. If any one or more of the covenants, agreements or provisions contained in the Ordinance shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason be held invalid, then those covenants, agreements or provisions shall be null and void and shall be separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions of, or of the Notes issued under, the Ordinance.

SECTION 46: EFFECTIVE DATE. The Ordinance is passed on one reading as authorized by Section 1201.028, Texas Government Code, and is effective immediately upon its passage.

PASSED AND APPROVED

§ § §

Lee Leffingwell
Mayor

APPROVED: _____ **ATTEST:** _____
Karen M. Kennard Jannette S. Goodall
City Attorney City Clerk

(City Seal)