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

“Authorized Denomination” means any integral multiple of \$5,000.

“Board Resolution” means Resolution No. 16-076 adopted by the Texas Water Development Board on July 21, 2016, approving the purchase of the Bonds from the City.

“Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2016A” authorized for issuance by the Twenty-Seventh Supplement.

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

“Chapter 9” means V.T.C.A., Business & Commerce Code, Chapter 9.

“Chapter 551” means V.T.C.A., Government Code, Chapter 551.

“Chapter 1201” means V.T.C.A., Government Code, Chapter 1201.

“Chapter 1206” means V.T.C.A., Government Code, Chapter 1206.

“Chapter 1208” means V.T.C.A., Government Code, Chapter 1208.

“Chapter 1502” means V.T.C.A., Government Code, Chapter 1502.

“Chapter 2256” means V.T.C.A., Government Code, Chapter 2256.

“Chapter 2257” means V.T.C.A., Government Code, Chapter 2257.

“Code” means the Internal Revenue Code of 1986.

29 “Construction Fund” shall have the meaning given in Section 36 of the Twenty-
30 Seventh Supplement.

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

32 “Initial Bonds” shall have the meaning given in Section 5 of the Twenty-Seventh
33 Supplement.

34 “Master Ordinance” means Ordinance No. 000608-56A passed by council on June
35 8, 2000.

36 “Paying Agent/Registrar” means Wilmington Trust, National Association.

37 “Previously Issued Parity Water/Wastewater Obligations” means the outstanding
38 (1) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds,
39 Series 2002A”, (2) “City of Austin, Texas, Water and Wastewater System Revenue
40 Refunding Bonds, Series 2004A”, (3) “City of Austin, Texas, Water and Wastewater
41 System Revenue Refunding Bonds, Series 2006”, (4) “City of Austin, Texas, Water and
42 Wastewater System Revenue Refunding Bonds, Series 2006A”, (5) “City of Austin,
43 Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007”, (6) “City
44 of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding
45 Bonds, Series 2008”, together with certain regularly scheduled payments under the Series
46 2008 Interest Rate Management Agreement and the Series 2008 Liquidity Agreement (as
47 these terms are defined in Ordinance No. 20080306-053), (7) “City of Austin, Texas,
48 Water and Wastewater System Revenue Refunding Bonds, Series 2009”, (8) “City of
49 Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009A”,
50 (9) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2010”,
51 (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds,
52 Series 2010A”, (11) “City of Austin, Texas, Water and Wastewater System Revenue
53 Refunding Bonds, Series 2010B (Direct Subsidy-Build America Bonds)”, (12) “City of
54 Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2011”,
55 (13) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds,
56 Series 2012”, (14) “City of Austin, Texas, Water and Wastewater System Revenue
57 Refunding Bonds, Series 2013A”, (15) “City of Austin, Texas, Water and Wastewater
58 System Revenue Refunding Bonds, Series 2014”, (16) “City of Austin, Texas, Water and
59 Wastewater System Revenue Refunding Bonds, Series 2015A”, (17) “City of Austin,
60 Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2015B”
61 and (18) “City of Austin, Texas, Water and Wastewater System Revenue Refunding
62 Bonds, Series 2016”.

63 “Prior Supplements” mean Ordinances Nos. 030206-35, 040930-83, 20051117-
64 060, 20061116-051, 20071108-081, 20080306-052, 20080306-053, 20081211-77,
65 20091105-051, 20091217-004, 20101118-074, 20111103-051, 20120628-101, 20130620-

074, 20140522-040, 20150604-038, 20150604-039 and 20160421-011, authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

“Purchaser” or “TWDB” means the Texas Water Development Board.

“Security Register” shall have the meaning given in Section 5 of the Twenty-Seventh Supplement.

“State” means the State of Texas.

“State Water Plan” means the State’s comprehensive water plan prepared, developed, formulated and adopted by the Texas Water Development Board under authority of Subchapter C of Chapter 16, Texas Water Code.

“Twenty-Seventh Supplement” means this Ordinance No. _____ authorizing the issuance of the Bonds.

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

The Bonds shall be secured by a lien on, and pledge of, the Net Revenues on parity with the outstanding “Parity Water/Wastewater Obligations” issued in accordance with and under the terms and provisions of the Master Ordinance and the Prior Supplements. There are no Previously Issued Separate Lien Obligations outstanding. Council affirms that the Master Ordinance provides that no additional revenue obligations shall be issued on parity with the Prior First Lien Obligations or the Prior Subordinate Lien Obligations.

SECTION 2: AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT - PURPOSE. Revenue bonds of the City shall be and are authorized to be issued in the aggregate principal amount of \$20,430,000 and designated the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2016A” (the “Bonds”), for the purpose of improving and extending the Water/Wastewater System by financing projects that are part of the State Water Plan, and paying costs of issuance, in conformity with the Constitution and laws of the State, including Chapter 1502.

SECTION 3: FULLY REGISTERED OBLIGATIONS–AUTHORIZED DENOMINATIONS – STATED MATURITIES - DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated as provided in the Bond Purchase Agreement (the “Dated Date”) and shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from R-1 upward (except as provided in Section 9 of the Twenty-Seventh Supplement). The Bonds shall bear interest on the unpaid principal amounts from the date and at the rate(s) per annum as specified in Section 4 below (calculated on the basis of a 360-day

year of twelve 30-day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing on May 15, 2017, until maturity or prior redemption, as provided in the FORM OF BOND.

**SECTION 4: PRINCIPAL PAYMENTS AND INTEREST RATES;
REDEMPTION.**

(a) The Bonds shall be dated September 28, 2016, shall be in any Authorized Denomination, shall bear interest from their date of delivery in the manner described in the FORM OF BOND at the rates per annum, and the principal on the Bonds shall mature on November 15 in each of the years and in the amounts, respectively, set forth in the following schedule:

<u>YEARS</u>	<u>PRINCIPAL AMOUNTS (\$)</u>	<u>INTEREST RATES (%)</u>
2017	920,000	0.53
2018	920,000	0.55
2019	920,000	0.64
2020	920,000	0.71
2021	920,000	0.76
2022	980,000	0.83
2023	980,000	0.92
2024	980,000	1.01
2025	980,000	1.08
2026	1,020,000	1.15
2027	1,020,000	1.31
2028	1,020,000	1.41
2029	1,020,000	1.68
2030	1,065,000	1.82
2031	1,080,000	1.91
2032	1,125,000	1.95
2033	1,145,000	2.00
2034	1,145,000	2.11
2035	1,145,000	2.09
2036	1,125,000	2.12

(b) The City may redeem Bonds prior to their scheduled maturity on the dates and in the manner set forth in the FORM OF BOND. If less than all of the maturities of the Bonds are redeemed by the City, the City shall determine the maturities and amounts to be redeemed and shall direct the Paying Agent/Registrar to call Bonds by lot within a maturity and in a principal amount for redemption. Notice of any redemption shall be given in the manner set forth in the FORM OF BOND. Notice of any redemption also

shall be given by United States mail, first class postage prepaid, (i) at least 30 days prior to the scheduled redemption date to the MSRB and to any national information service that disseminates redemption notices, and (ii) in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the MSRB and to any national information service that disseminates redemption notices at least 30 days but not more than 90 days prior to the redemption date. Any notice sent to the MSRB and to any national information service that disseminates redemption notices must be sent so that the notice is received at least two days prior to the general mailing of notice as set forth in the FORM OF BOND.

(c) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Twenty-Seventh Supplement, shall contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called for redemption, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bond may be redeemed including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

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

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

The selection and appointment of the Paying Agent/Registrar for the Bonds is approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, all as provided in the Twenty-Seventh Supplement, in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement," substantially in the form of paying agent agreements previously approved by council in connection with the issuance of public securities, and such reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City

157 agrees to promptly cause a written notice of the change to be sent to each Holder by
158 United States Mail, first class postage prepaid, which notice shall also give the address of
159 the new Paying Agent/Registrar.

160 If required by law, the City shall not execute the Paying Agent/Registrar
161 Agreement unless the Paying Agent/Registrar has confirmed to the City that it has made
162 disclosure filings to the Texas Ethics Commission in accordance with Section 2252.908,
163 Texas Government Code. Within 30 days of receipt of the disclosure filings from the
164 Paying Agent/Registrar, the City will submit a copy of the disclosure filings to the Texas
165 Ethics Commission.

166 Principal of and premium, if any, on the Bonds shall be payable at the Stated
167 Maturities or redemption of the Bonds, only upon presentation and surrender of the
168 Bonds to the Paying Agent/Registrar at its designated office in Dallas, Texas (the
169 “Designated Payment/Transfer Office”). Interest on the Bonds shall be paid to the
170 Holders whose names appear in the Security Register at the close of business on the
171 Record Date (the last Business Day of the month next preceding each interest payment
172 date), and interest shall be paid by the Paying Agent/Registrar (i) by check sent United
173 States Mail, first class postage prepaid, to the address of the Holder recorded in the
174 Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar,
175 requested by, and at the risk and expense of, the Holder. If the date for the payment of
176 the principal of or interest on the Bonds is a day other than a Business Day, then the date
177 for payment shall be the next succeeding Business Day; and payment on that date shall
178 have the same force and effect as if made on the original date payment was due. If
179 TWDB is the Beneficial Owner of 100% in aggregate principal amount of the Bonds then
180 Outstanding, principal shall be paid to TWDB by wire transfer, at no expense to TWDB.

181 In the event of a non-payment of interest on one or more maturities on a scheduled
182 payment date, and for 30 days thereafter, a new record date for the interest payment for
183 the maturity or maturities (a “Special Record Date”) will be established by the Paying
184 Agent/Registrar, if and when funds for the payment of interest have been received from
185 the City. Notice of the Special Record Date and of the scheduled payment date of the
186 past due interest (which shall be 15 days after the Special Record Date) shall be sent at
187 least five Business Days prior to the Special Record Date by United States Mail, first
188 class postage prepaid, to the address of each Holder of such maturity or maturities
189 appearing on the Security Register at the close of business on the last Business Day next
190 preceding the date of mailing of the notice.

191 **SECTION 6: REGISTRATION-TRANSFER-EXCHANGE OF BONDS -**
192 **PREDECESSOR BONDS.** The Paying Agent/Registrar shall obtain, record, and
193 maintain in the Security Register the name and address of each registered owner of the
194 Bonds issued under the provisions of the Twenty-Seventh Supplement. Any Bond may,

195 in accordance with its terms and the terms of the Twenty-Seventh Supplement, be
196 transferred or exchanged for Bonds of other authorized denominations upon the Security
197 Register by the Holder, in person or the Holder's authorized agent, upon surrender of the
198 Bond to the Paying Agent/Registrar for cancellation, accompanied by a written
199 instrument of transfer or request for exchange executed by the Holder or the Holder's
200 authorized agent, in form satisfactory to the Paying Agent/ Registrar.

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

208 At the option of the Holder, Bonds (other than the Initial Bonds authorized in
209 Section 9 of the Twenty-Seventh Supplement) may be exchanged for other Bonds of
210 authorized denominations and having the same Stated Maturity, bearing the same rate of
211 interest and of like aggregate principal amount as the Bonds surrendered for exchange,
212 upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office
213 of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, the
214 Paying Agent/Registrar shall register and deliver new Bonds, executed on behalf of, and
215 furnished by, the City, to the Holder requesting the exchange.

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

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

227 Bonds canceled by reason of an exchange or transfer under the provisions of the
228 Twenty-Seventh Supplement are defined to be "Predecessor Bonds," evidencing all or a
229 portion, as the case may be, of the same obligation to pay evidenced by the Bond or
230 Bonds registered and delivered in the exchange or transfer. Additionally, the term
231 "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for
232 which a replacement Bond has been issued, registered and delivered under Section 19 of

the Twenty-Seventh Supplement and the new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

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

The Paying Agent/Registrar for the Bonds shall act as the closing agent for the delivery of the Bonds to the TWDB, and in connection therewith, the Paying Agent/Registrar understands the Bonds are to be delivered to the TWDB using the book-entry only system provided by DTC.

The City agrees to deliver to the Paying Agent/Registrar one initial Bond for each maturity, numbered consecutively from T-1 upward (the "Initial Bonds") and registered to the TWDB following the approval by the Attorney General of the State and the registration by the Comptroller of Public Accounts. Proceeds from the Bonds will be held in escrow and disbursed to the City in accordance with procedures approved by the TWDB.

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

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

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the City determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the City covenants and agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and

provide for the Bond certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. The Bonds in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of the Bonds not held by DTC under the Depository Agreement shall be made in accordance with the provisions of Sections 4, 5 and 6 of the Twenty-Seventh Supplement.

SECTION 8: EXECUTION - REGISTRATION. The Bonds shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed on the Bonds and countersigned by the City Clerk. The signature of the officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Dated Date shall be deemed to be executed on behalf of the City, notwithstanding that those individuals or either of them shall cease to hold the offices at the time of delivery of the Bonds to the Purchaser and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201.

No Bond shall be entitled to any right or benefit under the Twenty-Seventh Supplement, or be valid or obligatory for any purpose, unless there appears on the Bond either a certificate of registration substantially in the form provided in the FORM OF BOND, manually executed by the Comptroller of Public Accounts of the State or his or her authorized agent, or a certificate of registration substantially in the form provided in the FORM OF BOND, manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either certificate upon any Bond signed shall be conclusive evidence, and the only evidence, that the Bond has been certified, registered and delivered.

SECTION 9: INITIAL BONDS. The Bonds shall be initially issued as multiple fully registered bonds, being one bond for each stated maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the "Initial Bonds"). In either case, the Initial Bonds shall be registered in the name of the Purchaser or its designee. The Initial Bonds shall be the Bonds submitted to the Office of the Attorney General of the State for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State and delivered to the Purchaser. Any time after the delivery of the Initial Bonds, the Paying Agent/Registrar, pursuant to written instructions from the Purchaser, or its designee, shall cancel the Initial Bonds delivered and exchange for the Initial Bonds definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified for the Holders; all pursuant to and in accordance with such written instructions from the Purchaser, or its designee, and any other information and documentation as the Paying Agent/Registrar may reasonably require.

311 **SECTION 10: FORMS.** The Bonds, the Registration Certificate of the
312 Comptroller of Public Accounts of the State, the Certificate of Registration, and the form
313 of Assignment to be printed on each of the Bonds, shall be substantially in the forms set
314 forth in the FORM OF BOND set forth in **Exhibit A** to the Twenty-Seventh Supplement,
315 with appropriate insertions, omissions, substitutions, and other variations as are permitted
316 or required by the Twenty-Seventh Supplement, and may have such letters, numbers, or
317 other marks of identification (including identifying numbers and letters of the Committee
318 on Uniform Securities Identification Procedures of the American Bankers Association)
319 and any other legends and endorsements (including insurance legends in the event the
320 Bonds, or any maturities of the Bonds, are purchased with insurance and any
321 reproduction of an opinion of counsel) as may be established by the City or determined
322 by the officers executing the Bonds as evidenced by their execution of the Bonds. Any
323 portion of the text of any Bond may be set forth on the reverse of the Bond, with an
324 appropriate reference on the face of the Bond.

325 The definitive Bonds and the Initial Bonds shall be printed, lithographed, or
326 engraved, typewritten, photocopied or otherwise reproduced in any other similar manner,
327 all as determined by the officers executing the Bonds as evidenced by their execution of
328 the Bonds.

329 **SECTION 11: CRITERIA FOR ISSUANCE OF PARITY WATER/
330 WASTEWATER OBLIGATIONS.** The City has provided certain criteria and
331 established certain covenants and agreements in relation to the issuance of Parity
332 Water/Wastewater Obligations of the Water/Wastewater System pursuant to the Master
333 Ordinance and Prior Supplements. The Twenty-Seventh Supplement provides for the
334 authorization, issuance, sale, delivery, form, characteristics, provisions of payment, and
335 security of the Bonds which are Parity Water/Wastewater Obligations. The Master
336 Ordinance is incorporated by reference and made a part of the Twenty-Seventh
337 Supplement for all purposes, except to the extent modified and supplemented by the Prior
338 Supplements and the Twenty-Seventh Supplement, and the Bonds are declared to be
339 Parity Water/Wastewater Obligations under the Master Ordinance and Prior
340 Supplements. The City determines that it will have sufficient funds to meet the financial
341 obligations of the Water/Wastewater System, including sufficient Net Revenues to pay
342 the Annual Debt Service Requirements of the Bonds and the Previously Issued Parity
343 Water/Wastewater Obligations and to meet all financial obligations of the City relating to
344 the Water/Wastewater System.

345 **SECTION 12: PLEDGE.** Subject to the prior claim and lien on the Net Revenues
346 of the Water/Wastewater System to the payment and security of the Prior First Lien
347 Obligations currently Outstanding, including the funding and maintenance of the special
348 funds established and maintained for the payment and security of the Prior First Lien
349 Obligations, the Net Revenues of the Water/Wastewater System are pledged to the

350 payment of the Bonds, and the Bonds, together with the Prior Subordinate Lien
351 Obligations and the Previously Issued Parity Water/Wastewater Obligations currently
352 Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the
353 Net Revenues of the Water/Wastewater System in accordance with the terms of the
354 Master Ordinance and the Twenty-Seventh Supplement. Additionally, the Bonds and the
355 Previously Issued Parity Water/Wastewater Obligations shall be equally and ratably
356 secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund in
357 accordance with the terms of the Master Ordinance, the Prior Supplements and the
358 Twenty-Seventh Supplement. The Parity Water/Wastewater Obligations, and the interest
359 on the Parity Water/Wastewater Obligations, shall constitute a lien on the Net Revenues
360 of the Water/Wastewater System and be valid and binding and fully perfected from and
361 after the date of adoption of the Twenty-Seventh Supplement without physical delivery or
362 transfer or transfer of control of the Net Revenues, the filing of the Twenty-Seventh
363 Supplement or any other act, all as provided in Chapter 1208. The owners of the Parity
364 Water/Wastewater Obligations shall never have the right to demand payment out of funds
365 raised or to be raised by taxation, or from any source other than specified in the Master
366 Ordinance, the Prior Supplements and the Twenty-Seventh Supplement.

367 Chapter 1208 applies to the issuance of the Bonds and the pledge of the Net
368 Revenues of the Water/Wastewater System granted by the City under this Section 12, and
369 the pledge is valid, effective and perfected. If Texas law is amended at any time while
370 the Bonds are Outstanding such that the pledge of the Net Revenues of the
371 Water/Wastewater System granted by the City under this Section 12 is to be subject to
372 the filing requirements of Chapter 9, then to preserve to the registered owners of the
373 Bonds the perfection of the security interest in the pledge, the City agrees to take
374 measures as it determines are reasonable and necessary under Texas law to comply with
375 the applicable provisions of Chapter 9, and enable a filing to perfect the security interest
376 in the pledge to occur.

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

387 The required monthly deposits to the Debt Service Fund for the payment of
388 principal of and interest on the Bonds shall continue to be made in the manner provided

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

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

SECTION 14: RESERVE FUND. In accordance with the provisions of the Prior Supplements authorizing the issuance of certain of the Previously Issued Water/Wastewater Obligations, the Required Reserve Amount is funded with cash and Credit Facilities originally issued by MBIA Insurance Corporation, Financial Security Assurance Inc., Ambac Assurance Corporation and XL Capital Assurance Inc.

The Reserve Fund shall be funded with proceeds of the Bonds, in the amount described in the letter of instructions executed in accordance with Section 26 of the Twenty-Seventh Supplement.

Furthermore, in accordance with Section 10(d) of the Master Ordinance, council finds that the Gross Revenues will be sufficient to meet the obligations of the Water/Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Water/Wastewater Obligations currently Outstanding and the financial obligations of the City under any Credit Facility entered into with the Credit Facility providers.

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

SECTION 16: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.

The City covenants to refrain from any action which would adversely affect, or to take any action to assure, the treatment of the Bonds 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. In furtherance thereof, the City covenants as follows:

425 (a) to take any action to assure that no more than 10 percent of the proceeds of
426 the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if
427 any) are used for any "private business use", as defined in section 141(b)(6) of the Code
428 or, if more than 10 percent of the proceeds are so used, that amounts, whether or not
429 received by the City, with respect to such private business use, do not, under the terms of
430 this Ordinance or any underlying arrangement, directly or indirectly, secure or provide
431 for the payment of more than 10 percent of the debt service on the Bonds, in contra-
432 vention of section 141(b)(2) of the Code;

433 (b) to take any action to assure that in the event that the "private business use"
434 described in subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds or the
435 projects financed therewith (less amounts deposited into a reserve fund, if any) then the
436 amount in excess of 5 percent is used for a "private business use" which is "related" and
437 not "disproportionate", within the meaning of section 141(b)(3) of the Code, to the
438 governmental use;

439 (c) to take any action to assure that no amount which is greater than the lesser of
440 \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a
441 reserve fund, if any), is directly or indirectly used to finance loans to persons, other than
442 state or local governmental units, in contravention of section 141(c) of the Code;

443 (d) to refrain from taking any action which would otherwise result in the Bonds
444 being treated as "private activity bonds" within the meaning of section 141(a) of the
445 Code;

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

448 (f) to refrain from using any portion of the proceeds of the Bonds, directly or
449 indirectly, to acquire or to replace funds which were used, directly or indirectly, to
450 acquire investment property (as defined in section 148(b)(2) of the Code) which produces
451 a materially higher yield over the term of the Bonds, other than investment property
452 acquired with --

453 (1) proceeds of the Bonds invested for a reasonable temporary period,
454 until such proceeds are needed for the purpose for which the Bonds are issued,

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

457 (3) amounts deposited in any reasonably required reserve or replacement
458 fund to the extent such amounts do not exceed 10 percent of the proceeds of the
459 Bonds;

460 (g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated
461 as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise
462 contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the
463 extent applicable, section 149(d) of the Code (relating to advance refundings); and

464 (h) to pay to the United States of America at least once during each five-year
465 period (beginning on the date of delivery of the Bonds) an amount that is at least equal to
466 90 percent of the "excess earnings", within the meaning of section 148(f) of the Code,
467 and to pay to the United States of America, not later than 60 days after the Bonds have
468 been paid in full, 100 percent of the amount then required to be paid as a result of Excess
469 Earnings under section 148(f) of the Code.

470 The City understands that the term "proceeds" includes "disposition proceeds" as
471 defined in the Treasury Regulations and, in the case of a refunding bond, transferred
472 proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the
473 issuance of the Bonds. It is the understanding of the City that these covenants are
474 intended to assure compliance with the Code and any regulations or rulings promulgated
475 by the U.S. Department of the Treasury pursuant to the Code. In the event that
476 regulations or rulings are hereafter promulgated which modify or expand provisions of
477 the Code, as applicable to the Bonds, the City will not be required to comply with any
478 covenant contained in this Section to the extent that the failure to comply, in the opinion
479 of nationally-recognized bond counsel, will not adversely affect the exemption from
480 federal income taxation of interest on the Bonds under section 103 of the Code. In the
481 event that regulations or rulings are hereafter promulgated which impose additional
482 requirements which are applicable to the Bonds, the City agrees to comply with the
483 additional requirements to the extent necessary, in the opinion of nationally-recognized
484 bond counsel, to preserve the exemption from federal income taxation of interest on the
485 Bonds under section 103 of the Code. In furtherance of the foregoing, the Mayor, the
486 City Manager, any Assistant City Manager, the Chief Financial Officer of the City, any
487 Deputy Financial Officer of the City and the City Treasurer may execute any certificates
488 or other reports required by the Code and make such elections, on behalf of the City,
489 which may be permitted by the Code as are consistent with the purpose for the issuance
490 of the Bonds. In order to facilitate compliance with the above clause (h), a "Rebate
491 Fund" is established by the City for the sole benefit of the United States of America, and
492 the Rebate Fund shall not be subject to the claim of any other person, including without
493 limitation the registered owners of the Bonds. The Rebate Fund is established for the
494 additional purpose of compliance with section 148 of the Code.

495 **SECTION 16A: ALLOCATION OF, AND LIMITATION ON,**
496 **EXPENDITURES FOR THE BOND-FINANCED PROPERTY; DISPOSITION OF**
497 **BOND-FINANCED PROPERTY.**

498 The City covenants to account for on its books and records the expenditure of
499 proceeds from the sale of the Bonds and any investment earnings thereon to be used for
500 the improvement and extension of the System (referred to in this Section as a "Project")
501 by allocating proceeds to expenditures within 18 months of the later of the date that (a)
502 the expenditure on a Project is made or (b) each such Project is completed. The
503 foregoing notwithstanding, the City shall not expend such proceeds or investment
504 earnings more than 60 days after the later of (a) the fifth anniversary of the date of
505 delivery of the Bonds or (b) the date the Bonds are retired, unless the City obtains an
506 opinion of nationally-recognized bond counsel substantially to the effect that such
507 expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes of
508 this Section, the City shall not be obligated to comply with this covenant if it obtains an
509 opinion of nationally-recognized bond counsel to the effect that such failure to comply
510 will not adversely affect the excludability for federal income tax purposes from gross
511 income of the interest.

512
513 The City covenants that the property constituting the Project will not be sold or
514 otherwise disposed in a transaction resulting in the receipt by the City of cash or other
515 compensation, unless the City obtains an opinion of nationally-recognized bond counsel
516 substantially to the effect that the sale or other disposition will not adversely affect the
517 tax-exempt status of the Bonds. The portion of the property comprising personal
518 property and disposed of in the ordinary course of business shall not be treated as a
519 transaction resulting in the receipt of cash or other compensation. The City shall not be
520 obligated to comply with this covenant if it obtains an opinion of nationally-recognized
521 bond counsel to the effect that the failure to comply will not adversely affect the
522 excludability for federal income tax purposes from gross income of the interest.

523 **SECTION 17: AMENDMENT OF TWENTY-SEVENTH SUPPLEMENT.**

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

- 530 (1) Make any change in the maturity of any of the Outstanding Bonds;
531 (2) Reduce the rate of interest borne by any of the Outstanding Bonds;
532 (3) Reduce the amount of the principal payable on the Bonds;

- 533 (4) Modify the terms of payment of principal of, premium, if any, or interest on
534 the Outstanding Bonds or impose any conditions with respect to such
535 payment;
536 (5) Affect the rights of the owners of less than all of the Bonds then
537 Outstanding;
538 (6) Amend this subsection (a) of this Section; or
539 (7) Change the minimum percentage of the principal amount of Bonds
540 necessary for consent to any amendment;
541

542 unless such amendment or amendments be approved by the owners of all of the Bonds
543 affected by the change or amendment then Outstanding.

544 (b) Notice of Amendment Requiring Consent. If at any time the City shall
545 desire to amend the Twenty-Seventh Supplement under this Section, the City shall cause
546 notice of the proposed amendment to be published in a financial newspaper or journal
547 published in The City of New York, New York, and a newspaper of general circulation in
548 the City, once during each calendar week for at least two successive calendar weeks. The
549 notice shall briefly set forth the nature of the proposed amendment and shall state that a
550 copy of the notice is on file with the Paying Agent/Registrar for the Bonds. Publication is
551 not required, however, if notice in writing is given by United States Mail, first class
552 postage prepaid, to each owner of the Bonds.

553 (c) Time Period for Obtaining Consent. If within one year from (i) the date of
554 the first publication of notice or (ii) the date of the mailing by the Paying Agent/Registrar
555 of written notice to the owners of the Bonds, whichever date first occurs if both methods
556 of giving notice are used, the City shall receive an instrument or instruments executed by
557 the owners of at least a majority in Outstanding Principal Amount of the Bonds
558 consenting to and approving such amendment in substantially the form of the copy of
559 such instrument on file with each Paying Agent/Registrar, the governing body of the City
560 may pass the amendatory ordinance in substantially the same form.

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

572 (e) Implementation of Amendment. Upon the passage of any amendatory
573 ordinance pursuant to the provisions of this Section, the Twenty-Seventh Supplement
574 shall be deemed to be amended, and the respective rights, duties and obligations of the
575 City under the Twenty-Seventh Supplement and all the owners of then Outstanding
576 Bonds shall be determined, exercised and enforced in all respects in accordance with the
577 amendment.

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

581 (1) To add to the covenants and agreements of the City contained in
582 the Twenty-Seventh Supplement, other covenants and agreements thereafter
583 to be observed, grant additional rights or remedies to the owners of the
584 Bonds or to surrender, restrict or limit any right or power reserved in the
585 Twenty-Seventh Supplement to or conferred upon the City;

586 (2) To make provision for the purpose of curing any ambiguity, or
587 curing, correcting or supplementing any defective provision contained in the
588 Twenty-Seventh Supplement, or in regard to clarifying matters or questions
589 arising under the Twenty-Seventh Supplement, as are necessary or desirable
590 and not contrary to or inconsistent with the Twenty-Seventh Supplement and
591 which shall not adversely affect the interests of the owners of the Bonds then
592 Outstanding;

593 (3) To modify any of the provisions of the Twenty-Seventh
594 Supplement in any other respect whatever, provided that any modification
595 shall be, and be expressed to be, effective only after all the Bonds
596 outstanding at the date of the adoption of the modification shall cease to be
597 outstanding;

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

602 (5) To make changes, modifications or amendments as may be
603 necessary or desirable to allow the owners of the Bonds to avail themselves
604 of a book-entry system for payments, transfers and other matters relating to
605 the Bonds, which changes, modifications or amendments are not contrary to
606 or inconsistent with other provisions of the Twenty-Seventh Supplement and
607 which shall not adversely affect the interests of the owners of the Bonds;

(6) To make amendments to the Twenty-Seventh Supplement as permitted by Section 21(e) of the Twenty-Seventh Supplement;

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

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

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

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

SECTION 18: FINAL DEPOSITS; GOVERNMENT OBLIGATIONS. All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Twenty-Seventh Supplement when payment of the principal of, and redemption premium, if any, on the Bonds, plus interest on the Bonds to the due date (whether the due date is by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms of the Bonds, or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for this payment, (1) money sufficient to make the payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in amounts and at the times as will insure the availability, without reinvestment, of sufficient money to make this payment, and all necessary and proper fees,

646 compensation and expenses of the Paying Agent/Registrar with respect to which the
647 deposit is made shall have been paid or the payment provided for the satisfaction of the
648 Paying Agent/Registrar. Once a Bond shall be deemed to be paid under the Twenty-
649 Seventh Supplement, it shall no longer be secured by or entitled to the benefit of the
650 Twenty-Seventh Supplement, the Master Ordinance or a lien on and pledge of the Net
651 Revenues of the Water/Wastewater System, and shall be entitled to payment solely from
652 the money or Government Obligations.

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

662 Notwithstanding any other provisions of the Twenty-Seventh Supplement, all
663 money or Government Obligations set aside and held in trust pursuant to the provisions
664 of this Section for the payment of the Bonds, the redemption premium, if any, and
665 interest on the Bonds, shall be applied to and used for the payment of the Bonds, the
666 redemption premium, if any, and interest on the Bonds and the income on the money or
667 Government Obligations shall not be considered to be "Gross Revenues" under the
668 Twenty-Seventh Supplement.

669 **SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR**
670 **DESTROYED BONDS.** In the event any Outstanding Bond is damaged, mutilated, lost,
671 stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and
672 delivered, a new bond of the same principal amount, maturity, and interest rate, as the
673 damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for the Bond in the
674 manner provided in this Section. An application for the replacement of damaged,
675 mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar.
676 In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond
677 shall furnish to the City and to the Paying Agent/Registrar security or indemnity as may
678 be required by them to save each of them harmless from any loss or damage with respect
679 thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall
680 furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the
681 loss, theft, or destruction of the Bond, as the case may be. In every case of damage or
682 mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for
683 cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement
684 bond, the Paying Agent/Registrar shall charge the owner of the Bond with all legal,

685 printing, and other expenses in connection with this issuance. Every replacement bond
686 issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost,
687 stolen, or destroyed shall constitute a contractual obligation of the City whether the lost,
688 stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and
689 shall be entitled to all the benefits of the Twenty-Seventh Supplement equally and
690 proportionately with any and all other Bonds issued under the Twenty-Seventh
691 Supplement.

692 Notwithstanding the preceding provisions of this Section, in the event any Bond
693 shall have matured, and no default has occurred which is then continuing in the payment
694 of the principal of, redemption premium, if any, or interest on the Bond, the City may
695 authorize the payment of the same (without surrender of the Bond except in the case of a
696 damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or
697 indemnity is furnished as above provided in this Section. Furthermore, in accordance
698 with Chapter 1206 (specifically Section 1206.022), this Section shall constitute authority
699 for the issuance of any replacement bond without necessity of further action by the
700 governing body of the City or any other body or person, and the duty of the replacement
701 of Bonds is authorized and imposed upon the Paying Agent/Registrar, and the Paying
702 Agent/Registrar shall authenticate and deliver replacement bonds in the form and manner
703 and with the effect, as provided in Section 6 of the Twenty-Seventh Supplement for
704 Bonds issued in exchange for other Bonds.

705 **SECTION 20: TWENTY-SEVENTH SUPPLEMENT TO CONSTITUTE A**
706 **CONTRACT; EQUAL SECURITY.** In consideration of the acceptance of the Bonds
707 by the Holders from time to time, the Twenty-Seventh Supplement shall be deemed to be
708 and shall constitute a contract between the City and the Holders from time to time of the
709 Bonds and the pledge made in the Twenty-Seventh Supplement by the City and the
710 covenants and agreements set forth in the Twenty-Seventh Supplement to be performed
711 by the City shall be for the equal and proportionate benefit, security, and protection of all
712 Holders, without preference, priority, or distinction as to security or otherwise of any of
713 the Bonds authorized under the Twenty-Seventh Supplement over any of the others by
714 reason of time of issuance, sale, or maturity or otherwise for any cause whatsoever,
715 except as expressly provided in or permitted by the Twenty-Seventh Supplement.

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

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

719 “MSRB” means the Municipal Securities Rulemaking Board.

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

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

722 (b) Annual Reports. The City shall provide annually to the MSRB (1) within
723 six months after the end of each fiscal year ending in or after 2016, financial information
724 and operating data with respect to the City of the general type included in the final
725 Official Statement and which is described in **Exhibit B** to the Twenty-Seventh
726 Supplement, and (2) if not provided as part of the financial information and operating
727 data, audited financial statements of the City, when and if available. Any financial
728 statements provided shall be prepared in accordance with the accounting principles
729 described in **Exhibit B** to the Twenty-Seventh Supplement, or other accounting
730 principles as the City may be required to employ from time to time pursuant to state law
731 or regulation, and audited, if the City commissions an audit of the statements and the
732 audit is completed within twelve months after the end of each fiscal year ending in or
733 after 2016. If audited financial statements of the City are not available by the end of the
734 12 month period, the City will provide notice that the audited financial statements are not
735 available, and will provide unaudited financial statements by the end of the 12 month
736 period and audited financial statements for the applicable fiscal year when and if the
737 audited financial statements become available.

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

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

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

- 748 (1) Principal and interest payment delinquencies;
- 749 (2) Non-payment related defaults, if material;
- 750 (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 751 (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 752 (5) Substitution of credit or liquidity providers, or their failure to perform;
- 753 (6) Adverse tax opinions, the issuance by the Internal Revenue Service of
754 proposed or final determinations of taxability, Notices of Proposed Issue
755 (IRS Form 5701-TEB), or other material notices or determinations with
756 respect to the tax status of the Bonds, or other material events affecting the
757 tax status of the Bonds;
- 758 (7) Modifications to rights of holders of the Bonds, if material;

- 759 (8) Bond calls, if material, and tender offers;
760 (9) Defeasances;
761 (10) Release, substitution, or sale of property securing repayment of the Bonds, if
762 material;
763 (11) Rating changes;
764 (12) Bankruptcy, insolvency, receivership, or similar event of the City, which
765 shall occur as described below;
766 (13) The consummation of a merger, consolidation, or acquisition involving the
767 City or the sale of all or substantially all of its assets, other than in the
768 ordinary course of business, the entry into a definitive agreement to
769 undertake such an action or the termination of a definitive agreement
770 relating to any such actions, other than pursuant to its terms, if material; and
771 (14) Appointment of a successor or additional paying agent/registrar or the
772 change of name of a paying agent/registrar, if material.
773

774 For these purposes, any event described in the immediately preceding paragraph 12
775 is considered to occur when any of the following occur: the appointment of a receiver,
776 fiscal agent, or similar officer for the City in a proceeding under the United States
777 Bankruptcy Code or in any other proceeding under state or federal law in which a court
778 or governmental authority has assumed jurisdiction over substantially all of the assets or
779 business of the City, or if jurisdiction has been assumed by leaving the existing governing
780 body and officials or officers in possession but subject to the supervision and orders of a
781 court or governmental authority, or the entry of an order confirming a plan of
782 reorganization, arrangement, or liquidation by a court or governmental authority having
783 supervision or jurisdiction over substantially all of the assets or business of the City.

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

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

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

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

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

816 No default by the City in observing or performing its obligations under this Section
817 shall constitute a breach of or default under the Twenty-Seventh Supplement for purposes
818 of any other provision of the Twenty-Seventh Supplement.

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

821 Should the Rule be amended to obligate the City to make filings with or provide
822 notices to entities other than the MSRB, the City agrees to undertake the obligation in
823 accordance with the Rule as amended.

824 Notwithstanding any provisions in the Twenty-Seventh Supplement to the
825 contrary, the provisions of this Section may be amended by the City from time to time to
826 adapt to changed circumstances resulting from a change in legal requirements, a change
827 in law, or a change in the identity, nature, status, or type of operations of the City, but
828 only if (1) the provisions of this Section, as so amended, would have permitted an
829 underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance
830 with the Rule, taking into account any amendments or interpretations of the Rule to the
831 date of the amendment, as well as the changed circumstances, and (2) either (a) the
832 Holders of a majority in aggregate principal amount (or any greater amount required by
833 any other provision of the Twenty-Seventh Supplement that authorizes the amendment)
834 of the Outstanding Bonds consent to the amendment or (b) a Person that is unaffiliated

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

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

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

SECTION 23: SALE OF BONDS. The Bonds are to be sold by the City to the Purchaser for the price of par. The Bonds have been purchased by the Purchaser pursuant to the Board Resolution. The Initial Bonds shall be registered in the name of the Texas Water Development Board. The Private Placement Memorandum prepared in connection with the sale of the Bonds to the Purchaser, in substantially the form attached to the Twenty-Seventh Supplement, is approved. The City has determined, based upon the advice provided by its financial advisor, that acceptance of the purchase price for the Bonds is on terms advantageous to, and in the best interests of, the City.

872 It is the intent of the parties to the sale of the Bonds that if TWDB ever determines
873 to sell all or a part of the Bonds, it shall notify the City at least 60 days prior to the sale of
874 the Bonds of the decision to sell the Bonds.

875 Payment of amounts due and owing on the Bonds to the TWDB shall be made by
876 wire transfer, at no expense to the TWDB, as provided in the FORM OF BOND.
877

878 By agreeing to the purchase the Bonds, the TWDB agrees that the bond proceeds
879 shall be deposited into the escrow fund established in the Escrow Agreement between the
880 City and Wilmington Trust, National Association, and that the procedures set forth in
881 Section 5 of the Twenty-Seventh Supplement satisfy the Board Resolution.
882

883 Proceeds from the sale of the Bonds shall be held at a designated state depository
884 or other properly chartered and authorized institution in accordance with Chapter 2256
885 and Chapter 2257.
886

887 **SECTION 24: ADDITIONAL COVENANTS.** In connection with the sale of the
888 Bonds to the TWDB, the City covenants as follows:

889 (a) Compliance with TWDB Rules and Regulations. The City covenants to
890 comply with the rules and regulations of the TWDB, and to maintain insurance on the
891 Water/Wastewater System in an amount as may be required by TWDB, as further
892 addressed in this Section.

893 (b) Audits. For so long as the State owns any Bond, the City shall mail a copy
894 of the audit required by the Master Ordinance to the TWDB. In addition, monthly
895 operating statements for the Water/Wastewater System shall be maintained by the City
896 and made available, on request, to the TWDB as long as the State owns any Bond, and
897 the monthly operating statement shall be in such detail as requested by the Development
898 Fund Manager of the TWDB until the Development Fund Manager of the TWDB waives
899 this requirement.

900 (c) Final Accounting. The City shall render a final accounting to the TWDB in
901 reference to the total cost incurred by the City for improvements and extensions to the
902 Water/Wastewater System which were financed by the issuance of the Bonds, together
903 with a copy of "as built" plans of the improvements and extensions upon completion.

904 (d) Defeasance. Should the City exercise its right under the Master Ordinance
905 to effect the defeasance of the Bonds, the City agrees that it will provide the TWDB with
906 written notice of any defeasance.
907

908 (e) Segregation of Funds. The City covenants that proceeds of the Bonds shall
909 remain separate and distinct from other sources of funding from the date of the TWDB
910 commitment through costing and final disbursement.

911
912 (f) Environmental Indemnity. Proceeds from the Bonds shall not be used by the
913 City when sampling, testing, removing, or disposing of contaminated soils and/or media
914 at the project site. To the extent permitted by law, the City agrees to indemnify, hold
915 harmless, and protect the TWDB from any and all claims, causes of action, or damages to
916 the person or property of third parties arising from the sampling, analysis, transport,
917 storage, treatment, and disposition of any contaminated sewage sludge, contaminated
918 sediments, and/or contaminated media that may be generated by the City, its contractors,
919 consultants, agents, officials, and employees as a result of activities relating to the project
920 funded with proceeds of the Bonds.

921
922 (g) Environmental Determination. In connection with the project financed with
923 the Bonds, the City agrees to implement any environmental determination issued by the
924 Executive Administrator of TWDB to satisfy the environmental review requirements set
925 forth in 31 Texas Administrative Code 371.

926
927 (h) Insurance. The City agrees that it will maintain insurance on the
928 Water/Wastewater System in an amount sufficient to protect TWDB's interest in the
929 project financed with the proceeds of the Bonds. The City may self-insure in respect to
930 satisfying this covenant.

931
932 (i) Water Conservation Program. The City has implemented or will implement
933 an approved water conservation program in compliance with 31 Texas Administrative
934 Code 371.71(a)(2)(F).

935
936 (j) City will not Purchase TWDB Bonds. The City agrees that it or any related
937 party to the City will not purchase, as an investment or otherwise, bonds issued by
938 TWDB including, without limitation, bonds issued by TWDB, the proceeds of which
939 were used by TWDB to purchase the Bonds.

940
941 (k) Compliance with Federal Contracting Law. The City acknowledges that it
942 has a legal obligation to comply with any applicable requirements of federal law relating
943 to contracting with disadvantaged business enterprises, and the City shall report to the
944 TWDB the amount of Bond proceeds, if any, that were used to compensate historically
945 underutilized businesses that worked on the project, in accordance with 31 TAC §
946 363.1312.

(l) Compliance with State Contracting Law. The City acknowledges that it has a legal obligation to comply with any applicable requirements of State law relating to contracting with historically underutilized businesses.

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

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

SECTION 26: PROCEEDS OF SALE. The proceeds from the sale of the Bonds shall be used in the manner described in the letter of instructions executed by the City.

SECTION 27: LEGAL OPINION. The obligation of the Purchaser to accept delivery of the Bonds is subject to being furnished a final opinion of McCall, Parkhurst & Horton L.L.P., approving the Bonds as to their validity, the opinion to be dated and delivered as of the date of delivery and payment for the Bonds. A true and correct reproduction of the opinion is authorized to be printed on the definitive Bonds or an executed counterpart of the opinion shall accompany the global Bonds deposited with DTC.

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

SECTION 29: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Twenty-Seventh Supplement or the Bonds, the performance date of any provision of the Twenty-Seventh Supplement or the Bonds, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then performance, including the payment of principal of and interest on the Bonds, need not be made on that day but may be performed or paid, as the case

may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

SECTION 30: LIMITATION OF BENEFITS WITH RESPECT TO THE TWENTY-SEVENTH SUPPLEMENT. With the exception of the rights or benefits expressly conferred in the Twenty-Seventh Supplement, nothing expressed or contained in the Twenty-Seventh Supplement or implied from the provisions of the Twenty-Seventh Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to the Twenty-Seventh Supplement or any covenant, condition, stipulation, promise, agreement, or provision contained in the Twenty-Seventh Supplement. The Twenty-Seventh Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions of the Twenty-Seventh Supplement are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders, and the Paying Agent/Registrar as provided in the Twenty-Seventh Supplement and in the Bonds.

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

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

SECTION 32: GOVERNING LAW. The Twenty-Seventh Supplement shall be construed and enforced in accordance with the laws of the State and the United States of America.

SECTION 33: EFFECT OF HEADINGS. The Section headings in the Twenty-Seventh Supplement are for convenience of reference only and shall not affect the construction of the Twenty-Seventh Supplement.

SECTION 34: CONSTRUCTION OF TERMS. If appropriate in the context of the Twenty-Seventh Supplement, words of the singular number shall be considered to

include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders. References to any named person shall mean that person and his or her successors and assigns. References to any constitutional, statutory or regulatory provision means the provision as it exists on the date the Twenty-Seventh Supplement is adopted by council. Any reference to the payment of principal in the Twenty-Seventh Supplement shall include the payment of any mandatory sinking fund redemption payments as described in the Twenty-Seventh Supplement. Any reference to "FORM OF BOND" refers to the form of the Bonds in **Exhibit A** to the Twenty-Seventh Supplement.

SECTION 35: SEVERABILITY. If any provision of the Twenty-Seventh Supplement or its application to any circumstance shall be held to be invalid, the remainder of the Twenty-Seventh Supplement and its application to other circumstances shall nevertheless be valid, and council declares that the Twenty-Seventh Supplement would have been enacted without such invalid provision.

SECTION 36: CONSTRUCTION FUND. A fund entitled the "City of Austin, Texas Water and Wastewater System Series 2016A Revenue Bonds Construction Fund (the "Construction Fund") is created. Money in the Construction Fund shall be maintained at an official depository bank of the City.

The proceeds of the Bonds shall be deposited into the Construction Fund and used by the City for payment of the costs of funding projects that are part of the State Water Plan to extend and improve the Water/Wastewater System, including any costs for engineering, financing, financial consultation, administrative, auditing and legal expenses. Amounts in the Construction Fund shall be used to pay costs timely, in compliance with applicable federal and State law.

Any surplus proceeds, including the investment earnings derived from the investment of monies on deposit in the Construction Fund, from the Bonds remaining on deposit in the Construction Fund after completing the improvements and extensions to the System and upon the completion of the final accounting as described in Section 24 of the Twenty-Seventh Supplement, shall be transferred to the Debt Service Fund to redeem, in inverse order of maturity, the Bonds owned by TWDB, unless the Executive Administrator of TWDB approves the use of the surplus proceeds to pay eligible costs of improving or extending the System by funding projects that are a part of the State Water Plan.

SECTION 37: COMPLIANCE WITH CITY HUB REQUIREMENTS. The City acknowledges and confirms that it is in compliance with any and all requirements of its ordinances for the use of historically underutilized businesses.

1060 **SECTION 38: PUBLIC MEETING.** It is officially found that the meeting at
1061 which the Twenty-Seventh Supplement is adopted was open to the public and public
1062 notice of the time, place, and subject matter of the public business to be considered at
1063 such meeting, including the Twenty-Seventh Supplement, was given; all as required by
1064 Chapter 551.

1065 **SECTION 39: EFFECTIVE DATE.** This Twenty-Seventh Supplement is passed
1066 on one reading as authorized by Chapter 1201 (specifically Section 1201.028), and shall
1067 be effective immediately upon its passage and adoption.

PASSED AND APPROVED

CITY OF AUSTIN, TEXAS

_____, 2016 §
 §
 §

 STEVE ADLER
 Mayor

APPROVED:

ATTEST:

ANNE L. MORGAN
City Attorney

JANNETTE S. GOODALL
City Clerk

(City Seal)

EXHIBIT A
FORM OF BOND

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM
REVENUE BOND,
SERIES 2016A

Date of Delivery: _____, 2016 Interest Rate: _____ Stated Maturity: _____ CUSIP NO: _____

Registered Owner: _____

Principal Amount: _____ DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received promises to pay to the registered owner named above, or their registered assigns (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much of the Principal Amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount of this Bond from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the date of delivery of this Bond at the per annum rate of interest specified above; such interest being payable on May 15, 2017 and on each succeeding November 15 and May 15 until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing on this Bond, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this

Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Twenty-Seventh Supplemental Ordinance to the Master Ordinance (the "Twenty-Seventh Supplement")) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The foregoing notwithstanding, so long as the Texas Water Development Board ("TWDB") is the beneficial owner of 100% in aggregate principal amount of the Bonds then outstanding, payment of principal of the Bonds shall be made thereto by wire transfer, at no expense to the TWDB. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner of this Bond and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title dated September 28, 2016, issued in the aggregate principal amount of \$20,430,000 (the "Bonds") for the purpose of (i) extending and improving the City's combined water and wastewater system through the financing of projects that are part of the State of Texas' comprehensive water plan approved pursuant to Subchapter C of Chapter 16, Texas Water Code, (ii) funding a reserve fund for the Bonds, and (iii) paying the costs of issuance associated with the Bonds. The Bonds shall be issued in any denomination or denominations in any integral multiple of \$5,000 within a maturity (an "Authorized Denomination"). All capitalized terms not defined herein shall have the same meaning as given said terms in the Master Ordinance or the Twenty-Seventh Supplement.

The Bonds maturing on and after November 15, 2027, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part, and if

in part, in inverse order of maturity, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on May 15, 2027, or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

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

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

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice

shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

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

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

Reference is made to the Master Ordinance and the Twenty-Seventh Supplement, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance of this Bond assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the Water/Wastewater System; the Net Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which either the Master Ordinance or the Twenty-Seventh Supplement may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made in the Master Ordinance and the Twenty-Seventh Supplement may be discharged at or prior to the maturity of this Bond, and this

Bond deemed to be no longer Outstanding under the Master Ordinance and the Twenty-Seventh Supplement; and for the other terms and provisions contained in the Master Ordinance and the Twenty-Seventh Supplement. Capitalized terms used in this Bond have the same meanings assigned in the Master Ordinance and the Twenty-Seventh Supplement.

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

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

It is certified, recited, represented and covenanted that the City is a duly organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid

obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, the Master Ordinance and the Twenty-Seventh Supplement; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of the Net Revenues of the Water/Wastewater System. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired. The terms and provisions of this Bond, the Master Ordinance and the Twenty-Seventh Supplement shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

CITY OF AUSTIN, TEXAS

Steve Adler
Mayor

COUNTERSIGNED:

Jannette S. Goodall
City Clerk

(SEAL)

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

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

Wilmington Trust, National
Association, as Paying
Agent/Registrar

Registration date:

By: _____
Authorized Signature

FORM OF ASSIGNMENT.

ASSIGNMENT

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

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

DATED:

Signature guaranteed:

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

Exhibit B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 21 of the Twenty-Seventh Supplement.

Annual Financial Information and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with Section 21 are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

The quantitative financial information and operating data with respect to the City within: (i) Tables One through Thirteen in the main text of the Official Statement relating to the sale of the City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2016 (the “Official Statement”); (ii) “ELECTRIC SYSTEM – Customer Base – Average Monthly Number of Customers”; (iii) “ELECTRIC SYSTEM – Fuel Supply”; (iv) “CUSTOMER RATES – Typical Residential Electric Bills of Large Texas Cities”; (v) Austin Energy’s approved rate schedules incorporated by reference into the Official Statement as described in “CUSTOMER STATISTICS – Electric Rates”; (vi) “CUSTOMER STATISTICS – GreenChoice Energy Rider”; (vii) “COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS”, (viii) “OPERATING STATEMENT ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM”; (ix) the table of annual results of the City’s annexations in “THE CITY – Annexation Program”; and (x) “INVESTMENTS – Current Investments”.

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

Accounting Principles

The accounting principles referred to in Section 21 are the accounting principles described in the notes to the financial statements referred to in the third paragraph under the heading "Annual Financial Statements and Operating Data" above.