



**Debt Issuance
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

AGENDA ITEM NO.: 39
AGENDA DATE: Thu 08/04/2005
PAGE: 1 of 1

SUBJECT: Approve an ordinance authorizing the issuance of approximately \$306,225,000 City of Austin, Texas, Airport System Variable Rate Revenue Refunding Bonds, Series 2005, including approval and authorization of all related documents.

AMOUNT & SOURCE OF FUNDING: No fiscal impact during Fiscal Year 2004-2005. \$18,089,615 estimated debt service requirement and \$600 estimated annual paying agent/registrar fee will be included in the Fiscal Year 2005-2006 Proposed Budget of the Airport Revenue Bond Redemption Fund.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Financial and **DIRECTOR'S**
DEPARTMENT: Administrative Services - **AUTHORIZATION:** Vickie Schubert
Treasury

FOR MORE INFORMATION CONTACT: John Stephens, Chief Financial Officer, 974-2076

PRIOR COUNCIL ACTION: On June 17, 2004, the City Council approved a forward interest rate swap transaction with Morgan Stanley related to the refunding of some Airport System Revenue Bonds.

BOARD AND COMMISSION ACTION: N/A

Due to favorable conditions in the municipal bond market in June 2004, the City's financial advisor, Public Financial Management, Inc., advised that a Synthetic Fixed Rate Forward Refunding of the Airport System Prior Lien Revenue Bonds, Series 1995A&B could be accomplished. The Series 1995A&B Bonds are not subject to optional redemption until November 15, 2005. In order to issue the refunding bonds on a tax-exempt basis, such refunding bonds must be issued and delivered on a date no earlier than 90 days prior to November 15, 2005. In order to take advantage of the low interest rates and lock-in the economic savings to the City that will result from the issuance of the refunding bonds the City entered into a forward interest rate swap transaction on June 17, 2004. In order to provide the City with the flexibility to quickly respond to changing market conditions, the proposed ordinance delegates the authority to the Chief Financial Officer to effect the execution of the sale of the variable rate refunding bond transaction in accordance with the parameters set forth in the ordinance. The authority of the Chief Financial Officer to exercise the authority delegated thereto by the City Council under the ordinance expires on August 18, 2005.

The City has entered into a swap transaction with Morgan Stanley, whereby the City will pay Morgan Stanley a fixed rate of 4.051% and in return Morgan Stanley will pay a variable rate to the City approximating the variable rate on the City's variable rate bonds which will be sold through Morgan Stanley sometime between August 4, 2005 and August 18, 2005.



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RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: 39
AGENDA DATE: Thu 08/04/2005
PAGE: 2 of 1

This item has been posted for not later than 2:00 p.m., in order for Council action to occur prior to the close of the financial markets.

Ordinance No. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REFUNDING REVENUE BONDS, SERIES 2005 (MULTI-MODAL) IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$306,225,000; PROVIDING FOR THE AWARD OF THE SALE OF THE BONDS IN ACCORDANCE WITH SPECIFIED PARAMETERS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AN AUCTION AGREEMENT AND A BROKER-DEALER AGREEMENT RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS; CALLING FOR REDEMPTION CERTAIN OUTSTANDING BONDS; AND MAKING PROVISION FOR MATTERS INCIDENT THERETO

Adopted and Approved on

August 4, 2005

TABLE OF CONTENTS

Page

ARTICLE One

FINDINGS AND DETERMINATIONS

Section 1.01	BOND AUTHORIZATION	1
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ARTICLE Two

DEFINITIONS

Section 2.01	DEFINITIONS	2
Section 2.02	INTERPRETATIONS	15

ARTICLE Three

TERMS OF THE BONDS

Section 3.01	NAME, AMOUNT, PURPOSE, AUTHORIZATION	15
Section 3.02	DATE, DENOMINATION, INTEREST RATES, AND MATURITIES	15
Section 3.03	REDEMPTION PRIOR TO MATURITY	16
Section 3.04	MANNER OF PAYMENT, CHARACTERISTICS, EXECUTION AND AUTHENTICATION	16
Section 3.05	OWNERSHIP	16
Section 3.06	REGISTRATION, TRANSFER AND EXCHANGE	16
Section 3.07	CANCELLATION	17
Section 3.08	REPLACEMENT BONDS	17
Section 3.09	BOOK-ENTRY SYSTEM	18

ARTICLE Four

FORM OF BONDS

Section 4.01	FORM GENERALLY.	19
Section 4.02	FORM OF BONDS	20
Section 4.03	CUSIP REGISTRATION	27
Section 4.04	LEGAL OPINION	27
Section 4.05	MUNICIPAL BOND INSURANCE	27

ARTICLE Five

PLEDGE, SECURITY AND SOURCE OF PAYMENT

Section 5.01	PLEDGE AND SOURCE OF PAYMENT	27
Section 5.02	ANNUAL BUDGET	28

Section 5.03	RATE COVENANT	28
Section 5.04	SPECIAL FUNDS	29
Section 5.05	FLOW OF FUNDS	30
Section 5.06	DEBT SERVICE FUND	31
Section 5.07	DEBT SERVICE RESERVE FUND	31
Section 5.08	FUNDS AND ACCOUNTS FOR SUBORDINATE OBLIGATIONS	32
Section 5.09	ADMINISTRATIVE EXPENSE FUND	32
Section 5.10	GENERAL OBLIGATION AIRPORT BONDS	32
Section 5.11	OPERATION AND MAINTENANCE RESERVE FUND	32
Section 5.12	RENEWAL AND REPLACEMENT FUND	33
Section 5.13	CAPITAL FUND	33
Section 5.14	DEFICIENCIES IN FUNDS OR ACCOUNTS	34
Section 5.15	CONSTRUCTION FUND	34
Section 5.16	MUELLER AIRPORT DISPOSITION FUND	34
Section 5.17	INVESTMENT OF FUNDS; TRANSFER OF INVESTMENT INCOME	35
Section 5.18	SECURITY FOR UNINVESTED FUNDS	36

ARTICLE Six

ADDITIONAL BONDS

Section 6.01	ADDITIONAL REVENUE BONDS	36
Section 6.02	COMPLETION BONDS	38
Section 6.03	SUBORDINATE OBLIGATIONS	38
Section 6.04	SPECIAL FACILITIES BONDS	39
Section 6.05	CREDIT AGREEMENTS	39
Section 6.06	NO ADDITIONAL PRIOR LIEN BONDS TO BE ISSUED	39

ARTICLE Seven

COVENANTS AND PROVISIONS RELATING TO ALL REVENUE BONDS

Section 7.01	PUNCTUAL PAYMENT OF BONDS	39
Section 7.02	MAINTENANCE OF AIRPORT SYSTEM	39
Section 7.03	LIMITATION ON CITY CHARGES FOR OPERATION AND MAINTENANCE EXPENSES	39
Section 7.04	SALE OR ENCUMBRANCE OF AIRPORT SYSTEM	40
Section 7.05	INSURANCE	41
Section 7.06	ACCOUNTS, RECORDS, AND AUDITS	41
Section 7.07	PLEDGE AND ENCUMBRANCE OF REVENUES	41
Section 7.08	BONDHOLDERS REMEDIES	41
Section 7.09	DISCHARGE BY DEPOSIT	42
Section 7.10	LEGAL HOLIDAYS	43

ARTICLE Eight

CONCERNING THE PAYING AGENT/REGISTRAR

Section 8.01	APPOINTMENT OF INITIAL PAYING AGENT/REGISTRAR	43
Section 8.02	QUALIFICATIONS	43
Section 8.03	MAINTAINING PAYING AGENT/REGISTRAR	43
Section 8.04	TERMINATION	43
Section 8.05	NOTICE OF CHANGE TO OWNERS	43
Section 8.06	AGREEMENT TO PERFORM DUTIES AND FUNCTIONS	43
Section 8.07	DELIVERY OF RECORDS TO SUCCESSOR	44
Section 8.08	TRUST FUNDS	44
Section 8.09	BONDS PRESENTED	44
Section 8.10	UNCLAIMED FUNDS HELD BY THE PAYING AGENT/REGISTRAR	44
Section 8.11	PAYING AGENT/REGISTRAR MAY OWN PRIOR LIEN BONDS	44

ARTICLE Nine

ALTERATION OF RIGHTS AND DUTIES; AMENDMENT OF ORDINANCE

Section 9.01	ALTERATION OF RIGHTS AND DUTIES	44
Section 9.02	AMENDMENT OF ORDINANCE WITHOUT CONSENT	44
Section 9.03	AMENDMENTS OF ORDINANCE REQUIRING CONSENT	45
Section 9.04	CONSENT OF OWNERS	45
Section 9.05	REVOCATION OF CONSENT	46

ARTICLE Ten

PARAMETERS FOR SALE OF THE BONDS; APPROVAL OF BOND PURCHASE AGREEMENT; APPLICATION OF PROCEEDS OF THE BONDS; REFUNDING OF THE REFUNDED BONDS

Section 10.01	PARAMETERS FOR SALE OF THE BONDS; BOND PURCHASE AGREEMENT	47
Section 10.02	APPROVAL, REGISTRATION AND INITIAL DELIVERY	48
Section 10.03	OFFERING DOCUMENTS	49
Section 10.04	APPLICATION OF PROCEEDS OF THE BONDS	49
Section 10.05	USE OF PASSENGER FACILITY CHARGES	49
Section 10.06	DISPOSITION OF CERTAIN FUNDS MAINTAINED FOR REFUNDED BONDS	50
Section 10.07	REFUNDING OF REFUNDED BONDS; ESCROW AGREEMENT	50
Section 10.08	PURCHASE OF UNITED STATES TREASURY OBLIGATIONS	50

ARTICLE Eleven

FEDERAL INCOME TAX EXCLUSION

Section 11.01	GENERAL	51
---------------	---------	----

Section 11.02	NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING	51
Section 11.03	NO FEDERAL GUARANTEE	51
Section 11.04	NO HEDGE BONDS	51
Section 11.05	NO ARBITRAGE	51
Section 11.06	ARBITRAGE REBATE	52
Section 11.07	INFORMATION REPORTING	52
Section 11.08	CONTINUING OBLIGATION	52

ARTICLE Twelve

BOND INSURANCE PROVISIONS

Section 12.01	BOND INSURANCE POLICY	52
Section 12.02	PROVISIONS PERTAINING TO BOND INSURER.	53
Section 12.03	With Respect to Variable Rate Bonds	56
Section 12.04	AUCTION RATE PROVISIONS	58

ARTICLE Thirteen

CONTINUING DISCLOSURE

Section 13.01	ANNUAL REPORTS	59
Section 13.02	MATERIAL EVENT NOTICES	59
Section 13.03	LIMITATIONS, DISCLAIMERS, AND AMENDMENTS	60
Section 13.04	DEFINITIONS	61

ARTICLE Fourteen

MISCELLANEOUS

Section 14.01	FURTHER PROCEDURES	61
Section 14.02	SEVERABILITY	61
Section 14.03	OPEN MEETING	61
Section 14.04	EFFECTIVE IMMEDIATELY	61
Section 14.05	REPEALER	62

APPENDIX A – Multi-Modal Provisions

EXHIBIT A – Description of Refunded Bonds Candidates

EXHIBIT B – Description of Annual Financial Information

Ordinance No. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE OF CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REFUNDING REVENUE BONDS, SERIES 2005 (MULTI-MODAL) IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$306,225,000; PROVIDING FOR THE AWARD OF THE SALE OF THE BONDS IN ACCORDANCE WITH SPECIFIED PARAMETERS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT AN AUCTION AGREEMENT AND A BROKER-DEALER AGREEMENT RELATING TO THE BONDS; PROVIDING FOR THE PAYMENT OF THE BONDS; CALLING FOR REDEMPTION CERTAIN OUTSTANDING BONDS; AND MAKING PROVISION FOR MATTERS INCIDENT THERETO

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

ARTICLE 1

FINDINGS AND DETERMINATIONS

Section 1.01 BOND AUTHORIZATION

. (Capitalized terms used in this Article One and not otherwise defined shall have the meaning assigned thereto in Article Two or in Appendix A.) It is hereby officially found and determined that:

(a) The City has previously issued, and there are currently outstanding, its Airport System Prior Lien Revenue Bonds, Series 1995A (the "Series 1995A Bonds"), and its Airport System Prior Lien Revenue Refunding Bonds, Series 1995B (the "Series 1995B Bonds," and together with the Series 1995A Bonds, the "Prior Bonds").

(b) The City desires to issue the bonds hereinafter authorized for the purpose of refunding all or a portion of the Prior Bonds described on Exhibit A in order to produce a debt service savings in an amount to be certified in the Pricing Certificate.

(c) Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), provides that the City is authorized to issue refunding bonds for the purpose of refunding the Refunded Bonds in advance of their maturities, and to accomplish such refunding by depositing directly with the Escrow Agent a portion of the proceeds of such refunding bonds, in an amount, together with other lawfully available funds of the City, if any, sufficient to provide for the payment or redemption of the Refunded Bonds, and that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment and redemption of the Refunded Bonds.

(d) The City desires to enter into the Escrow Agreement with the Escrow Agent, as authorized in Chapter 1207, pursuant to which the proceeds of the refunding bonds herein authorized, together with other lawfully available funds of the City, if any, will be deposited, invested and applied in a manner sufficient to provide for the full and timely payment of all of the principal of, premium, if any, and interest on the Refunded Bonds.

(e) Upon the issuance of the refunding bonds herein authorized and the creation of the escrow referred to above, the Refunded Bonds shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to the Escrow Agreement, and the pledges, liens, trusts and all

other covenants, provisions, terms and conditions of the ordinance authorizing the issuance of the Refunded Bonds shall be with respect to the Refunded Bonds, terminated and defeased.

(f) It is hereby found and determined that the issuance and delivery of the refunding bonds herein authorized is in the public interest and the use of the proceeds thereof in the manner specified herein constitutes a valid public purpose.

(g) Each of the Authorized Officers is designated and appointed as an "officer of the City" for the limited purposes of administering this Ordinance, including particularly the multi-modal provisions contained in Appendix A, and the related documents and agreements described herein, in accordance with Chapter 1371, Texas Government Code, as amended ("Chapter 1371").

(h) Appendix A attached hereto, "Multi-Modal Provisions," is approved in substantially the form attached hereto, with such additions or modifications as may be approved by an Authorized Officer. The final form of Appendix A shall be set forth and attached as an Appendix A to the Pricing Certificate, which is hereby incorporated by reference, and shall have the same force and effect as if set forth herein.

(i) The City has previously adopted the Prior Lien Ordinances (as hereinafter defined) authorizing the issuance of the Prior Lien Bonds (as hereinafter defined), providing for the issuance of additional series of Prior Lien Bonds and reserving the right to issue subordinated revenue obligations.

(j) The City has previously issued its Airport System Variable Rate Revenue Notes, Series A (the "Notes"), pursuant to an ordinance adopted February 5, 1998 (the "Note Ordinance"), issued as "Revenue Bonds" in compliance with the applicable provisions of the Prior Lien Ordinances, and having a lien on and pledge of the Net Revenues junior and subordinate to the lien and pledge securing the Prior Lien Bonds.

(k) The bonds herein authorized are issued as "Revenue Bonds" in compliance with all of the applicable provisions of the Prior Lien Ordinances and shall be equally and ratably secured on a parity with the Notes, having a lien on and pledge of the Net Revenues junior and subordinate to the lien and pledge securing the Prior Lien Bonds.

(l) The City herein covenants and agrees that after the effective date of this Ordinance, the City will not issue Additional Prior Lien Bonds (as defined in the Prior Lien Ordinances).

ARTICLE 2

DEFINITIONS

Section 2.01 DEFINITIONS

Unless otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section for all purposes of this Ordinance and the Pricing Certificate except Article Four hereof, and any ordinance amendatory or supplemental hereto shall have the respective meanings specified:

Acts

The term "Acts" shall mean, collectively, Chapter 1207 and Chapter 1371, Texas Government Code, as amended, and Chapter 22, Texas Transportation Code, as amended.

Additional Revenue Bonds

The term "Additional Revenue Bonds" shall mean the additional parity Revenue Bonds permitted to be issued by the City pursuant to Section 6.01 of this Ordinance.

Administrative Expense Fund.

The term "Administrative Expense Fund" shall mean the fund by that name established in Section 5.04(e) hereof.

Administrative Expenses.

The term "Administrative Expenses" shall mean the fees, expenses and indemnification liabilities payable to the Persons to whom fees and expenses incurred in connection with the Revenue Bonds and Credit Agreement Obligations incurred in connection therewith, including but not limited to the fees and expenses of the Paying Agent/Registrars, the Credit Providers, the rebate analysts, the remarketing agents, the tender agents, and the broker-dealers, and of which the City is given actual notice at least thirty (30) days prior to the due date thereof.

Airport.

The term "Airport" shall mean the air carrier airport developed, constructed and operated by the City pursuant to the city-wide election held within the City on May 1, 1993, and designated as the Austin-Bergstrom International Airport (ABIA).

Airport Consultant.

The term "Airport Consultant" shall mean a nationally recognized independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of development, operation and financing of airports of approximately the same size as the properties constituting the Airport System.

Airport System.

The term "Airport System" shall mean all airport, heliport and aviation facilities, or any interest therein, now or from time to time hereafter owned, operated or controlled in whole or in part by the City, including the Airport, together with all properties, facilities and services thereof, and all additions, extensions, replacements and improvements thereto, and all services provided or to be provided by the City in connection therewith, but expressly excluding (i) any heliport or heliports operated by City Departments other than the Aviation Department and (ii) the Mueller Airport Property.

Authorized Denomination

The term "Authorized Denominations" shall have the meaning assigned thereto in Appendix A.

Authorized Officer.

The term "Authorized Officer" shall mean the City Manager or in the City Manager's absence, the Assistant City Manager designated by the City Manager of the City.

Aviation Director.

The term "Aviation Director" shall mean the Executive Director of the City's Department of

Aviation, or any successor or person acting in such capacity.

Bonds.

The term "Bonds" shall mean the City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2005 (Multi-Modal), authorized by this Ordinance.

Bond Insurance Policy.

The term "Bond Insurance Policy" shall mean the municipal bond insurance policy issued by the Bond Insurer insuring the payment, when due, of the principal of and interest on the Bonds.

Bond Insurer.

The term "Bond Insurer" shall mean Financial Security Assurance, Inc., a New York stock insurance company, or any successor thereto or assignee thereof.

Bond Purchase Agreement.

The term "Bond Purchase Agreement" shall have the meaning given to such term in Section 10.01.

Business Day.

The term "Business Day" shall mean any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

City.

The term "City" shall mean the City of Austin, Texas, and, where appropriate, the City Council thereof, or any successor thereto as owner and operator of the Airport System.

Construction Fund.

The term "Construction Fund" shall mean the fund so designated in Section 5.04(i) of this Ordinance.

Credit Agreement.

The term "Credit Agreement" shall mean means (i) any agreement of the City entered into with a financial institution in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Revenue Bonds or (B) providing liquidity with respect to Revenue Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Revenue Bonds to which it relates, and (ii) a Swap Agreement. A determination by the City that an agreement constitutes a Credit Agreement under this definition shall be conclusive as against all Owners. As defined in the Note Ordinance, a "Credit Agreement," "Alternate Credit Facility," "Liquidity Facility" and "Alternate Liquidity Facility" executed in connection with the Notes shall constitute a Credit Agreement hereunder.

Credit Agreement Obligations.

The term "Credit Agreement Obligations" shall mean any amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense. Credit Agreement Obligations shall include "Reimbursement Obligations" incurred pursuant to the Note Ordinance.

Credit Provider.

The term "Credit Provider" shall mean the issuer or provider of a Credit Agreement.

Debt Service

The term "Debt Service" shall mean (i) with respect to a series of Revenue Bonds, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Revenue Bonds, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty to such Swap Agreement is not in default, and (iv) a Termination Payment; provided, however, that payment of a Termination Payment and any Refunding Revenue Bonds issued for the purpose of paying a Termination Payment shall be a Subordinate Obligation.

Debt Service Fund.

The term "Debt Service Fund" shall mean the fund so designated in Section 5.04(c) established with respect to the Revenue Bonds.

Debt Service Requirements.

The term "Debt Service Requirements," (i) with respect to Prior Lien Bonds, shall have the meaning assigned thereto in the Prior Lien Ordinances, and (ii) with respect to Revenue Bonds, shall mean for any particular period of time, an amount equal to the sum of the following for such period with respect to all or any portion of Revenue Bonds or Credit Agreement Obligations, as applicable, then Outstanding:

- (a) That portion of interest which would accrue with respect to Revenue Bonds during such period if interest were deemed to accrue only during the 6 month period prior to its payment (12 month period in the case of capital appreciation or compound interest bonds), plus
- (b) That portion of the principal amount of Revenue Bonds which would accrue during such period if principal was deemed to accrue only during the 12 month period prior to its scheduled payment date (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory Revenue Bond redemptions),

less and except any such interest or principal for the payment of which provision has been made by (i) appropriating for such purpose amounts sufficient to provide for the full and timely payment of such interest or principal either from proceeds of bonds, from interest earned or to be earned thereon, from Airport System funds other than Net Revenues, or from any combination of such sources and (ii) depositing such amounts (except in the case of interest to be earned, which shall be deposited as

received) into a dedicated fund or account, the proceeds of which are required to be transferred as needed into the Debt Service Fund, or directly to the paying agent for the Revenue Bonds.

For purposes of calculation of Debt Service Requirements, in making estimates as to interest accrued or to accrue on Variable Rate Bonds, the actual interest rate shall be used to the extent known or ascertainable and to the extent unknown and not ascertainable, the Maximum Interest Rate shall be used; provided, however, that to the extent Variable Rate Bonds are subject to a Swap Agreement, the fixed rate that is effective with respect to such Variable Rate Bonds pursuant to such Swap Agreement shall be used.

Debt Service Reserve Fund.

The term "Debt Service Reserve Fund" shall mean the fund so designated and established in Section 5.04(e) with respect to the Revenue Bonds.

Debt Service Reserve Fund Requirement.

The term "Debt Service Reserve Fund Requirement" shall mean the amount required to be maintained in the Debt Service Reserve Fund. Such amount shall be computed and recomputed annually as a part of the City's budget process and upon the issuance of each series of Revenue Bonds to be the arithmetic average of the Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Revenue Bonds then Outstanding including the series of Revenue Bonds then being issued. In no event, however, will the amount deposited in the Debt Service Reserve Fund that is allocable to the Revenue Bonds or Additional Revenue Bonds, in accordance with section 1.148-6 of the regulations promulgated under the Code (as hereinafter defined), exceed the least of (a) 10% of the stated principal amount of each issue of which such Revenue Bonds or Additional Revenue Bonds are a part, (b) the maximum annual principal and interest requirements of such issue or (c) 125% of the average annual principal and interest requirements of such issue, unless there is received an opinion of nationally recognized bond counsel to the effect that such additional amount will not cause the Revenue Bonds and any Additional Revenue Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code and the regulations promulgated from time to time thereunder.

Debt Service Reserve Fund Surety Bond.

The term "Debt Service Reserve Fund Surety Bond" shall mean any surety bond or insurance policy having a rating in the highest respective rating categories by Moody's and Standard & Poor's issued to the City for the benefit of the Owners of the Revenue Bonds to satisfy any part of the Debt Service Reserve Fund Requirement as provided in Section 5.07.

Designated Payment/Transfer Office.

The term "Designated Payment/Transfer Office" shall mean (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office in _____, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the City and such successor.

DTC.

The term "DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

DTC Participant.

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

Escrow Agent.

The term "Escrow Agent" shall mean JPMorgan Chase Bank, National Association, as escrow agent for the Refunded Bonds pursuant to the Escrow Agreement.

Escrow Agreement.

The term "Escrow Agreement" shall mean that certain escrow agreement between the City and the Escrow Agent providing for the final payment and defeasance of the Refunded Bonds.

Federal Payments.

The term "Federal Payments" shall mean those funds received by the Airport System from the federal government or any agency thereof as payments for the use of any facilities or services of the Airport System.

Fiscal Year.

The term "Fiscal Year" shall mean the City's fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

General Obligation Airport Bonds.

The term "General Obligation Airport Bonds" shall mean those bonds or other obligations of the City secured by a levy of ad valorem taxes from time to time issued or to be issued by the City for Airport System purposes.

Gross Revenues.

The term "Gross Revenues" shall mean all income and revenues derived directly or indirectly by the City from the operation and use of and otherwise pertaining to the Airport System, or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Airport System, or otherwise, and includes, except to the extent hereinafter expressly excluded, all revenues received by the City from the Airport System, including, without limitation, all rentals, rates, fees and other charges for the use of the Airport System, or for any service rendered by the City in the operation thereof, interest and other income realized from the investment or deposit of amounts required to be transferred or credited to the Revenue Fund. Gross Revenues expressly exclude:

- (a) proceeds of any Prior Lien Bonds, Revenue Bonds and Subordinate Obligations;
- (b) interest or other investment income derived from Airport Obligation proceeds deposited to the credit of a construction fund, and all other interest or investment income not required to be transferred or credited to the Revenue Fund;
- (c) any monies received as grants, appropriations, or gifts, the use of which is limited by the grantor or donor to the construction or acquisition of Airport System facilities, except to the extent any such monies shall be received as payments for the use of the Airport

System facilities;

- (d) any revenues derived from any Special Facilities which are pledged to the payment of Special Facilities Bonds;
- (e) insurance proceeds other than loss of use or business interruption insurance proceeds;
- (f) the proceeds of the passenger facility charge currently imposed by the City and any other per-passenger charge as may be hereafter lawfully authorized;
- (g) sales and other taxes collected by the Airport System on behalf of the State of Texas and any other taxing entities;
- (h) Federal Payments received by the Airport System unless the City first receives an opinion from nationally recognized bond counsel to the effect that such payments, if included in Gross Revenues, would not cause the interest on the Bonds to be includable within the gross income of the Owners thereof for federal income tax purposes;
- (i) the proceeds received by the City from the sale or other disposition of Airport System property, except amounts representing interest or finance charges in a deferred sale or other similar method of conveyance where a portion of the sale price is payable on a deferred basis, in which case any interest or finance charges shall be considered Gross Revenues; and
- (j) Other Available Funds transferred to the Revenue Fund as provided herein.

Initial Bond

The term "Initial Bond" means the Initial Bond authorized by Section 3.06 of this Ordinance.

Interest Payment Date

The term "Interest Payment Date" shall have the meaning assigned thereto in Appendix A.

Minimum Capital Reserve

The term "Minimum Capital Reserve" shall mean an amount, designated by the Aviation Director not less frequently than annually at the end of each Fiscal Year, but in any event not more than \$100,000 each Fiscal Year, necessary to accumulate or to reaccumulate in the Capital Fund a reserve in an amount not less than \$1,000,000.

Moody's

The term "Moody's" shall mean Moody's Investors Service, Inc., its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

Mueller Airport Property

The term "Mueller Airport Property" shall mean the property and facilities that comprised the

former Robert Mueller Municipal Airport, located within the City. The Mueller Airport Property is not part of the Airport System.

Net Revenues.

The term "Net Revenues" shall mean that portion of the Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Airport System.

Note Ordinance.

The term "Note Ordinance" shall mean the ordinance of the City adopted by the City Council on February 5, 1998, authorizing the issuance of the Notes.

Notes.

The term "Notes" shall mean the City's Airport System Variable Rate Revenue Notes, Series A, issued pursuant to an ordinance adopted by the City Council on February 5, 1998.

Operation and Maintenance Expenses.

The term "Operation and Maintenance Expenses" shall mean all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Airport System, including, without limitation, those reasonably allocated City overhead expenses relating to the administration, operation and maintenance of the Airport System; insurance and fidelity bond premiums; payments to pension and other funds and to any self-insurance fund; any general and excise taxes or other governmental charges imposed by entities other than the City; any required rebate of any portion of interest income to the federal government which is payable from Gross Revenues or the Revenue Fund; costs of contractual and professional services, labor, materials and supplies for current operations, including the costs of such direct City services rendered to the Airport System as are requested from the City by the Airport System and as are reasonably necessary for the operation of the Airport System; costs of issuance of Prior Lien Bonds, Revenue Bonds and Subordinate Obligations for the Airport System (except to the extent paid from the proceeds thereof); fiduciary costs; costs of collecting and refunding Gross Revenues; utility costs; any lawful refunds of any Gross Revenues; and all other administrative, general and commercial expenses, but excluding:

- (a) any allowance for depreciation;
- (b) costs of capital improvements;
- (c) reserves for major capital improvements, Airport System operations, maintenance or repair;
- (d) any allowance for redemption of, or payment of interest or premium on, Prior Lien Bonds, Revenue Bonds and Subordinate Obligations;
- (e) any liabilities incurred in acquiring or improving properties of the Airport System;
- (f) expenses of lessees under Special Facilities Leases and operation and maintenance expenses pertaining to Special Facilities to the extent they are required to be paid by such lessees pursuant to the terms of the Special Facilities Leases;

- (g) any charges or obligations incurred in connection with any lawful Airport System purpose, including the lease, acquisition, operation or maintenance of any facility or property benefiting the Airport System, provided that the payment of such charges or obligations is expressly agreed by the payee to be payable solely from proceeds of the Capital Fund;
- (h) liabilities based upon the City's negligence or other ground not based on contract; and
- (i) so long as Federal Payments are excluded from Gross Revenues, an amount of expenses that would otherwise constitute Operation and Maintenance Expenses for such period equal to the Federal Payments for such period.

Ordinance.

The term "Ordinance" shall mean this Ordinance and all amendments hereof and supplements hereto.

Other Available Funds.

The term "Other Available Funds" shall mean any amount of unencumbered funds accumulated in the Capital Fund in excess of the Minimum Capital Reserve which, prior to the beginning of any Fiscal Year, are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund; but in no event may such amount exceed twenty-five percent (25%) of the Debt Service Requirements for the Prior Lien Bonds and the Revenue Bonds for such Fiscal Year for purposes of Sections 5.03 and 6.01 hereof.

Outstanding.

The term "Outstanding" when used with reference to any Prior Lien Bonds, Revenue Bonds or Subordinate Obligations, shall mean, as of a particular date, all those Prior Lien Bonds, Revenue Bonds or Subordinate Obligations theretofore and thereupon delivered except: (a) any such obligation paid, discharged or cancelled by or on behalf of the City at or before said date; (b) any such obligation defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such obligation in lieu of or in substitution for which another obligation shall have been delivered pursuant to the ordinance authorizing the issuance of such obligation.

Owner.

The term "Owner" or "Registered Owner," when used with respect to any Revenue Bond shall mean the person or entity in whose name such Revenue Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Revenue Bonds then Outstanding under this Ordinance.

Paying Agent/Registrar.

The term "Paying Agent/Registrar" shall mean, for the Bonds, _____, and its successors in that capacity.

Person.

The term "Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Pricing Certificate.

The term "Pricing Certificate" shall mean a certificate or certificates to be signed by the Authorized Officer containing the terms and provisions authorized in Section 10.01.

Principal Installment.

The term "Principal Installment" shall mean, with respect to Revenue Bonds or a series of Revenue Bonds, any amounts, including any mandatory sinking fund installments, which are stated to be due or required to be made on or with respect to an Revenue Bond or series of Revenue Bonds, which, when made, would reduce the amount of the Revenue Bond or series of Revenue Bonds that remain Outstanding or would retire and pay the same in full.

Prior Lien Bonds.

The term "Prior Lien Bonds" shall mean the Series 1989 Bonds, the Series 1995A Bonds, the Series 1995B Bonds.

Prior Lien Debt Service Fund.

The term "Prior Lien Debt Service Fund" shall mean the debt service fund established and created for the Prior Lien Bonds pursuant to the Prior Lien Ordinances.

Prior Lien Debt Service Reserve Fund.

The term "Prior Lien Debt Service Fund" shall mean the debt service reserve fund established and created for the Prior Lien Bonds pursuant to the Prior Lien Ordinances.

Prior Lien Ordinances.

The term "Prior Lien Ordinances" shall mean the ordinances authorizing the Prior Lien Bonds.

Qualified Put.

The term "Qualified Put" shall mean any agreement, however denominated, provided by a qualifying financial institution (as described in the following sentence) which contractually commits to purchase, upon no more than seven days' notice, for not less than a stated price any class or amount of investment securities or other authorized investments of the City at any time that such investment securities or investments must be liquidated in order to make cash transfers from the fund or account that holds such investments. A Qualified Put may be entered into only with a financial institution which (a) is a domestic bank the long-term debt of which is rated at least "AA" by Standard & Poor's and "Aa" by Moody's, or (b) a foreign bank the long-term debt of which is rated "AAA" by Standard & Poor's and at least "Aa" by Moody's, or at least "AA" by Standard & Poor's and "Aaa" by Moody's, or (c) a financial institution the long-term debt of which is rated at least "A" by both Standard & Poor's and Moody's and agrees to collateralize its obligations under such agreement by lodging with a third party trustee, escrow agent, custodian or other financial third party direct obligations of the United States of America or its agencies with a market value equal to 102% of the difference between the face amount of its purchase

obligation under the agreement and the market value of the investment securities to which the agreement relates (based upon periodic market valuations at least monthly), or (d) a financial institution approved by any bond insurer then insuring a series of Prior Lien Bonds. A Qualified Put may be integrated into any investment authorized under Texas law, such as a repurchase agreement.

Record Date.

The term "Record Date" shall have the meaning assigned in the Appendix A.

Refunded Bonds.

The term "Refunded Bonds" shall mean those Series 1995A Bonds and Series 1995B Bonds selected from the Refunded Bonds Candidates and designated as Refunded Bonds in the Pricing Certificate.

Refunded Bonds Candidates.

The term "Refunded Bonds Candidates" shall mean the Series 1995A Bonds and Series 1995B Bonds identified and described in Exhibit A hereto which are authorized to be designated as Refunded Bonds in the Pricing Certificate.

Refunding Revenue Bonds.

The term "Refunding Revenue Bonds" mean one or more series of bonds or other evidences of indebtedness issued by the City for the purpose of (i) refunding Outstanding Revenue Bonds or Credit Agreement Obligations or (ii) to provide for the payment of a Termination Payment.

Register.

The term "Register" shall mean the books of registration kept by the Paying Agent/Registrar in which are maintained the names and addresses of and the principal amounts registered to each Owner.

Reimbursement Obligations.

The term "Reimbursement Obligations" shall have the meaning assigned thereto in the Note Ordinance.

Related Document.

The term "Related Document" shall mean any transaction document relating to this Ordinance or the Bonds, including any underlying security agreement related thereto.

Renewal and Replacement Fund.

The term "Renewal and Replacement Fund" shall mean the fund so designated in Section 5.04 of this Ordinance.

Renewal and Replacement Fund Requirement.

The term "Renewal and Replacement Fund Requirement" shall mean the amount required to be maintained in the Renewal and Replacement Fund pursuant to Article Five of this Ordinance, or any

greater amount required by any ordinance authorizing any series of Additional Revenue Bonds.

Revenue Bond Ordinances.

The term "Revenue Bond Ordinances" shall mean the Note Ordinance, this Ordinance and any ordinance pursuant to which Additional Revenue Bonds are issued.

Revenue Bonds.

The term "Revenue Bonds" shall mean the Bonds, the Notes and each series of bonds, notes or other obligations, other than Credit Agreement Obligations, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.01 of this Ordinance, payable from and secured by a lien on and pledge of Net Revenues junior and subordinate to the lien and pledge securing the Prior Lien Bonds.

Revenue Fund.

The term "Revenue Fund" shall mean the fund so designated in Section 5.04(a) of this Ordinance.

Series 1989 Bonds.

The term "Series 1989 Bonds" shall mean the City of Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 1989.

Series 1995A Bonds.

The term "Series 1995A Bonds" shall mean the City of Austin, Texas, Airport System Prior Lien Revenue Bonds, Series 1995A.

Series 1995B Bonds.

The term "Series 1995B Bonds" shall mean the City of Austin, Texas, Airport System Prior Lien Revenue Refunding Bonds, Series 1995B.

Special Facilities.

The term "Special Facilities" shall mean structures, hangars, aircraft overhaul, maintenance or repair shops, heliports, hotels, storage facilities, garages, inflight kitchens, training facilities and any and all other facilities and appurtenances being a part of or related to the Airport System, the cost of the construction or other acquisition of which is financed with the proceeds of Special Facilities Bonds.

Special Facilities Bonds.

The term "Special Facilities Bonds" shall mean those bonds from time to time hereafter issued by the City pursuant to Section 6.04 hereof.

Special Facilities Lease.

The term "Special Facilities Lease" shall mean any lease or agreement, howsoever denominated, pursuant to which a Special Facility is leased by the City to the lessee in consideration for which the lessee agrees to pay (i) all debt service on the Special Facilities Bonds issued to finance the Special

Facility (which payments are pledged to secure the Special Facilities Bonds) and (ii) the operation and maintenance expenses of the Special Facility.

Standard & Poor's.

The term "Standard & Poor's" shall mean Standard & Poor Ratings Services, A Division of The McGraw-Hill Companies, Inc., its successors and assigns, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

Subordinate Obligations.

The term "Subordinate Obligations" shall mean each series of bonds, notes or other obligations, including reimbursement obligations and obligations pursuant to credit agreements and interest rate hedges, which the City has reserved the right to issue or incur from time to time pursuant to Section 6.03 of this Ordinance as Subordinate Obligations secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the lien on Net Revenues securing payment of the Prior Lien Bonds and the Revenue Bonds.

Swap Agreement.

The term "Swap Agreement" means a Credit Agreement, approved in writing by the Bond Insurer, with respect to a series of Revenue Bonds pursuant to which the City has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City's fixed or variable interest rate liability on all or a portion of the Revenue Bonds to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody's Investor Services, Inc., and by Standard & Poor's Ratings Services, a division of The McGraw - Hill Companies, Inc., and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Revenue Bonds without reference to any Credit Agreement.

Termination Payment.

The term "Termination Payment" shall mean an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of such Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment thereunder. "Termination Payment" shall not include any amount representing an Administrative Expense.

Underwriters.

The term "Underwriters" shall mean, with respect to the Bonds, Morgan Stanley & Co. Incorporated, as representative for a group of underwriters as more particularly described in the Bond Purchase Agreement relating to the Bonds.

Variable Rate.

The term "Variable Interest Rate" shall mean an interest rate borne by the Revenue Bonds that is reset from time to time.

Variable Rate Bonds

The term "Variable Rate Bonds" shall mean Revenue Bonds which bear a Variable Interest Rate.

Section 2.02 INTERPRETATIONS

. All terms defined herein and all pronouns used in this Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles and headings of the articles and sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. References to any constitutional, statutory or regulatory provision shall be deemed to include such provision as it exists on the date this Ordinance is adopted and any future amendments thereto or successor provisions thereof. This Ordinance and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Revenue Bonds, the Credit Agreement Obligations and the Administrative Expenses and the validity of the lien on and pledge of the Net Revenues to secure the payment thereof.

ARTICLE 3

TERMS OF THE BONDS

Section 3.01 NAME, AMOUNT, PURPOSE, AUTHORIZATION

. The Bonds shall be known and designated as CITY OF AUSTIN, TEXAS, AIRPORT SYSTEM REFUNDING REVENUE BONDS, SERIES 2005 (MULTI-MODAL), with such series and subseries designation as shall be specified in the Pricing Certificate. The Bonds are hereby authorized to be issued and delivered pursuant to the authority of the Acts and all other applicable law. The Bonds shall be issued in an aggregate principal amount not to exceed \$306,225,000 for the purpose of refunding the Refunded Bonds, to the extent provided in the Pricing Certificate, and paying the costs of issuance of the Bonds.

Section 3.02 DATE, DENOMINATION, INTEREST RATES, AND MATURITIES

. The Bonds shall be dated the date set forth in the Pricing Certificate. The Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations, and shall be numbered separately from one upward except for the Initial Bond, which shall be numbered T-1. The Bonds shall mature on November 15 in the years and in the principal amounts set forth in the Pricing Certificate and shall mature and become payable not later than November 15, 2025.

The Bonds shall initially bear interest in the Auction Rate Mode in accordance with the procedures set forth in Appendix A. Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the date of initial delivery to the Underwriters or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the Pricing Certificate as provided in Section 10.01. Interest shall be paid on each Interest Payment Date.

Section 3.03 REDEMPTION PRIOR TO MATURITY

. The Bonds shall be subject to redemption prior to maturity in the manner provided in the FORM OF BONDS set forth in Article Four of this Ordinance with such changes as are required by the terms of the Pricing Certificate.

Section 3.04 MANNER OF PAYMENT, CHARACTERISTICS, EXECUTION AND AUTHENTICATION

. The Paying Agent/Registrar is hereby appointed as the paying agent for the Bonds. The Bonds shall be payable, shall have the characteristics, shall be executed and sealed, and shall be authenticated, all as provided and in the manner indicated in the FORM OF BONDS set forth in Article Four of this Ordinance, with such appropriate variations, omissions, or insertions to conform the FORM OF BONDS to the terms of the Pricing Certificate. If any officer of the City whose manual or facsimile signature shall appear on the Bonds, as provided in the FORM OF BONDS, shall cease to be such officer before the authentication of the Bonds or before the delivery of the Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 3.05 OWNERSHIP

. The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with this section shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06 REGISTRATION, TRANSFER AND EXCHANGE

. On the date of initial delivery and payment for the Bonds, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the Underwriters, or their designee, executed by the Mayor and City Clerk of the City, approved by the Attorney General of the State of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the Underwriters or their designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to DTC on behalf of the Underwriters one registered Bond for each year of maturity of the Bonds in the aggregate principal amount thereof, registered in the name of Cede & Co., as nominee of DTC.

So long as any Bonds remain Outstanding, the Paying Agent/Registrar shall maintain the Register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of the Bonds in accordance with the terms of this Ordinance.

Each Bond shall be transferable only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond for transfer, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor, within 72 hours after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar shall be and

is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section. Each Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The Paying Agent/Registrar shall require the Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond and any fee or charge in connection therewith other than the Paying Agent/Registrar fees, which shall be paid by the City.

The Paying Agent/Registrar shall not be required to transfer or exchange any Bond during the 45-day period prior to the date fixed for redemption; provided, however, that such restriction shall not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of a Bond called for redemption in part.

Section 3.07 CANCELLATION

. All Bonds paid or redeemed in accordance with this Ordinance, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance herewith, shall be cancelled and shall be disposed of in accordance with the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended.

Section 3.08 REPLACEMENT BONDS

. Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding. The Paying Agent/Registrar shall require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith and any other expenses connected therewith, including the fees and expenses of the Paying Agent/Registrar.

If any Bond is lost, apparently destroyed, or wrongfully taken, the City, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate, and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner thereof shall have:

- (a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond;
- (b) furnished such security or indemnity as may be required by the Paying Agent/Registrar and the City to save them harmless;
- (c) paid all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that may be imposed; and
- (d) met any other reasonable requirements of the City and the Paying Agent/Registrar.

If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it

was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a replacement Bond, authorize the Paying Agent/Registrar to pay such Bond.

Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.09 BOOK-ENTRY SYSTEM

The definitive Bonds shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests therein will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the City nor the Paying Agent/Registrar shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a Registered Owner of the Bonds, as shown in the Register, of any amount with respect to principal of and premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective after reasonable written notice to such effect to the City and the Paying Agent/Registrar), or (ii) the City has advised DTC of its determination (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds, or (iii) the City has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon concurrence of any event described in (i) or (ii) above, the City shall use its best efforts to attempt to locate another qualified securities depository. If the City fails to locate another qualified securities depository to replace DTC, the City shall cause to be executed, authenticated and delivered replacement Bonds, in certificated form, to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. In the event that the City makes the determination noted in (iii) above and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificated form to the DTC Participants having an interest in the Bonds as shown on the records of DTC provided by DTC to the City. The City undertakes no obligation to make any investigation to determine

the occurrence of any events that would permit the City to make any determination described in (ii) or (iii) above.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at DTC (or any successor securities depository), the requirements in this Ordinance of holding, registering, delivering, exchanging or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC (or such successor securities depository) as to holding, registering, delivering, exchanging or transferring the book entry to produce the same effect.

The Blanket Letter of Representations, dated June 1, 1995, between the City and DTC shall apply to the Bonds. Further, the City Manager, acting for and on behalf of the City is hereby authorized and directed to approve, execute and deliver any additional letter of representations to DTC with respect to the Bonds necessary to implement the book-entry only system of registration, such approval to be conclusively evidenced by the execution thereof by the City Manager.

If at any time DTC ceases to hold the Bonds, all references herein to DTC shall be of no further force or effect.

ARTICLE 4

FORM OF BONDS

Section 4.01 FORM GENERALLY.

(a) The Bonds, including the forms of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar, and the Assignment to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, the Pricing Certificate and the Bond Purchase Agreement, and (ii) may have such letters, numbers, or other marks of identification and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) A portion of the Bonds may be printed on the back of the Bonds with the following phrase inserted in the appropriate place on the face of the Bonds: "Reference is hereby made to the further provisions of this Bond set forth on the reverse side hereof and such further provisions shall for all purposes have the same effect as if set forth at this place."

(c) The Bonds shall be typed, photocopied, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

Section 4.02 FORM OF BONDS

Subject to the terms of the Pricing Certificate, the form of Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows:

(a) Form of Bond.

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

CITY OF AUSTIN, TEXAS
AIRPORT SYSTEM REFUNDING REVENUE BOND
SERIES 2005
(Multi-Modal)

MATURITY DATE: ORIGINAL ISSUE DATE: DATED DATE: CUSIP NO.:

The City of Austin, Texas (the "City"), Travis County, Texas, for value received, hereby promises to pay to

or registered assigns, on the Maturity Date, as specified above, the sum of

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provision for such payment shall have been made, and to pay interest on the unpaid principal amount hereof at the rate or rates of interest and at the times provided herein. Interest on the Bonds shall accrue from the date of delivery.

Capitalized terms appearing herein that are defined terms in the Ordinance defined below, have the meanings assigned to them in the Ordinance. Reference is made to the Ordinance for such definitions and for all other purposes.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in _____ (the "Designated Payment/Transfer Office"), _____, or, with respect to a successor Paying Agent/Registrar, at the Designated Payment/Transfer Office of such successor. While this Bond is in the Auction Rate Mode, Daily Mode or Weekly Mode, accrued and unpaid interest on this Bond shall be due on the Interest Payment Dates and payable by wire transfer of immediately available funds to the account specified by the Owner in a written direction received by the Paying Agent/Registrar on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Paying Agent/Registrar to the Owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Ordinance (as defined below). While this Bond is in the Fixed Rate Mode or the Term Rate Mode, accrued and unpaid interest shall be due and payable on each Interest Payment Date and shall be paid by check, dated as of the Interest Payment Date, and sent by first class mail to the address of the registered owner thereof shown on the register of the Paying Agent/Registrar on

the Record Date therefor. The payment of the Purchase Price of this Bond on any Payment Date or Mandatory Purchase Date shall be made by wire transfer in immediately available funds by the Tender Agent to the account specified by the Owner in a written direction received by the Tender Agent or, if no such account number is furnished, by check mailed by the Tender Agent to the Owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Ordinance. Any such direction shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent/Registrar or the Tender Agent, as the case may be. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which while this Bond is in the Auction Rate Mode, Daily Mode or Weekly Mode shall be the opening of business on the Business Day next preceding an Interest Payment Date; provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15 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 of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day preceding the date of mailing such notice.

If a date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or a day on which banking institutions in the City or in the city in which the Designated Payment/Transfer Office is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding Business Day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a series of fully registered bonds specified in the title hereof, dated _____, issued in one or more subseries in the aggregate principal amount of \$_____ pursuant to the Ordinance approved by the City Council of the City and a Pricing Certificate executed and delivered by an Authorized Officer of the City (together, the "Ordinance"). This Bond is one of the Revenue Bonds authorized by the Ordinance and is subject to the terms and provisions thereof. The Ordinance and its terms and provisions are incorporated herein for all purposes.

The Bonds were issued by the City for the purposes of obtaining funds to refund certain airport system revenue bonds of the City, under and pursuant to Chapter 1207 and Chapter 1371, Texas Government Code, as amended, and Chapter 22, Texas Transportation Code, as amended, and all other applicable law, and to pay the City's costs incurred in connection with the issuance of the Bonds, including the costs of policies for insurance or a surety or debt service reserve agreement.

This Bond and all of the Bonds are special obligations of the City that are equally and ratably payable from and secured by a lien on and pledge of the "Net Revenues" and by amounts on deposit in the special funds of the "Airport System" of the City of Austin, Texas, WHICH LIEN ON NET REVENUES IS JUNIOR AND SUBORDINATE TO THE PRIOR AND SENIOR LIEN SECURING THE CITY'S "PRIOR LIEN BONDS." Net Revenues are required to be set aside for and pledged to the payment of the Bonds and certain other outstanding obligations equally and ratably secured on a parity with the Bonds (collectively, the "Revenue Bonds") and "Credit Agreement Obligations" heretofore or hereafter issued or incurred in connection therewith, in the debt service fund and the debt service reserve fund required to be maintained for the payment of all such bonds, all as more fully described and provided for in the Ordinance. This Bond and the series of which it is a part, together with the interest thereon, are payable solely from such Net Revenues and special funds and do not constitute an

indebtedness or general obligation of the City.

The City has reserved the right to issue additional obligations on a parity with the Bonds and subordinate or inferior obligations, subject to the restrictions contained in the Ordinance, which may be secured by a lien on a parity with, subordinate or inferior to, the lien on the aforesaid Net Revenues securing this Bond and the series of which it is a part.

The Ordinance contains provisions permitting the City to defease the Ordinance and to amend the Ordinance under certain circumstances. Any amendment to the Ordinance shall be binding upon the Owner of this Bond without endorsement hereon or any reference to such amendment, provided that no amendment shall permit (a) an extension of the maturity of the principal of or the interest on this Bond, or (b) a reduction of the principal amount of this Bond or the rate of interest thereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of the Bonds is duly 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 have been properly done and performed and have happened in regular and due time, form and manner, as required by law; that due provision has been made for the payment of the principal of and interest on the Revenue Bonds by granting a lien on and pledge of the Net Revenues and special funds as provided in the Ordinance; such lien being junior and subordinate to the prior lien pledged to the payment of the Prior Lien Bonds, and that the issuance of the Bonds does not exceed any constitutional or statutory limitation.

DETERMINATION OF INTEREST

This Bond is initially issued in the Auction Rate Mode. The Mode applicable to this Bond may at any time be changed to a Daily Mode, a Weekly Mode, a Term Rate Mode or a Fixed Rate Mode, all as provided in the Ordinance. From the Original Issue Date set forth above to the initial Auction Date specified in accordance with the Ordinance, this Bond shall bear interest at a rate per annum specified in accordance with the Ordinance. During any other Interest Period or Auction Period, as the case may be, in any Mode, the interest rate applicable to this Bond will be determined at the times and in the manner provided in the Ordinance.

While this Bond is in a Fixed Rate Mode, a Term Rate Mode or in the Auction Rate Mode with an Auction Period over 180 days, interest hereon shall be computed on the basis of a year of 360 days composed of twelve 30-day months. While this Bond is in an Auction Rate Mode with an Auction Period of 180 days or less, interest hereon shall be computed on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date. While this Bond is in a Daily Mode or a Weekly Mode, interest hereon shall be computed on the basis of a 365/366-day year for the actual number of days elapsed to the Interest Payment Date.

PURCHASE OF BOND

This Bond is subject to mandatory purchase at a price equal to the Purchase Price thereof on (i) each Mode Change Date, (ii) the Interest Non-Reinstatement Tender Date, (iii) the Substitution Date, (iv) the Expiration Tender Date, (v) the Termination Tender Date and (vi) the Purchase Date of Bonds of a subseries in the Term Rate Mode (each, a "Mandatory Purchase Date"). This Bond is subject to purchase at the option of the Owner thereof (i) in the Term Rate Mode, on the Business Day after the last day of the Interest Period applicable thereto and (ii) during the Daily Rate Mode or Weekly Rate Mode, on any Business Day upon which such Bond is tendered or deemed tendered for purchase pursuant to the Ordinance (each a "Purchase Date").

Notice of any proposed Mandatory Purchase Date shall be given to Owners of Bonds by the Paying Agent/Registrar as provided in the Ordinance. The Owner of this Bond does not have the right to retain it after any Mandatory Purchase Date.

Funds for the payment of the Purchase Price due on a Purchase Date or Mandatory Purchase Date shall be derived solely from the proceeds of the remarketing of the Bonds or from the proceeds received pursuant to a Liquidity Facility as provided in the Ordinance. None of the City, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or make available such Purchase Price. Unless otherwise provided in a certificate of an Authorized Officer delivered to the Paying Agent/Registrar and Tender Agent on a Purchase Date or Mandatory Purchase Date, the failure to pay any such Purchase Price for Bonds that have been tendered or deemed tendered for purchase from the sources identified in the Ordinance shall not constitute an Event of Default under the Ordinance and in the case of such failure such Bonds shall not be purchased and shall remain in the such Mode as provided in the Ordinance.

REDEMPTION OF BOND

This Bond shall be subject to redemption prior to maturity at the option of the City, in whole or in part, on the redemption dates and at the redemption prices and in the manner and under the terms and conditions provided in the Ordinance.

Under certain conditions described in the Ordinance, the City may, in connection with a change in the Mode to a Fixed Rate Mode or Term Rate Mode, waive or otherwise alter its rights to redeem thereafter any Bonds, of which this Bond is one, in the Fixed Rate Mode or Term Rate Mode.

The Bonds are subject to mandatory sinking fund redemption in part (in accordance with procedures of DTC, so long as DTC is the sole registered owner, and otherwise at random in such manner as the Paying Agent/Registrar in its discretion deems proper) on November 15, or if November 15 is not an Interest Payment Date, then on the succeeding Interest Payment Date, of each year and in the respective principal amounts set forth below at 100% of the principal amount thereof, plus accrued interest to the Redemption Date, from sinking fund installments which are required to be made in amounts sufficient to redeem on November 15, or if November 15 is not an Interest Payment Date, then on the succeeding Interest Payment Date, of each year set forth below the principal amount of such respective Bonds specified for each of the years shown below:

Sinking Fund Installments

<u>Year</u>	<u>Principal Amount</u>
	\$

The Paying Agent/Registrar will select at the specific Bonds to be redeemed in Authorized Denominations in the manner set forth in the Ordinance.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 15 days (or, if the Bonds are in the Fixed Rate Mode, 30 days) before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice

having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

As provided in the Ordinance, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office, with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar, and, thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the Record Date or Special Record Date, as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the City nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds have been properly done and performed and have happened in regular and due time, form and manner, as required by law.

THIS BOND shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Bond either (i) is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto or (ii) is authenticated by the Paying Agent/Registrar by due execution of the authentication certificate manually endorsed hereon. Such duly executed certificate of authentication shall be conclusive evidence that this Bond was delivered by the Paying Agent/Registrar under the provisions of the Ordinance.

THE OWNER OF THIS BOND shall never have the right to demand payment of this Bond or the interest thereon out of any funds raised or to be raised by taxation.

IN WITNESS WHEREOF, the City has caused the official seal of the City to be impressed or placed in facsimile hereon and this Bond to be signed by the Mayor and attested by the City Clerk by their manual, lithographed, or printed facsimile signatures.

City Clerk,
City of Austin, Texas

Mayor,
City of Austin, Texas

[SEAL]

(b) Form of Certificate of Paying Agent/Registrar.

CERTIFICATE OF PAYING AGENT/REGISTRAR

This is one of the Bonds referred to in the within mentioned Ordinance. The Bonds were originally issued as one Initial Bond which was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

_____, as Paying Agent/Registrar

Dated:

By:

Authorized Signatory

(c) Form of Assignment.

ASSIGNMENT

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

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

Dated: _____

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 and must be guaranteed in a manner satisfactory to the Paying Agent/Registrar.

Signature Guaranteed By:

Authorized Signatory

(d) Form of Comptroller's Registration Certificate.

The following Registration Certificate of Comptroller of Public Accounts shall appear on the Initial Bond in lieu of the Certificate of the Paying Agent/Registrar:

**REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS**

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

§
§
§
§

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY THAT there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, and that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding special obligation of the City of Austin, Texas, payable from the revenues pledged to its payment by and in the ordinance authorizing the same; and this Bond has this day been registered by me.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this _____.

[SEAL]

Comptroller of Public Accounts of the State of Texas

Section 4.03 CUSIP REGISTRATION

. The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 4.04 LEGAL OPINION

. The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on or attached to the back of each Bond, but errors or omissions in the printing of such opinion shall have no effect on the validity of the Bonds.

Section 4.05 MUNICIPAL BOND INSURANCE

. If a Bond Insurance Policy is obtained with respect to the Bonds, the Bonds, including the Initial Bonds, may bear an appropriate legend, as provided by the insurer.

ARTICLE 5

PLEDGE, SECURITY AND SOURCE OF PAYMENT

Section 5.01 PLEDGE AND SOURCE OF PAYMENT

. The City hereby covenants and agrees that Gross Revenues shall be deposited and paid into the special funds hereinafter established and confirmed, and shall be applied in the manner hereinafter set forth, in order to provide for the payment of all Operation and Maintenance Expenses of the Airport System and to provide for the payment of all principal, interest and any redemption premiums on the Prior Lien Bonds and all expenses of providing for their full and timely payment in accordance with their terms and to provide for the payment of Debt Service on the Revenue Bonds and Credit Agreement Obligations and for the payment when due of Administrative Expenses. The Revenue Bonds and the Credit Agreement Obligations shall constitute special obligations of the City that shall be payable from, and shall be equally and ratably secured by a lien on, the Net Revenues, which lien shall be junior and subordinate to the lien on Net Revenues securing Prior Lien Bonds. The Administrative Expenses shall constitute special obligations of the City that shall be payable from and secured by a lien on the Net Revenues subordinate only to the payment of Debt Service on the Revenue Bonds and the Prior Lien Bonds. Such Net

Revenues shall, in the manner herein provided, be set aside for and pledged to the payment of the Revenue Bonds in the Debt Service Fund and the Debt Service Reserve Fund as hereinafter provided. The City hereby grants a lien on the Net Revenues and the Debt Service Fund and the Debt Service Reserve Fund to secure the payment of Debt Service on the Revenue Bonds and related Credit Agreement Obligations in accordance with their terms, and to pay Administrative Expenses to the Persons entitled thereto. All Revenue Bonds and Credit Agreement Obligations related thereto shall be in all respects on a parity with and of equal dignity with one another; provided, however, that a Termination Payment shall be subordinate to the payment of Debt Service on the Revenue Bonds and other related Credit Agreement Obligations, as provided in the Ordinance.. Neither the Owners nor the Credit Providers shall ever have the right to demand payment of Debt Service out of any funds raised or to be raised by taxation.

Chapter 1208, Texas Government Code, as amended, applies to the authorization and issuance of the Revenue Bonds and to the pledge of and lien on the Net Revenues granted by the City under this Ordinance, and such pledge of and lien on the Net Revenues are therefore valid and effective in accordance with the terms of this Ordinance and are perfected from the date of adoption of this Ordinance without the filing of any document or other act. To the extent Texas law is amended at any time while the Revenue Bonds are Outstanding and unpaid such that the pledge of and lien on the Net Revenues granted by the City under this Ordinance are to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, the City agrees to take such actions and make, or cause to be made, such filings as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, as amended.

Section 5.02 ANNUAL BUDGET

. So long as any Revenue Bonds or Credit Agreement Obligations remain Outstanding, the Aviation Director shall, prior to the commencement of each Fiscal Year, prepare and deliver to the chief budget officer of the City, for submission to the City Council, a recommended annual budget for the Airport System for such Fiscal Year. The City shall adopt annual budgets for the Airport System for each Fiscal Year, each of which shall contain an estimate of Gross Revenues and only such budgeted expenditures as will produce Net Revenues in an amount that, after making all deposits and payments required by the Prior Lien Ordinances, is not less than the amount necessary to pay the Debt Service and Administrative Expenses when due and make the required deposits to the Debt Service Reserve Fund. After the adoption of the annual Airport System budget by the City, the total expenditures for Operation and Maintenance Expenses will not exceed the total expenditures authorized for such purposes by such budget, as it may from time to time be amended.

Section 5.03 RATE COVENANT

. The City covenants that it will at all times fix, charge, impose and collect rentals, rates, fees and other charges for the use of the Airport System, and, to the extent it legally may do so, revise the same as may be necessary or appropriate, in order that in each Fiscal Year the Net Revenues will be at least sufficient to equal the larger of either:

- (a) all amounts required to be deposited in such Fiscal Year to the credit of the Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund, the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account and Subordinate Obligations, or
- (b) an amount, together with Other Available Funds, not less than 115% of the Debt Service Requirements for Prior Lien Bonds and Revenue Bonds for such Fiscal Year plus an amount equal to 100% of anticipated and budgeted Administrative Expenses for such

Fiscal Year.

If the Net Revenues in any Fiscal Year are less than the amounts specified above, the City, promptly upon receipt of the annual audit for such Fiscal Year, must request an Airport Consultant to make its recommendations, if any, as to a revision of the City's rentals, rates, fees and other charges, its Operation and Maintenance Expenses or the method of operation of the Airport System in order to satisfy as quickly as practicable the foregoing requirements. Copies of such request and the recommendations of the Airport Consultant shall be filed with the City Clerk. So long as the City substantially complies in a timely fashion with the recommendations of the Airport Consultant, the City will not be deemed to have defaulted in the performance of its duties under this Ordinance even if the resulting Net Revenues plus Other Available Funds are not sufficient to be in compliance with the covenant set forth above, so long as Debt Service is paid when due.

Section 5.04 SPECIAL FUNDS

The following special funds and accounts are hereby established and confirmed and shall be maintained and accounted for as hereinafter provided so long as any of the Revenue Bonds and related Credit Agreement Obligations remain Outstanding and Administrative Expenses remain unpaid. Such funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, so long as they are not inconsistent with this Ordinance:

- (a) Airport System Revenue Fund ("Revenue Fund"), including an Operation and Maintenance Reserve Fund therein ("Operation and Maintenance Reserve Fund");
- (b) Airport System Prior Lien Bond Debt Service Fund ("Prior Lien Debt Service Fund");
- (c) Airport System Prior Lien Bond Debt Service Reserve Fund ("Prior Lien Debt Service Reserve Fund");
- (d) Airport System Revenue Bond Debt Service Fund ("Debt Service Fund");
- (e) Airport System Revenue Bond Debt Service Reserve Fund ("Debt Service Reserve Fund");
- (f) Airport System Revenue Bond Administrative Expense Fund (the "Administrative Expense Fund");
- (g) Airport System Renewal and Replacement Fund ("Renewal and Replacement Fund");
- (h) Airport System Capital Fund ("Capital Fund"), including: Capital Improvement Account; and
- (i) Airport System Construction Fund ("Construction Fund").

The Revenue Fund, including the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Capital Fund and the Construction Fund (other than any Capitalized Interest Accounts therein) shall be maintained as separate funds or accounts on the books of the City and all amounts credited to such Funds and Accounts shall be maintained in an official depository bank of the City. The Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund and all Capitalized Interest Accounts established in the Construction Fund for Prior Lien Bonds, and the Debt Service Fund,

the Debt Service Reserve Fund and the Administrative Expense Fund shall be maintained at an official depository bank of the City or in a trustee bank designated by the City separate and apart from all other funds and accounts of the City. The Debt Service Fund and the Debt Service Reserve Fund shall constitute trust funds which shall be held in trust for the owners of the Revenue Bonds and the proceeds of which shall be pledged, as herein provided, to the payment of the Revenue Bonds. The Administrative Expense fund shall constitute trust funds which shall be held in trust for the payment of Administrative Expenses to the Persons entitled thereto.

Section 5.05 FLOW OF FUNDS

Gross Revenues shall be deposited as received into the Revenue Fund. In addition, the City may deposit into the Revenue Fund any Federal Payments not restricted for capital purposes, provided that, so long as such Federal Payments are excluded from the definition of Gross Revenues, such Federal Payments shall be applied solely to the payment of Operation and Maintenance Expenses or capital expenditures and never constitute Net Revenues. Other Available Funds may also be deposited into the Revenue Fund. Moneys from time to time credited to the Revenue Fund shall be applied as follows in the following order of priority:

- (a) First, to provide for all payments of Operation and Maintenance Expenses required by the Prior Lien Ordinances, the Revenue Bond Ordinances, and by any ordinance authorizing the issuance of Additional Revenue Bonds.
- (b) Second, to transfer all amounts to the Prior Lien Debt Service Fund required by the Prior Lien Ordinances.
- (c) Third, to transfer all amounts to the Prior Lien Debt Service Reserve Fund required by the Prior Lien Ordinances.
- (d) Fourth, to transfer all amounts to the Debt Service Fund required by the Revenue Bond Ordinances necessary to pay Debt Service on the Revenue Bonds and any Credit Agreement Obligations related thereto.
- (e) Fifth, to transfer all amounts to the Administrative Expense Fund required to pay Administrative Expenses to the Persons entitled thereto when due.
- (f) Sixth, to transfer all amounts to the Debt Service Reserve Fund required by this Ordinance and any ordinance authorizing the issuance of Additional Revenue Bonds.
- (g) Seventh, to transfer all amounts necessary to provide for the payment of Subordinate Obligations, or to provide reserves for such payment, as may be required by any ordinance authorizing such Subordinate Obligations and credit agreement obligations related thereto.
- (h) Eighth, to transfer all amounts necessary to provide for the payment of principal of and interest on General Obligation Airport Bonds.
- (i) Ninth, to transfer all amounts to the Operation and Maintenance Reserve Fund required by this Ordinance and any other ordinance authorizing Additional Revenue Bonds.
- (j) Tenth, to transfer all amounts to the Renewal and Replacement Fund required by this Ordinance and any other ordinance authorizing Additional Revenue Bonds.

- (k) Eleventh, the balance shall be transferred to the Capital Fund.

Section 5.06 DEBT SERVICE FUND

On or before the last Business Day of each month so long as any Revenue Bonds remain Outstanding, after making all required payments of Operation and Maintenance Expenses and all payments and transfers to the Prior Lien Debt Service Fund and the Prior Lien Debt Service Reserve Fund required by the Prior Lien Ordinances, there shall be transferred from the Revenue Fund to the Debt Service Fund the amount necessary to cause the balance in the Debt Service Fund to equal the Debt Service Requirements on all Revenue Bonds and Credit Agreement Obligations accrued to the end of the current month

- (a) Moneys credited to the Debt Service Fund shall be used solely for the purpose of paying Debt Service on Revenue Bonds and Credit Agreement Obligations.

Section 5.07 DEBT SERVICE RESERVE FUND

The City shall establish and maintain as hereinafter provided a balance in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement. Each increase in the Debt Service Reserve Fund Requirement resulting from the issuance of Additional Revenue Bonds shall be funded at the time of issuance and delivery of such series of Additional Revenue Bonds by depositing to the credit of the Debt Service Reserve Fund either (A) proceeds of such Additional Revenue Bonds and/or other lawfully appropriated funds in not less than the amount which will be sufficient to fund fully the Debt Service Reserve Fund Requirement or (B) a Debt Service Reserve Fund Surety Bond sufficient to provide such portion of the Debt Service Reserve Fund Requirement. The City further expressly reserves the right to substitute at any time a Debt Service Reserve Fund Surety Bond for any funded amounts in the Debt Service Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related Revenue Bonds were issued or to pay debt service on the related Revenue Bonds. The City shall not employ any Debt Service Reserve Fund Surety Bond unless (i) the City officially finds that the purchase of such Debt Service Reserve Fund Surety Bond is cost effective, (ii) the Debt Service Reserve Fund Surety Bond does not impose upon the City a repayment obligation (in the event the Debt Service Reserve Fund Surety Bond is drawn upon) greater than can be funded in eighteen (18) monthly installments as provided in subsection (b) below, payable out of Net Revenues on a parity with the monthly deposits that are otherwise required to be made to the Debt Service Reserve Fund, and (iii) that any interest due in connection with such repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Debt Service Reserve Fund Surety Bond.

- (a) In any month in which the Debt Service Reserve Fund contains less than the Debt Service Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Debt Service Reserve Fund Surety Bond (in the event such Debt Service Reserve Fund Surety Bond is drawn upon), then on or before the last Business Day of such month, after making all required transfers to the Debt Service Fund, there shall be transferred into the Debt Service Reserve Fund from the Revenue Fund, in approximately equal monthly installments, amounts sufficient to enable the City within an eighteen (18) month period to reestablish in the Debt Service Reserve Fund the Debt Service Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Debt Service Reserve Fund Surety Bond. After such amount has been accumulated in the Debt Service Reserve Fund and after satisfying any repayment obligation to any Debt Service Reserve Fund Surety Bond issuer and so long thereafter as such Fund contains such amount and all such repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such Fund shall be transferred to the Revenue Fund. But if and whenever the balance in the Debt Service Reserve Fund is reduced below such amount or any Debt Service Reserve Fund Surety Bond repayment obligations arise, monthly transfers to

the Debt Service Reserve Fund shall be resumed and continued in such amounts as shall be required to restore the Debt Service Reserve Fund to such amount and to pay such reimbursement obligations within an eighteen (18) month period.

(b) The Debt Service Reserve Fund shall be used to pay Debt Service on the Revenue Bonds and the Credit Agreement Obligations at any time the amount available in the Debt Service Fund is insufficient for such purpose, and to make any payments required to satisfy repayment obligations to issuers of Debt Service Reserve Fund Surety Bonds, and may be used to make the final payments for the retirement or defeasance of Revenue Bonds, Credit Agreement Obligations related thereto and Administrative Expenses.

Section 5.08 FUNDS AND ACCOUNTS FOR SUBORDINATE OBLIGATIONS

. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expenses Fund there shall be transferred into such funds and accounts as shall be established for such purpose pursuant to the ordinance authorizing the issuance or incurrence of Subordinate Obligations, such amounts as shall be required pursuant to such ordinance to provide for the payment, or to provide reserves for the payment, of the Subordinate Obligations.

Section 5.09 ADMINISTRATIVE EXPENSE FUND

. On or before the last Business Day of each month, after making all required transfers to the Debt Service Fund, there shall be transferred to the Administrative Expense Fund an amount equal to the Administrative Expenses expected to be paid to the Persons entitled thereto prior in the next succeeding month. Amounts on deposit in the Administrative Expense Fund shall be applied solely to the payment of Administrative Expenses.

Section 5.10 GENERAL OBLIGATION AIRPORT BONDS

. On or before the last Business Day of each month, so long as any General Obligation Airport Bonds remain outstanding, after making all required transfers to the Debt Service Fund, the Debt Service Reserve Fund and any of the aforesaid funds and accounts established by Ordinance authorizing the issuance of Revenue Bonds and Subordinate Obligations, there shall be transferred from the Revenue Fund, to the extent amounts are available therein, such amounts as shall be necessary to provide for the payment, when due, of principal of and interest on General Obligation Airport Bonds.

Section 5.11 OPERATION AND MAINTENANCE RESERVE FUND

. The City shall fund and maintain as hereinafter provided a balance of money and investments in the Operation and Maintenance Reserve Fund at least equal to two (2) months current Operation and Maintenance Expenses, which amount shall annually be redetermined by the Aviation Director at the time he submits his recommended budget for the Airport System pursuant to Section 5.02 based upon either his recommended budget for Operation and Maintenance Expenses or his estimate of actual Operation and Maintenance Expenses for the then current Fiscal Year. On or before the last Business Day of each month, after making all required transfers to the Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expenses Fund, and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, there shall be transferred from the Revenue Fund, to the extent amounts are available therein, to the Operation and Maintenance Reserve Fund an amount equal to one-twelfth (1/12th) of the deficiency, if any, therein as of the last day of the previous Fiscal Year until the required

balance therein is established or reestablished. Amounts from time to time credited to the Operation and Maintenance Reserve Fund may be used at any time first, to pay for any Operation and Maintenance Expenses for which amounts are not otherwise available in the Operation and Maintenance Fund; second, to pay any costs or expenses payable from the Renewal and Replacement Fund for which there are insufficient amounts in the Renewal and Replacement Fund; and third, to the extent any amounts are remaining, to be transferred to the Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expenses Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency therein.

Section 5.12 RENEWAL AND REPLACEMENT FUND

. The City has established the Renewal and Replacement Fund Requirement to be \$5,000,000. On or before the last Business Day of each month, if the Renewal and Replacement Fund contains less than the Renewal and Replacement Fund Requirement, then after making all required transfers to the Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expenses Fund and any required transfers for Subordinate Obligations or General Obligation Airport Bonds as hereinabove provided, and to the Operation and Maintenance Reserve Fund, there shall be transferred from the Revenue Fund, to the extent funds are available therein, to the Renewal and Replacement Fund an amount equal to one-twelfth (1/12th) of the deficiency (being the amount by which the Renewal and Replacement Fund Requirement exceeded the unappropriated balance therein) as of the last day of the previous Fiscal Year and, at the discretion of the City, to pay directly from the Revenue Fund any other costs that could be paid from amounts on deposit in the Renewal and Replacement Fund. Such transfers shall be required to be made into the Renewal and Replacement Fund until such time as the Renewal and Replacement Fund Requirement has again been accumulated in the Renewal and Replacement Fund. Amounts from time to time credited to the Renewal and Replacement Fund may be used at any time first, to pay for any costs of replacing depreciable property and equipment of the Airport System and making repairs, replacements or renovations of the Airport System; second, to pay any Operation and Maintenance Expenses for which insufficient amounts are available in the Operation and Maintenance Fund; and third, to the extent any amounts are remaining, to be transferred to the Prior Lien Debt Service Fund, the Prior Lien Debt Service Reserve Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Administrative Expenses Fund or any similar fund created to provide for the payment, and reserves for the payment, of Subordinate Obligations and General Obligation Airport Bonds to the extent of any deficiency therein.

Section 5.13 CAPITAL FUND

. After making all payments and transfers hereinabove required, not less frequently than annually all amounts remaining in the Revenue Fund shall be transferred to the Capital Fund; provided, however, that no transfers shall be made to the Capital Fund unless the Prior Lien Debt Service Reserve Fund contains the Prior Lien Debt Service Reserve Fund Requirement and the Debt Service Reserve Fund contains the Debt Service Reserve Requirement and all Administrative Expenses have been paid. Amounts credited to the Capital Improvement Account may be used only for lawful purposes relating to the Airport System, including without limitation, to pay for any capital expenditures or to pay costs of replacing any depreciable property or equipment of the Airport System, to make any major or extraordinary repairs, replacements or renewals of the Airport System, to acquire land or any interest therein, to pay costs necessary or incident to the closing or disposition of any facility of the Airport System and, at the City's discretion, to be designated as Other Available Funds to be transferred to the Revenue Fund.

Section 5.14 DEFICIENCIES IN FUNDS OR ACCOUNTS

. If in any month there shall not be transferred into any Fund or Account maintained pursuant to Sections 5.06 through 5.12, inclusive, of this Article the full amounts required herein, amounts equivalent to such deficiency shall be set apart and transferred to such Fund or Account from the first available and unallocated moneys in the Revenue Fund, and such transfer shall be in addition to the amounts otherwise required to be transferred to such Fund or Account during any succeeding month or months.

Section 5.15 CONSTRUCTION FUND

. From the proceeds of each series of Revenue Bonds (other than the Bonds or Refunding Revenue Bonds) there shall be deposited into the Capitalized Interest Account established in the Construction Fund for such series the amount of capitalized interest required by the ordinance authorizing issuance of such series of Revenue Bonds. Such amounts may be applied to pay interest on such series of such Revenue Bonds as provided in such ordinance.

(a) From the proceeds of each series of Revenue Bonds (other than the Bonds or Refunding Revenue Bonds) there shall be deposited into the applicable Project Account established in the Construction Fund such amounts as shall be provided in the ordinance authorizing such series of Revenue Bonds. Such amounts may be applied to pay costs of establishing, improving, enlarging, extending and repairing the Airport System or any project to become part of the Airport System, to reimburse advances made by the City for such costs, to pay costs of issuance of Revenue Bonds and to pay any other capital costs of the Airport System as provided in the ordinance authorizing such series of Revenue Bonds.

(b) Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an event of default described in Section 7.08 or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an event of default thereunder, amounts on deposit in the Construction Fund shall not be disbursed but shall instead be applied to the payment of Debt Service or redemption price of the Bonds.

Section 5.16 MUELLER AIRPORT DISPOSITION FUND

. In connection with the issuance of the Series 1995A Bonds and the Series 1995B Bonds, the City established the Mueller Disposition Fund for the purpose of paying or reimbursing costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport for aviation purposes and the disposition of the Mueller Airport Property. Subsequent to the issuance of the Series 1995A Bonds and the Series 1995B Bonds and the opening of the Airport, the Robert Mueller Municipal Airport was closed for aviation purposes and the Mueller Airport Property was transferred out of the Airport System and is no longer part of the Airport System. In connection with the transfer of the Mueller Airport Property, the City deposited certain funds into the Mueller Disposition Fund. Such funds, together with any other amounts deposited into the Mueller Disposition Fund, may be used for the payment or reimbursement of all costs and expenses incurred by the City necessary or incident to the closing of Robert Mueller Municipal Airport to aviation purposes and the disposition of the Mueller Airport Property. Any amounts thereafter remaining, if any, will be transferred to the City's aviation department.

Section 5.17 INVESTMENT OF FUNDS; TRANSFER OF INVESTMENT INCOME

. Money in all Funds and Accounts shall, at the option of the City, be invested in the manner provided by Texas law; provided, that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Moneys in such Funds and Accounts may be subjected to further investment restrictions imposed from time to time by Ordinance authorizing the issuance of Additional Revenue Bonds and Subordinate Obligations. All

such investments shall be valued no less frequently than once per Fiscal Year at market value, except that (i) any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount, and (ii) any investments which are subject to a Qualified Put may continuously be valued at the amount at which they can be put or sold under the terms of such Qualified Put. For purposes of maximizing investment returns, money in such Funds may be invested, together with money in other Funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of such money or Funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund are held by or on behalf of each such Fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

(a) All interest and income derived from deposits and investments credited to any of the following funds and accounts shall be applied as follows, except as provided in subsection (c) below:

<u>Source of Interest or Income</u>	<u>Fund or Account to which such Interest or Income should be Credited</u>
Revenue Fund	Remains in Revenue Fund
Prior Lien Debt Service Fund and Debt Service Fund	Revenue Fund
Prior Lien Debt Service Reserve Fund and Debt Service Reserve Fund	Remains in the fund until the Debt Service Reserve Fund Requirement is satisfied; thereafter to the Revenue Fund
Administrative Expense Fund	Revenue Fund
Operation and Maintenance Reserve Fund	Remains in the fund until fully funded; thereafter to the Revenue Fund
Renewal and Replacement Fund	Remains in the fund until Renewal and Replacement Fund Requirement is met; thereafter to the Revenue Fund
Capital Fund – Capital Improvement Account	Remains in the fund or in the appropriate fund or account therein

(c) Notwithstanding anything to the contrary contained herein, any interest and income derived from deposits and investments of any amounts credited to any fund or account may be (i) transferred into any rebate account or subaccount and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained herein or required in order to prevent interest on any bonds payable from Net Revenues from being includable within the gross income of the Owners thereof for federal income tax purposes.

Section 5.18 SECURITY FOR UNINVESTED FUNDS

. So long as any Revenue Bonds remain Outstanding, all uninvested moneys on deposit in, or credited to, the Funds and Accounts established or confirmed herein shall be secured by the pledge of security, as provided by Texas law.

ARTICLE 6

ADDITIONAL BONDS

Section 6.01 ADDITIONAL REVENUE BONDS

. The City reserves the right to issue, for any lawful Airport System purpose, one or more installments of Additional Revenue Bonds payable from and secured on a parity with the Outstanding Revenue Bonds; provided, however, that no such Additional Revenue Bonds shall be issued unless:

(a) **No Default.** The City Manager and the Aviation Director certify that, upon the issuance of such Additional Revenue Bonds, the City will not be in default under any term or provision of any

Prior Lien Bonds or Revenue Bonds then Outstanding or any ordinance pursuant to which any of such Prior Lien Bonds or Revenue Bonds were issued unless such default will be cured by the issuance of such Additional Revenue Bonds.

(b) Proper Fund Balances. The City's Director of Financial Services or trustee, if one has been appointed, shall certify that, upon the issuance of such Additional Revenue Bonds, the Debt Service Fund will have the required amounts on deposit therein and that the Debt Service Reserve Fund and the Prior Lien Debt Service Fund and Prior Lien Debt Service Reserve Fund will contain the applicable Debt Service Reserve Fund Requirement or so much thereof as is required to be funded at such time.

(c) Projected Coverage for Additional Revenue Bonds. An Airport Consultant provides a written report setting forth projections which indicate that the estimated Net Revenues, together with the estimated Other Available Funds, of the Airport System for each of three (3) consecutive Fiscal Years beginning in the earlier of

(i) the first Fiscal Year following the estimated date of completion and initial use of all revenue producing facilities to be financed with Additional Revenue Bonds, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or

(ii) the first Fiscal Year in which the City will have scheduled payments of interest on or principal of the Additional Revenue Bonds to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such Additional Revenue Bonds, investment income thereon or from other appropriated sources (other than Net Revenues),

are equal to at least 115% of the Debt Service Requirements on all Outstanding Prior Lien Bonds and Revenue Bonds scheduled to occur during each such respective Fiscal Year after taking into consideration the additional Debt Service Requirements for the Additional Revenue Bonds to be issued.

(d) Alternate Coverage for Additional Revenue Bonds. In lieu of the certification described in (c) above, the City's Director of Financial Services may provide a certificate showing that, for either the City's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, the Net Revenues, together with Other Available Funds, of the Airport System were equal to at least 115% of the maximum Debt Service Requirements on all Prior Lien Bonds and Revenue Bonds scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Additional Revenue Bonds proposed to be issued.

(e) Refunding Bonds. If Additional Revenue Bonds are being issued for the purpose of refunding less than all previously issued Prior Lien Bonds or Revenue Bonds which are then Outstanding, neither of the certifications described in (c) or (d) above are required so long as the maximum annual Debt Service Requirements in any Fiscal Year after the issuance of such Additional Revenue Bonds will not exceed the maximum annual Debt Service Requirements in any Fiscal Year prior to the issuance of such Additional Revenue Bonds.

(f) Bond Ordinance Requirements. Provision is made in the bond ordinance authorizing the Additional Revenue Bonds proposed to be issued for (1) additional payments into the Debt Service Fund sufficient to provide for any principal and interest requirements resulting from the issuance of the Additional Revenue Bonds including, in the event that interest on the additional series of Revenue Bonds is capitalized and/or to be paid from investment earnings, a requirement for the transfer from the capitalized interest fund or account and/or from the construction fund to the Debt Service Fund of

amounts fully sufficient to pay interest on such Additional Revenue Bonds during the period specified in the ordinance, and (2) satisfaction of the Debt Service Reserve Fund Requirement by not later than the date required by this Ordinance or any other ordinance authorizing Additional Revenue Bonds.

(g) Special Provisions for Completion Bonds. The provisions of paragraphs (c) and (d) above shall not apply to the issuance of Completion Bonds in accordance with Section 6.02 hereof.

Section 6.02 COMPLETION BONDS

. The City reserves the right to issue one or more series of Revenue Bonds to pay the cost of completing any Project for which Revenue Bonds or Prior Lien Bonds have previously been issued.

Prior to the issuance of any series of Completion Bonds the City must provide, in addition to all of the applicable certificates required by Section 6.01, the following documents:

- (a) a certificate of the consulting engineer engaged by the City to design the Project for which the Completion Bonds are to be issued stating that such Project has not materially changed in scope since the issuance of the most recent series of Prior Lien Bonds or Revenue Bonds, as applicable, for such purpose (except as permitted in the applicable ordinance authorizing such Prior Lien Bonds or Revenue Bonds) and setting forth the aggregate cost of the Project which, in the opinion of such consulting engineer, has been or will be incurred; and
- (b) a certificate of the Aviation Director (i) stating that all amounts allocated to pay costs of the Project from the proceeds of the most recent series of Prior Lien Bonds or Revenue Bonds, as applicable, issued in connection with the Project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of such Project; (ii) containing a calculation of the amount by which the aggregate cost of that Project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the Project paid to such date plus the moneys available at such date within any construction fund or other like account applicable to the Project plus any other moneys which the Aviation Director, in his discretion, has determined are available to pay such costs in any other fund; and (iii) certifying that, in the opinion of the Aviation Director, the issuance of the Completion Bonds is necessary to provide funds for the completion of the Project.

For purposes of this Section, the term "Project" shall mean the Airport or any other Airport System facility or project which shall be defined as a Project in any ordinance authorizing the issuance of Additional Prior Lien Bonds or Additional Revenue Bonds, as applicable, for the purpose of financing such Project. Any such ordinance may contain such further provisions as the City shall deem appropriate with regard to the use, completion, modification or abandonment of such Project.

Section 6.03 SUBORDINATE OBLIGATIONS

. The City reserves the right to issue or incur, for any lawful Airport System purpose, Subordinate Obligations and credit agreement obligations related thereto, secured in whole or in part by liens on the Net Revenues that are junior and subordinate to the liens on Net Revenues securing payment of the Prior Lien Bonds and Revenue Bonds. Although herein referred to as "Subordinate Obligations," such Subordinate Obligations may bear any name or designation provided by ordinance authorizing their issuance or incurrence. Such Subordinate Obligations may be further secured by any other source of payment lawfully available for such purposes. Unless expressly provided herein to the contrary, no

default with respect to a Subordinate Obligation shall constitute a default hereunder.

Section 6.04 SPECIAL FACILITIES BONDS

. The City reserves the right to issue from time to time, in one or more series, Special Facilities Bonds as herein provided to finance and refinance the cost of any Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments by lessees under Special Facilities Leases and/or other security not provided by the City. In no event shall Gross Revenues or any other amounts held in any other fund or account maintained by the City as security for the Prior Lien Bonds, the Revenue Bonds or for the construction, operation, maintenance or repair of the Airport System be pledged to the payment of Special Facilities Bonds. Unless expressly provided herein to the contrary, no default with respect to a Special Facilities Bond shall constitute a default hereunder.

Section 6.05 CREDIT AGREEMENTS

. To the fullest extent permitted by applicable law, the City expressly reserves the right to enter into Credit Agreements in connection with any series of Revenue Bonds and to pledge to and secure the payment of related Credit Agreement Obligations from Net Revenues and the various funds and accounts established or referred to in this Ordinance to the extent permitted by this Ordinance, the Prior Lien Ordinances, the Note Ordinance and any of the City's other Ordinances authorizing the issuance of Additional Revenue Bonds and to enter into credit agreements in connection with any series of Subordinate Obligations.

Section 6.06 NO ADDITIONAL PRIOR LIEN BONDS TO BE ISSUED

. The City hereby covenants and agrees that from and after the effective date of this Ordinance the City will not issue Additional Prior Lien Bonds as defined in the Prior Lien Ordinances.

ARTICLE 7

COVENANTS AND PROVISIONS RELATING TO ALL REVENUE BONDS

Section 7.01 PUNCTUAL PAYMENT OF BONDS

. The City covenants that it will punctually pay or cause to be paid the Debt Service on all Revenue Bonds and Credit Agreement Obligations, according to the terms thereof, and to pay all Administrative Expenses to the Persons entitled thereto when due, and will faithfully do and perform, and at all times fully observe, any and all covenants, undertakings, stipulations and provisions contained in this Ordinance and in any other ordinance authorizing the issuance of Revenue Bonds.

Section 7.02 MAINTENANCE OF AIRPORT SYSTEM

. Except as provided in Section 7.04 hereof, the City covenants that it will at all times maintain and operate the Airport System, or within the limits of its authority cause the same to be maintained and operated, in good and serviceable condition.

Section 7.03 LIMITATION ON CITY CHARGES FOR OPERATION AND MAINTENANCE EXPENSES

. The City covenants that it will not charge the Airport System any amounts for overhead expenses relating to the administration, operation and maintenance of the Airport System except to the extent that such amounts are reasonably allocable to the Airport System based upon a stated policy of allocation, reasonably applied to the Airport System. All such charges imposed by the City upon the Airport System shall be consistent with all applicable federal laws, regulations and other requirements applicable to the Airport System or imposed upon the Airport System in connection with the acceptance by the Airport System of any federal grants or aid.

Section 7.04 SALE OR ENCUMBRANCE OF AIRPORT SYSTEM

. Except for the use of the Airport System or services pertaining thereto in the normal course of business, the City covenants that neither all nor a substantial part of the Airport System shall be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of until all Revenue Bonds, Credit Agreement Obligations and Administrative Expenses have been paid in full, or unless provision has been made therefor, and the City shall not dispose of its title to the Airport System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Airport System, except for the execution of leases, licenses, easements, or other agreements in connection with the operation of the Airport System by the City, or in connection with any Special Facilities thereat, except for any pledges of and liens on revenues derived from the operation and use of the Airport System, or any part thereof, or any Special Facilities pertaining thereto, for the payment of Revenue Bonds, Credit Agreement Obligations, Administrative Expenses, Special Facilities Bonds and any other obligations pertaining to the Airport System, and except as otherwise provided in the next two paragraphs.

The City may sell, exchange, lease, or otherwise dispose of, or exclude from the Airport System, any property constituting a part of the Airport System which the Aviation Director certifies (i) to be no longer useful in the construction or operation of the Airport System, or (ii) to be no longer necessary for the efficient operation of the Airport System, or (iii) to have been replaced by other property of at least equal value. The net proceeds of the sale or disposition of any Airport System property (or the fair market value of any property so excluded) pursuant to this paragraph shall be used for the purpose of replacing properties at the Airport System, shall be paid into the Capital Fund - Capital Improvement Account or shall be applied to retire or pay principal of or interest on Revenue Bonds.

Nothing herein prevents any transfer of all or a substantial part of the Airport System to another body corporate and politic (including, but not necessarily limited to a joint action agency or an airport authority) which assumes the City's obligations under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, wholly or in part, if, (i) in the written opinion of the Airport Consultant, the ability to meet the rate covenants and other covenants under this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds, are not materially and adversely affected and (ii) in the written opinion of nationally recognized bond counsel, such transfer and assumption will not cause the interest on any Revenue Bonds that were issued as "tax-exempt bonds" within the meaning of the regulations promulgated under the Code (as hereinafter defined) to be includable in gross income of the Owners thereof for federal income tax purposes. In such event, following such transfer and assumption, all references to the City, any City officials, City Ordinance, City budgetary procedures and any other officials, actions, powers or characteristics of the City shall be deemed references to the transferee entity and comparable officials, actions, powers or characteristics of such entity. In the event of any such transfer and assumption, nothing herein shall prevent the retention by the City of any facility of the Airport System if, in the written opinion of the Airport Consultant, such retention will not materially and adversely affect nor unreasonably restrict the transferee entity's ability to comply with the requirements of the rate covenant and the other covenants of this Ordinance and in any ordinance authorizing the issuance of Revenue Bonds.

Section 7.05 INSURANCE

. The City covenants and agrees that it will keep the Airport System insured with insurers of good standing against risks, accidents or casualties against which and to the extent customarily insured against by political subdivisions of the State of Texas operating similar properties, to the extent that such insurance is available; provided, however, that if any such insurance is not commercially available or not available on more favorable economic terms, the City may elect to be self insured in whole or in part against the risk or loss that would otherwise be covered by such insurance, in which case the City will establish reserves for such risk or loss in amounts the City determines to be appropriate. All net proceeds of property or casualty insurance shall be applied to repair or replace the insured property that is damaged or destroyed or to make other capital improvements to the Airport System or to redeem Revenue Bonds. Proceeds of business interruption insurance may be credited to the Revenue Fund.

Section 7.06 ACCOUNTS, RECORDS, AND AUDITS

. The City covenants and agrees that it will maintain a proper and complete system of records and accounts pertaining to the Gross Revenues and the operation of the Airport System in which full, true and proper entries will be made of all dealings, transactions, business and affairs which in any way affect or pertain to the Gross Revenues and the Airport System. The City shall, after the close of each of its Fiscal Years, cause an audit report of such records and accounts to be prepared by an independent certified public accountant or independent firm of certified public accountants, which may be part of an overall audit report of the City and/or other of its enterprise funds. All expenses of obtaining such reports shall constitute Operation and Maintenance Expenses of the Airport System.

Section 7.07 PLEDGE AND ENCUMBRANCE OF REVENUES

. The City covenants and represents that it has the lawful power to create a lien on and to pledge the Net Revenues to secure the payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, and has lawfully exercised such power under the Constitution and laws of the State of Texas. The City further covenants and represents that, other than to the payment of Operation and Maintenance Expenses and the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses, the Gross Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City, unless such lien, pledge or encumbrance is junior and subordinate to the lien and pledge securing payment of the Revenue Bonds, the Credit Agreement Obligations and Administrative Expenses.

Section 7.08 BONDHOLDERS REMEDIES

. This Ordinance shall constitute a contract between the City and the Owners of the Revenue Bonds and the holders of Credit Agreement Obligations related thereto from time to time outstanding and this Ordinance shall be and remain irrevocable until the Revenue Bonds, the Credit Agreement Obligations related thereto and Administrative Expenses shall be fully paid or discharged or provision therefor shall have been made as provided herein. In the event of a default in the payment of the Debt Service on any of the Revenue Bonds or Credit Agreement Obligations or a default in the performance of any duty or covenant provided by law or in this Ordinance, the Owner or Owners of any of the Revenue Bonds, and the holders of any Credit Agreement Obligations and the Persons to whom Administrative Expenses are owed may pursue all legal remedies afforded by the Constitution and laws of the State of Texas to compel the City to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any Owner of any of the Revenue Bonds or holder of Credit Agreement Obligations or Person to whom Administrative Expenses are owed, may at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance of all

duties required to be performed by the City under this Ordinance, including the making of reasonably required rates and charges for the use and services of the Airport System, the deposit of the Gross Revenues into the special funds herein provided, and the application of such Gross Revenues in the manner required in this Ordinance.

Notwithstanding the provisions of the foregoing paragraph, (i) acceleration as a remedy is expressly denied, (ii) no grace period for a default in the performance of any duty or covenant shall exceed thirty (30) days, nor shall any grace period be extended for more than sixty (60) days without the written consent of the Bond Insurer, (iii) no grace period is permitted with respect to a default in the payment of Debt Service or the payment of Administrative Expenses when due. For purposes of exercising the rights of Owners upon the occurrence of an event of default described in the immediately preceding paragraph, the Bond Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant to this Ordinance.

Section 7.09 DISCHARGE BY DEPOSIT

(a) The City may discharge its obligation to the Owners of any or all of the Bonds to pay Debt Service, or any portion thereof, by depositing with the Paying Agent/Registrar cash in an amount equal to such Debt Service of such Bonds to the date of maturity or redemption, or any portion thereof to be discharged, or by depositing either with the Paying Agent/Registrar or with any national banking association with capital and surplus in excess of \$100,000,000, pursuant to an escrow or trust agreement, cash and/or direct obligations of, or obligations the principal and interest of which are guaranteed by the United States of America in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of Debt Service on the Bonds to the date of maturity or redemption or any portion thereof to be discharged. Upon such deposit, such Bonds, or any portion thereof, shall no longer be regarded to be Outstanding or unpaid. In case any Revenue Bonds are to be redeemed on any date prior to their maturity, the City shall give to the Paying Agent/Registrar irrevocable instructions to give notice of redemption of Bonds to be so redeemed in the manner required in this Ordinance.

(b) Prior to the defeasance of the Bonds, the City shall cause to be delivered to the Bond Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the respective maturity or redemption date ("Verification"), (ii) an Escrow Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City and the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) Business Days prior to the funding of the escrow fund.

Section 7.10 LEGAL HOLIDAYS

If any date on which a payment of Debt Service is due is not a Business Day, the such payment need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of scheduled payment of Debt Service.

ARTICLE 8

CONCERNING THE PAYING AGENT/REGISTRAR

Section 8.01 APPOINTMENT OF INITIAL PAYING AGENT/REGISTRAR

_____, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 8.02 QUALIFICATIONS

. Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 8.03 MAINTAINING PAYING AGENT/REGISTRAR

. At all times while any of the Bonds are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 8.02 of this Ordinance. The City Manager is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar in the substantially final form presented herewith, the form, terms and provisions thereof being hereby approved.

(a) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement.

Section 8.04 TERMINATION

. The City, upon not less than sixty (60) days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination.

Section 8.05 NOTICE OF CHANGE TO OWNERS

. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address thereof in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 8.06 AGREEMENT TO PERFORM DUTIES AND FUNCTIONS

. By accepting the appointment as Paying Agent/Registrar and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby. The form, terms and provisions of the Paying Agent/Registrar Agreement presented herewith is hereby approved and the Authorized Officers are hereby authorized and directed to execute and deliver the Paying Agent/Registrar Agreement with such changes as may be approved by the Authorized Officer.

Section 8.07 DELIVERY OF RECORDS TO SUCCESSOR

. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

Section 8.08 TRUST FUNDS

. All money transferred to the Paying Agent/Registrar under this Ordinance (except sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the City, shall be the property of the City, and shall be disbursed in accordance with this Ordinance.

Section 8.09 BONDS PRESENTED

. Subject to the provisions of Section 8.10, all matured Bonds presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Bonds shall be cancelled as provided herein.

Section 8.10 UNCLAIMED FUNDS HELD BY THE PAYING AGENT/REGISTRAR

. Funds held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such funds have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

The Paying Agent/Registrar shall have no liability to the Owners of the Bonds by virtue of actions taken in compliance with this Section.

Section 8.11 PAYING AGENT/REGISTRAR MAY OWN PRIOR LIEN BONDS

. The Paying Agent/Registrar in its individual or any other capacity, may become the Owner or pledgee of Prior Lien Bonds with the same rights it would have if it were not the Paying Agent/Registrar.

ARTICLE 9

ALTERATION OF RIGHTS AND DUTIES; AMENDMENT OF ORDINANCE

Section 9.01 ALTERATION OF RIGHTS AND DUTIES

. The rights, duties, and obligations of the City and the Owners of the Bonds and the holders of Credit Agreement Obligations related to the Bonds, and Persons to whom Administrative Expenses are owed, are subject in all respects to all applicable federal and state laws including, without limitation, the provisions of federal law regarding the composition of indebtedness of political subdivisions, as the same now exist or may hereafter be amended.

Section 9.02 AMENDMENT OF ORDINANCE WITHOUT CONSENT

. The City may, without the consent of or notice to any of the Owners of the Bonds but with the consent of the Bond Insurer, amend this Ordinance for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in this Ordinance or in the Revenue Bonds; or to comply with any applicable provision of law or regulation of Federal agencies; provided, however, that such action shall not adversely affect the interests of the Owners of the Revenue Bonds;
- (b) to change the terms or provisions of this Ordinance to the extent necessary to prevent the interest on the Revenue Bonds from being includable within the gross income of the

Owners thereof for federal income tax purposes;

- (c) to grant to or confer upon the Owners of the Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Revenue Bonds;
- (d) to add to the covenants and agreements of the City contained in this Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in this Ordinance;
- (e) to amend any provisions hereof relating to the issuance of Revenue Bonds and Subordinate Obligations, or the incurrence of and security for reimbursement obligations in connection therewith so long as to do so does not cause any reduction in any rating assigned to the Outstanding Revenue Bonds by any nationally recognized rating agency then rating any series of Revenue Bonds;
- (f) to subject to the lien and pledge of this Ordinance additional Net Revenues which may include revenues, properties or other collateral;
- (g) to amend the undertaking contained in Article Thirteen of this Ordinance to the extent permitted therein; and
- (h) to amend the provisions of Article Twelve to the extent permitted therein.

Section 9.03 AMENDMENTS OF ORDINANCE REQUIRING CONSENT

. The City may at any time adopt one or more Ordinances amending, modifying, adding to or eliminating any of the provisions of this Ordinance but, if such amendment is not of the character described in Section 9.02 hereof, only with the consent given in accordance with Section 9.04 hereof of the Owner or Owners of not less than 66-2/3% of the aggregate unpaid principal amount of the Revenue Bonds then Outstanding and affected by such amendment, modification, addition, or elimination and with the consent of the Bond Insurer; provided, however, that nothing in this Section shall permit (a) an extension of the maturity of the principal of or interest on any Revenue Bond issued hereunder, or (b) a reduction in the principal amount of any Revenue Bond or the rate of interest on any Revenue Bond, or (c) a privilege or priority of any Revenue Bond or Revenue Bonds over any other Revenue Bond or Revenue Bonds, or (d) a reduction in the percentage of aggregate principal amount of the Revenue Bonds required for consent to such amendment.

Section 9.04 CONSENT OF OWNERS

. Any consent required by Section 9.03 hereof by any Owner shall be in writing, may be in any number of concurrent writings of similar tenor, and may be signed by such Owner or his duly authorized attorney. Proof of the execution of any such consent or of the writing appointing any such attorney and of the ownership of Revenue Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Ordinance, and shall be conclusive in favor of the City with regard to any action taken, suffered or omitted to be taken by the City under such instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such

execution.

- (b) The fact of the ownership by any person of any Revenue Bond and the date of the ownership of same may be proved by a certificate executed by an appropriate officer of the Paying Agent/Registrar, stating that at the date thereof such Revenue Bond was registered in the name of such party in the Register.

In lieu of the foregoing the City may accept such other proofs of the foregoing as it shall deem appropriate.

Consents required pursuant to Section 9.03 shall be valid only if given following the giving of notice by or on behalf of the City requesting such consent and setting forth the substance of the amendment of this Ordinance in respect of which such consent is sought and stating that copies thereof are available at the office of the City Clerk for inspection. Such notice shall be given by certified mail to each Registered Owner of the Revenue Bonds affected at the address shown on the Register.

No amendment or supplement to this Ordinance shall be effective unless and until the Bond Insurer shall have consented thereto in writing. Copies of all amendments and supplements to this Ordinance or to any Related Document shall be sent to Standard & Poor's Credit Market Services and Moody's at least ten (10) days prior to the effective date thereof.

Section 9.05 REVOCATION OF CONSENT

. Any consent by any Owner of a Revenue Bond pursuant to the provisions of this Article shall be irrevocable for a period of eighteen (18) months from the date of mailing of the notice provided for in this Article, and shall be conclusive and binding upon all future Owners of the same Revenue Bond and any Revenue Bond delivered on transfer thereof or in exchange for or replacement thereof during such period. Such consent may be revoked at any time after eighteen (18) months from the date of the first mailing of such notice by the Owner who gave such consent or by a successor in title, by filing notice thereof with the Paying Agent/Registrar, but such revocation shall not be effective if the Owners of a majority in aggregate principal amount of the Revenue Bonds Outstanding as in this Ordinance defined have, prior to the attempted revocation, consented to and approved the amendment.

ARTICLE 10

PARAMETERS FOR SALE OF THE BONDS: **APPROVAL OF BOND PURCHASE AGREEMENT:** **APPLICATION OF PROCEEDS OF THE BONDS:** **REFUNDING OF THE REFUNDED BONDS**

Section 10.01 PARAMETERS FOR SALE OF THE BONDS: BOND PURCHASE AGREEMENT

. The Bonds shall be sold at private sale to the Underwriters in accordance with the terms of this Ordinance, including this Section 10.01. As authorized by Chapter 1207 and Chapter 1371, the Authorized Officer is authorized to act on behalf of the City upon determining that the conditions set forth below can be satisfied, in selling and delivering the Bonds and carrying out the other procedures specified in this Ordinance, including determining the price at which each of the Bonds will be sold, the form in which the Bonds will be issued, the years in which the Bonds will mature, the principal amount to mature in each of such years, the maturities or portions thereof and the aggregate principal amount of Refunded Bonds selected from the Refunded Bonds Candidates to be refunded, the aggregate principal amount of

the Bonds, the initial Auction Period, the initial Auction Date, the initial Auction Period Rate, the dates, prices and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the City and shall be subject to mandatory sinking fund redemption (if any), the series and subseries (if any) designation for the Bonds and all other matters relating to the issuance, sale and delivery of the Bonds, including, without limitation, the refunding of the Refunded Bonds and obtaining the Bond Insurance Policy and Debt Service Reserve Fund Surety Policy as credit enhancement for the Bonds (as more particularly provided for in Article Twelve of this Ordinance), all of which shall be specified in the Pricing Certificate; provided, that the following conditions shall be satisfied:

(a) the price to be paid for the Initial Bond shall be not less than ____% of the aggregate principal amount of the Bonds;

(b) no installment of principal of the Initial Bond shall bear interest at an initial rate greater than ____% per annum, and in no event shall the Bonds bear interest at a rate greater than the maximum rate allowed by Chapter 1204, Texas Government Code, as amended;

(c) the aggregate principal amount of the Bonds shall not exceed \$306,225,000 and shall equal an amount sufficient to provide for the refunding of the maximum amount of the Refunded Bonds to be selected from the Refunded Bonds Candidates that will:

(i) result in a reduction of debt service costs to the City on a present value basis of not less than ____% of the Refunded Bonds and result in a total dollar debt service savings to the City;

(ii) result in the issuance of a series of refunding bonds in the minimum principal amount (or combination of principal amount and premium received by the City) of \$ _____; and

(iii) not require the refunding of any maturity of any of the Refunded Bonds Candidates that would not produce an incremental reduction in debt service costs to the City on a present value basis for such maturity of Refunded Bonds Candidates, a term maturity being considered a single maturity for such purposes,

all based on bond market conditions and available interest rates for the Bonds on the date of the pricing and sale of the Bonds and taking into account the Bond Insurance Policy, net of the cost of the Bond Insurance Policy, all as set forth in the Pricing Certificate. The Refunded Bonds shall be identified in the Pricing Certificate in accordance with the preceding sentence, except that if less than an entire maturity is to be refunded, the Refunded Bonds to be refunded within a maturity shall be selected as provided in the ordinance authorizing their issuance and, if not so provided, by lot;

(d) the Bonds to be issued, prior to delivery, must have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations; and

(e) the Bonds shall have a final maturity not later than November 15, _____.

Pursuant to the provisions of Chapter 1371, the City hereby delegates to the Authorized Officer the continuing authority, under the terms of this Ordinance, to establish, alter or consent to changes in interest rates, interest rate Modes, and interest rate periods or to consent to any amendment to this Ordinance as contemplated by Appendix A, and to execute and enter into on behalf of the City (i) an

Auction Agreement, the form, terms and provisions of which are hereby approved in the substantially final form presented herewith, between the City and the Auction Agent, and (ii) a Broker-Dealer Agreement, the form, terms and provisions of which are hereby approved in the substantially final form presented herewith, between the City and the Broker-Dealer. The Authorized Officer is hereby authorized to enter into or distribute any other certificate, document or other instrument, or to take any other action, including the making of any finding or determination, that the Authorized Officer determines is necessary or appropriate to carry out the provisions of Appendix A or to take all such action and perform such functions as contemplated by this Ordinance or any Broker-Dealer Agreement or Auction Agreement.

The Authorized Officer is hereby authorized and directed to execute and deliver a bond purchase agreement (the "Bond Purchase Agreement"), which Bond Purchase Agreement is hereby accepted, approved and authorized in substantially the form submitted to the City and upon completion of the terms of the Bond Purchase Agreement in accordance with the terms of the Pricing Certificate and this Ordinance, the Authorized Officer and other appropriate officials of the City are hereby authorized and directed to execute such Bond Purchase Agreement on behalf of the City and the Authorized Officer and other appropriate officers, employees, and agents of the City are authorized to carry out and comply with the terms and provisions of such Bond Purchase Agreement.

The form, terms and provisions of the Insurance Agreement between the City and the Bond Insurer relating to the Debt Service Reserve Fund Surety Bond issued by the Bond Insurer, are hereby approved. The Authorized Officer is hereby authorized and directed to execute and deliver the Insurance Agreement in the substantially final form presented herewith with such changes as shall be approved by the Authorized Officer.

Any finding or determination made by the Authorized Officer relating to the issuance and sale of the Bonds and the execution of the Bond Purchase Agreement or the Pricing Certificate in connection therewith shall have the same force and effect as a finding or determination made by the City Council.

The authority granted to the Authorized Officer under this Section 10.01 shall expire on August 17, 2005, unless otherwise extended by the City Council by separate action.

Section 10.02 APPROVAL, REGISTRATION AND INITIAL DELIVERY

. The Authorized Officer is hereby authorized to have control and custody of the Initial Bond and all necessary records and proceedings pertaining thereto pending their delivery, and the Authorized and other officers and employees of the City are hereby authorized and instructed to make such certifications and to execute such instruments as may be necessary to accomplish the initial delivery of the Initial Bond and to assure the investigation, examination, and approval thereof by the Attorney General of the State of Texas and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, the Comptroller of Public Accounts of the State of Texas (or a deputy designated in writing to act for him) shall be requested to sign manually the Comptroller's Registration Certificate prescribed herein to be attached or affixed to the Initial Bond and the seal of the Comptroller of Public Accounts of the State of Texas shall be impressed or printed or lithographed thereon. The City Manager shall be further authorized to make such agreements with the purchasers of the Bonds as may be necessary to assure that the same will be delivered to such purchasers in accordance with the terms of sale at the earliest practicable date after the adoption of this Ordinance.

Section 10.03 OFFERING DOCUMENTS

. The City Council hereby, authorizes and approves, in connection with the sale of the Bonds, the form

and substance and the preparation and distribution of the Official Statement presented at this meeting (the "Official Statement"), and such Official Statement is hereby deemed to be "final" as of its date for purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of no more than the information permitted by such Rule. The City Council further authorizes the preparation and distribution of a final Official Statement in substantially the same form as the Preliminary Official Statement, together with such additions, deletions and modifications as shall be necessary or desirable and consistent with the terms of this Ordinance, the Pricing Certificate and the Bond Purchase Agreement and the use and distribution of such Official Statement is hereby approved and authorized.

Section 10.04 APPLICATION OF PROCEEDS OF THE BONDS

. On the closing date for the Bonds, proceeds from the sale of the Bonds shall be applied as follows:

- (a) Accrued interest on the Bonds shall be deposited in the Debt Service Fund;
- (b) A portion of the proceeds from the sale of the Bonds, together with other funds of the City, if any, as set forth in the Pricing Certificate shall be deposited to the Escrow Fund (as defined in the Escrow Agreement) to provide for the refunding of the Refunded Bonds; and
- (c) The balance of the proceeds of the Bonds shall be applied to pay all costs of issuance of the Bonds, including the payments of all premiums and amounts due to the Bond Insurer, to pay all costs and expenses in connection with the refunding of the Refunded Bonds and the payment of all other professional fees, costs and expenses authorized by this Ordinance.

Section 10.05 USE OF PASSENGER FACILITY CHARGES

. The City covenants and agrees, for the benefit of the Owners of the Revenue Bonds, that during each Fiscal Year the City will set aside from any passenger facility charges imposed by the City on enplaned passengers the lesser of (i) such passenger facility charges imposed and collected by the City or (ii) \$3.00 derived from each passenger facility charge so imposed and collected by the City for the payment of debt service on the Revenue Bonds in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of such passenger facility charges will not reduce the forecast coverage of Debt Service Requirements by forecast Net Revenues during the following Fiscal Year (or such longer forecast period as may be covered in the Airport Consultant's Report) to less than 125%.

Section 10.06 DISPOSITION OF CERTAIN FUNDS MAINTAINED FOR REFUNDED BONDS

. Amounts in funds and accounts established for the Bonds shall be applied as required by this Ordinance and, if not herein otherwise provided, as set forth in the report of the Verification Agent, referred to in Section 10.07 below.

Section 10.07 REFUNDING OF REFUNDED BONDS; ESCROW AGREEMENT

. The discharge and defeasance of the Refunded Bonds designated in the Pricing Certificate shall be effectuated pursuant to the terms and provisions of the Escrow Agreement, which shall be substantially in the form presented herewith, the terms and provisions of which are hereby approved, subject to such

insertions, additions and modifications as shall be necessary (a) to carry out the purposes of this Ordinance and to provide for the establishment of an escrow fund in an amount which, together with earnings thereon, will be sufficient to effect the defeasance of and provide for the payment when due of the Refunded Bonds, the sufficiency of which shall be certified as to mathematical accuracy by _____, certified public accountants, as Verification Agent, (b) to maximize the City's present value savings and to minimize the City's cost of refunding, (c) to comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (d) to carry out the other intents and purposes of this Ordinance, and (e) to comply with the terms set forth in the Pricing Certificate. The Authorized Officer is hereby authorized to execute and deliver such Escrow Agreement on behalf of the City in multiple counterparts and the City Clerk is hereby authorized to attest thereto and affix the City's seal. The City Council hereby authorizes and directs that the callable Refunded Bonds shall be called for redemption prior to maturity in their entirety, on the date or dates and at the prices set forth in the Pricing Certificate. The Authorized Officer, all other appropriate officers of the City and the paying agent/registrar for the Refunded Bonds are hereby authorized and directed to take all necessary and appropriate action to give or cause to be given notice of such redemption to the registered holders of the Refunded Bonds in any manner required in the Refunded Bonds and the ordinance, documents and instruments authorizing the Refunded Bonds.

Section 10.08 PURCHASE OF UNITED STATES TREASURY OBLIGATIONS

. To assure the purchase of the Escrowed Securities referred to in the Escrow Agreement, the Authorized Officer is hereby authorized to agree to purchase, and to purchase obligations of the United States of America, in such amounts and maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and to execute any and all purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved. The Authorized Officer and Director of Financial Services are further authorized to carry out any transaction in which Escrowed Securities are substituted, exchanged, reinvested or acquired on a forward purchase basis so long as it is consistent with the provisions of the Escrow Agreement upon such terms as are determined to be in the best interests of the City.

ARTICLE 11

FEDERAL INCOME TAX EXCLUSION

Section 11.01 GENERAL

. The City intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the City covenants and agrees to comply with each requirement of this Article Eleven; provided, however, that the City shall not be required to comply with any particular requirement of this Article Eleven if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article Eleven will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion

shall constitute compliance with the corresponding requirement specified in this Article Eleven.

Section 11.02 NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING

. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Bonds have not been used, and that proceeds of the Refunded Bonds and the Bonds will not be used, in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Refunded Bonds and the Bonds including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

Section 11.03 NO FEDERAL GUARANTEE

. The City covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

Section 11.04 NO HEDGE BONDS

. The City covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

Section 11.05 NO ARBITRAGE

. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

Section 11.06 ARBITRAGE REBATE

. If the City does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to

other bond issues of the City or moneys which do not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 11.07 INFORMATION REPORTING

. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

Section 11.08 CONTINUING OBLIGATION

. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article Eleven shall survive the defeasance and discharge of the Bonds.

ARTICLE 12

BOND INSURANCE PROVISIONS

Section 12.01 BOND INSURANCE POLICY

. In connection with the sale of the Bonds, the form, terms and provisions of the commitments issued by the Bond Insurer in connection with the issuance of the Bond Insurance Policy and a Debt Service Reserve Fund Surety Policy, are hereby approved, it being hereby found and determined that the purchase of the Bond Insurance Policy and a Debt Service Reserve Fund Surety Policy will result in the Bonds being sold on the most favorable terms to the City. The Authorized Officer is hereby authorized to execute and deliver such commitment letters to the Bond Insurer relating to the Bond Insurance Policy and the Debt Service Reserve Fund Surety Policy in substantially the forms presented herewith, the form and substance of such commitments being hereby approved with such changes as may be necessary to conform to this Ordinance, the Pricing Certificate and Texas law, and to pay the premium for the Bond Insurance Policy at the time of delivery of the Bonds to the Underwriters from the proceeds of the sale of the Bonds or from other available funds and to execute and deliver such other agreements, documents, instruments and certificates in connection with the Bond Insurance Policy as are deemed appropriate. In connection with the acquisition of the Debt Service Reserve Fund Surety Policy, the Authorized Officer is hereby authorized to execute and deliver a Financial Guaranty Agreement relating to the Debt Service Reserve Fund Surety Policy in substantially the form presented herewith, the form and substance of such Financial Guaranty Agreement being hereby approved with such changes as may be necessary to conform to this Ordinance, the Pricing Certificate and applicable law. The Pricing Certificate may set forth or reference provisions of the commitments and incorporate such provisions into this Ordinance with the same effect as if such provisions were set forth herein.

NOTWITHSTANDING ANY PROVISION OR TERM HEREIN TO THE CONTRARY,

ALL PROVISIONS SET FORTH IN THIS ARTICLE XII AND ANY AND ALL TERMS AND PROVISIONS CONTAINED ELSEWHERE IN THIS ORDINANCE GIVING TO THE BOND INSURER THE RIGHT OF CONSENT OR THE RIGHT TO DIRECT REMEDIES OR THE RIGHT TO DIRECT ANY OTHER PROCEEDING HEREUNDER SHALL BE EFFECTIVE ONLY SO LONG AS (I) THE BOND INSURER IS NOT IN DEFAULT UNDER THE BOND INSURANCE POLICY, (II) THE BOND INSURER HAS NOT REPUDIATED THE BOND INSURANCE POLICY, (III) THE BOND INSURER HAS NOT DEFAULTED UNDER THE TERMS OF ANY OTHER POLICY OF INSURANCE ISSUED BY THE BOND INSURER WITH RESPECT TO PUBLICLY RATED DEBT AND SUCH DEFAULT HAS CONTINUED FOR A PERIOD SEVEN (7) DAYS, (IV) NO COURT OF COMPETENT JURISDICTION OR GOVERNMENT AGENCY HAVING JURISDICTION HAS DECLARED THE BOND INSURANCE POLICY INVALID OR VOID, OR (V) THE BOND INSURER IS NOT THE SUBJECT OF AN INSOLVENCY PROCEEDING UNDER NEW YORK INSURANCE LAW AND EITHER THE RELIEF SOUGHT THEREUNDER HAS BEEN GRANTED OR THE PROCEEDING HAS NOT BEEN TERMINATED AFTER 90 DAYS.

Section 12.02 PROVISIONS PERTAINING TO BOND INSURER.

(a) The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any Credit Agreement provided in lieu of a cash deposit into the Debt Service Reserve Fund.

(b) Amounts paid by the Bond Insurer under the Bond Insurance Policy with respect to the Bonds shall not be deemed paid for purposes of this Ordinance and such Bonds shall remain Outstanding and continue to be due and owing until paid by the City in accordance with this Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

(c) The City covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time otherwise preserve the priority of the pledge under this Ordinance under applicable law.

(d) Claims Upon the Bond Insurance Policy and payments by and to the Bond Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent/Registrar, after making all transfers and deposits required under this Ordinance, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent/Registrar shall give notice to the Bond Insurer and to its designated agent (if any) (the "Bond Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent/Registrar shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

In the event the claim to be made is for a mandatory sinking fund redemption installment, upon receipt of the moneys due, the Paying Agent/Registrar shall authenticate and deliver to affected Owners who surrender their Bonds a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered. The Paying Agent/Registrar shall designate any portion of payment of principal on Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent/Registrar's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Bond Insurer.

The Paying Agent/Registrar shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent/Registrar.

Upon payment of a claim under the Insurance Policy the Paying Agent/Registrar shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent/Registrar shall have exclusive control and sole right of withdrawal. The Paying Agent/Registrar shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent/Registrar to Bondholders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary otherwise set forth in this Ordinance, and to the extent permitted by law, in the event amounts paid under the Bond Insurance Policy are applied to claims for payment of principal of or interest on the Bonds, interest on such principal of and interest on such Bonds shall accrue and be payable from the date of such payment at the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank or its successor at its principal office in the City of New York, as its prime or base lending rate plus 3%, and (ii) the then applicable rate of interest on the Bonds provided that in no event shall such rate exceed the maximum rate permissible under applicable usury or similar laws limiting interest rates.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent/Registrar and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent/Registrar. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Bond Insurer.

(e) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the

terms of the Bond Insurance Policy. The obligations to the Bond Insurer shall survive discharge or termination of the Related Documents.

(f) The City shall pay or reimburse the Bond Insurer, as an Administrative Expense, any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Ordinance or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Ordinance or any other Related Document whether or not executed or completed, (iv) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Ordinance or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Ordinance or any other Related Document.

(g) The application of funds realized upon default shall be applied to payment of expenses of the City or rebate only after the payment of debt service due and past due on the Bonds, together with replenishment of the Debt Service Reserve Fund.

(h) The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Ordinance, whether or not the Bond Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(i) The notice address of the Bond Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director-Surveillance, Re: Policy No. _____, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(i) The Bond Insurer shall be provided with the following information:

(ii) Annual audited financial statements within 150 days after the end of the City's fiscal year (together with a certification of the City that it is not aware of any default under the Ordinance), and the City's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;

(iii) Notice of any draw upon the Debt Service Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Debt Service Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iv) Notice of any default known to the City within five Business Days after knowledge thereof;

(v) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(vi) Notice of the resignation or removal of the Paying Agent/Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vii) Notice of the commencement of any proceeding by or against the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(viii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(ix) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Related Documents; and

(x) All reports, notices and correspondence to be delivered to Owners under the terms of the Related Documents.

(j) No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

Section 12.03 With Respect to Variable Rate Bonds

. Notwithstanding any provisions set forth in this Ordinance or in Appendix A, the following guidelines shall apply to the Bonds while they bear interest in other than the Fixed Rate Mode, subject to revision based on the final pricing of the Bonds. The terms and provisions of any Credit Agreement executed in connection with the Bonds shall be subject to the prior written consent of the Bond Insurer. Capitalized terms used in this Section 12.03 shall have meaning assigned thereto in Appendix A.

(a) **Minimum Ratings.** The Liquidity Facility Provider must be rated at least "A-1" by S&P or "VMIG-1" by Moody's. The City shall have the right and obligation to replace the Liquidity Facility without penalty if the rating is withdrawn, suspended or lowered below these minimum ratings. The City shall maintain in effect a Liquidity Facility acceptable to the Bond Insurer as long as the Bonds remain in a Daily Rate Mode or Weekly Rate Mode.

(b) **Sizing.** Amounts available under the Liquidity Facility must be equal to the principal amount of the Bonds plus accrued interest for one full interest payment period plus at least five days or as required by the rating agencies. Interest shall be calculated at the maximum rate payable on the Bonds.

(c) **Purchase of Tendered Bonds.** Neither the City nor the Bond Insurer shall have any obligation to purchase tendered bonds that cannot be remarketed. A failure to remarket or purchase tendered bonds shall not be an event of default under the Ordinance nor shall the security for the Bonds be pledged to secure the purchase price. Tendered Bonds that are not remarketed or purchased shall bear interest at the Bond Buyer Seven Day General Market Index (Non-AMT) plus 25 basis points or another rate acceptable to the Bond Insurer.

(d) **Term.** The Liquidity Facility may have a term of 364 days; provided that the Liquidity Facility may not be extended unless the minimum ratings remain in effect, except with the prior written consent of the Bond Insurer. Any replacement Liquidity Facility must be approved by the Insurer.

(e) **Bank Bonds.** Unless otherwise agreed by the Bond Insurer, Bonds held by the Liquidity Provider ("Bank Bonds") shall bear interest at a rate that does not exceed the lower of (A) prime or (B) 25%. The Liquidity Provider may recapture interest on Bank Bonds in excess of 25% up to a maximum rate of 30% while they remain Bank Bonds, provided, however, in no event shall the interest rate borne by the Bonds exceed the maximum amount permitted by law. Accelerated amortization of Bank Bonds, if acceptable to the Bond Insurer, shall not be less than seven years. Bank Bonds may not be tendered for purchase. If less than all outstanding Bonds are optionally redeemed, Bonds held as Bank Bonds shall be redeemed first.

(f) **Non-renewal.** The Liquidity Provider shall be required to give at least ninety (90) days written notice of its intention not to renew the term of the Liquidity Facility. Notice shall be provided to the City, the Paying Agent/Registrar and the Bond Insurer. The City shall notify the Bond Insurer of its decision not to request renewal of the term of the Liquidity Facility.

(g) **Termination of Facility.** (i) Immediate Termination. The Liquidity Facility shall be subject to immediate termination only for events pertaining directly to the Bond Insurer and not because of credit events with respect to the City. These shall be limited to (A) default by the Bond Insurer under the Bond Insurance Policy; (B) default by the Bond Insurer under the terms of any other policy of insurance issued by the Bond Insurer with respect to publicly rated debt and the continuation of such default for a period of 7 days; (C) a court or government agency having jurisdiction declares the Bond Insurance Policy invalid or void; (D) the Bond Insurer has contested the validity of the Bond Insurance Policy; (E) the Bond Insurer is the subject of an insolvency proceeding under New York insurance law and either the relief sought thereunder has been granted or the proceeding has not been terminated after 90 days; or (F) the Bond Insurer is downgraded below investment grade by the rating agencies then rating the Bonds. The Bond Insurer will permit the events described in clauses (i)(B) and (F) to be suspension events pending the passage of time specified in such sections. (ii) Notice Termination. The Liquidity Facility may be terminated by the Liquidity Provider if the Bond Insurer's claims paying ability is downgraded below "A" for a period of 30 consecutive days by the rating agencies then rating the Bond Insurer or if there is a failure of the City to pay fees owed the Liquidity Provider after notice to the Bond Insurer and an opportunity to cure. The Liquidity Provider must give notice of such termination and the Bonds shall be mandatorily tendered for purchase by the Liquidity Provider prior to the termination of the Liquidity Facility.

(h) **Remarketing of Tendered Bonds.** With respect to Bonds in a Daily Rate Mode, Weekly Rate Mode or Term Mode, Bonds shall be remarketed at par. If the Remarketing Agent fails to set an interest rate on the Bonds for two consecutive weeks, the rate shall equal the BMA Municipal Swap Index. The Remarketing Agent shall be required to use its best efforts to remarket the Bonds at all times other than following an event triggering any termination or expiration of the Liquidity Facility. Other grounds for suspension of remarketing must be acceptable to the Bond Insurer.

(i) **Opinion of Counsel.** The Bond Insurer shall be the addressee of an opinion of counsel to the Liquidity Provider as to the enforceability of the Liquidity Facility and such other matters as may reasonably be required by the Bond Insurer. An opinion of foreign counsel acceptable to the Bond Insurer shall be required for non-domestic Providers.

(j) **Amendments.** All amendments to the Liquidity Facility and any other documents governing its terms shall require the prior written consent of the Bond Insurer.

(k) **Approval of Other Parties.** The Remarketing Agent and any successor must be acceptable to the Bond Insurer and may be replaced at the discretion of the Bond Insurer.

(l) **Approval of Documents.** The form of the Liquidity Facility and the Remarketing Agreement must be acceptable to Financial Security.

(m) **Conversion to Fixed Rate.** The interest rate on all of the Bonds shall be converted to a Fixed Rate or an auction rate unless the Bond Insurer shall otherwise direct (i) upon failure of the Liquidity Provider to purchase Bonds; (ii) upon expiration or termination of the Liquidity Facility with no substitution therefor; (iii) if Bonds are held as Bank Bonds for 45 days or more in any bond year or there are two failed remarketings of the Bonds; (iv) if Bank Bonds bear interest at the maximum permitted rate, or (v) if the City fails to replace the Facility when required.

Section 12.04 AUCTION RATE PROVISIONS

. While the Bonds bear interest in an Auction Rate Mode, notwithstanding the provisions of Appendix A hereto, the following provisions shall apply::

(a) **Maximum Rates.** The maximum Auction Rate and all interest rate "gross-up" provisions for the Bonds shall be acceptable to the Bond Insurer.

(b) **Conversion.** The Bonds shall be converted to a Fixed Rate Mode in the event the Bonds are at a maximum Auction Rate or default rate for the lesser of 60 days or two consecutive Interest Rate Periods.

(c) **Broker-Dealers.** The Bond Insurer shall have the right to direct the City to appoint, and the City shall have the right to appoint, an additional Broker-Dealer without the consent of any other Broker-Dealer. The Bond Insurer and the City shall have the right to remove a Broker Dealer at any time.

(d) **Agents.** The Bond Insurer shall have the right to direct the City to remove the Auction Agent and to consent to any successors thereto.

(e) **Interest Payment Dates.** Interest payment dates on the Bonds shall not be more than once a week.

ARTICLE 13

CONTINUING DISCLOSURE

Section 13.01 ANNUAL REPORTS

. The City shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year ending in or after 2005, financial information and operating data with respect to the Airport System of the general type included in the final Official Statement authorized by Section 10.03 of this Ordinance, being the information described in Exhibit B hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit B hereto and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City shall provide unaudited financial statements within such period and shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if audited financial statements become available.

If the City changes its Fiscal Year, it will notify each NRMSIR and any SID of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be

required to provide financial information and operating data pursuant to this Section.

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

Section 13.02 MATERIAL EVENT NOTICES

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes.

The City shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 13.01 of this Ordinance by the time required by such Section.

Section 13.03 LIMITATIONS, DISCLAIMERS, AND AMENDMENTS

The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by Section 13.02 of any Bond calls and defeasance that cause the Airport System to be no longer an "obligated person."

The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be

relevant or material to a complete presentation of the City's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Airport System, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 13.01 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 13.04 DEFINITIONS

. As used in this Article, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

ARTICLE 14

MISCELLANEOUS

Section 14.01 FURTHER PROCEDURES

. The Mayor, the City Manager, the Aviation Director, the Director of Financial Services and the City Clerk and other appropriate officials of the City are hereby authorized and directed to do any and all things necessary and/or convenient to carry out the terms of this Ordinance.

Section 14.02 SEVERABILITY

. If any Article, Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section 14.03 OPEN MEETING

. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the City Council at which this Ordinance was adopted was posted at a place convenient and readily accessible at all times to the general public at the City Hall of the City for the time required by law preceding this meeting, as required by the Open Meetings Law, Chapter 551, Texas Government Code, as amended, and that this meeting has been open to the public as required by law at all times during which this Ordinance and the subject matter thereof has been discussed, considered and formally acted upon. The City Council further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 14.04 EFFECTIVE IMMEDIATELY

. Notwithstanding the provisions of the City Charter, this Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

Section 14.05 REPEALER

. All orders, resolutions and Ordinance, or parts thereof, inconsistent herewith are hereby repealed to the extent of such inconsistency.

[Execution Page Follows]

PASSED AND APPROVED:

August 4, 2005

Mayor

APPROVED: _____
City Attorney

ATTEST: _____
City Clerk

APPENDIX A
MULTI-MODAL PROVISIONS

EXHIBIT A

DESCRIPTION OF REFUNDED BONDS CANDIDATES

City of Austin, Texas
Airport System Prior Lien Revenue Bonds
Series 1995A

Year of Maturity

Outstanding
Principal Amount

City of Austin, Texas
Airport System Prior Lien Revenue Bonds
Series 1995B

Year of Maturity

Outstanding
Principal Amount

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 13.01 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. The portions of the financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.
2. All quantitative financial information and operating data with respect to the Airport System of the general type included in the main text of the Official Statement within the numbered tables only.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above, as such principles may be changed from time to time to comply with state law or regulation.

EXHIBIT I

TO

MULTI-Modal PROVISIONS

Auction procedures

TABLE OF CONTENTS

Page No.

ARTICLE I

Definitions

Section 1.01	Definitions	I-1
Section 1.02	Rules of Construction	I-8

ARTICLE II

Auction Procedures

Section 2.01	Orders by Existing Owners and Potential Owners	I-9
Section 2.02	Submission of Orders by Broker-Dealers to Auction Agent	I-11
Section 2.03	Determination of Auction Period Rate	I-13
Section 2.04	Allocation of Bonds of a subseries	I-14
Section 2.05	Notice of Auction Period Rate	I-17
Section 2.06	Index	I-18
Section 2.07	Miscellaneous Provisions Regarding Auctions	I-19
Section 2.08	Changes in Auction Period or Auction Date	I-20

ARTICLE III

Auction Agent

Section 3.01	Auction Agent	I-21
Section 3.02	Qualifications of Auction Agent; Resignation; Removal	I-21

exhibit I

AUCTION PROCEDURES

ARTICLE I
Definitions

Section 1.01 Definitions

In addition to the words and terms elsewhere defined, or whose defined meanings are incorporated by reference, in the Multi-Modal Provisions (hereinafter referred to as "Appendix A") to which this Exhibit I is attached, the following words and terms as used in this Exhibit I and elsewhere in Appendix A have the following meanings with respect to Bonds of a subseries in an Auction Rate Mode unless the context or use indicates another or different meaning or intent:

Agent Member means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

All Hold Rate means, as of any Auction Date, 60% of the Index in effect on such Auction Date.

Auction means each periodic implementation of the Auction Procedures.

Auction Agent means initially, _____, and thereafter the auctioneer, or any successor, appointed in accordance with Section 3.01 or 3.02 of this Exhibit I.

Auction Agreement means an agreement among the City, the Paying Agent/Registrar and the Auction Agent pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit I, with respect to the Bonds of a subseries in an Auction Rate Mode, as such agreement may from time to time be amended or supplemented.

Auction Date means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof:

- (a) if the Bonds of a subseries are in a daily Auction Period, each Business Day;
- (b) if the Bonds of a subseries are in a Special Auction Period, the last Business Day of the Special Auction Period; and
- (c) if the Bonds of a subseries are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds of a subseries (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to the Bonds of any subseries in an Auction Period other than a daily Auction Period or Special Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Mode Change Date for such Bonds of a subseries, and (ii) the Business Day next preceding the Interest Payment Date next preceding the Stated Maturity Date for such

Bonds; and provided, further, that if the Bonds of a subseries are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Mode Change Date for such Bonds, and (y) the Business Day next preceding the Stated Maturity Date for the Bonds of a subseries.

The last Business Day of a Special Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

Auction Period means:

(a) with respect to Bonds of a subseries in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;

(b) with respect to Bonds of a subseries in a seven day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally seven days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(c) with respect to Bonds of a subseries in a 28-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 28 days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 28 days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally

28 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 28 days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 28 days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(d) with respect to Bonds of a subseries in a 35-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally 35 days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally 35 days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally 35 days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally 35 days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally 35 days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day); and

(e) a Special Auction Period;

provided, however, that

(a) if there is a conversion of Bonds of a subseries with Auctions generally conducted on Fridays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily

Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(b) if there is a conversion of Bonds of a subseries with Auctions generally conducted on Mondays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(c) if there is a conversion of Bonds of a subseries with Auctions generally conducted on Tuesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

(d) if there is a conversion of Bonds of a subseries with Auctions generally conducted on Wednesdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a

Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion; and

(e) if there is a conversion of Bonds of a subseries with Auctions generally conducted on Thursdays (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion;

provided further, however, that any Auction Period that is greater than 35 days may be extended as provided in paragraph (d) of Section 2.03 of this Exhibit I.

Auction Period Rate means with respect to Bonds of each subseries, the rate of interest to be borne by the Bonds of such subseries during each Auction Period determined in accordance with Section 2.03 of this Exhibit I; provided, however, in no event may the Auction Period Rate or the Auction Rate exceed the Maximum Rate.

Auction Procedures means the procedures for conducting Auctions for Bonds of a subseries in an Auction Rate Mode set forth in this Exhibit I.

Auction Rate means for each series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of such Bonds of a subseries are the subject of Submitted Hold Orders, the All Hold Rate with respect to such Bonds and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate with respect to such Bonds.

Available Bonds means for each series of Bonds on each Auction Date, the aggregate principal amount of such Bonds that are not the subject of Submitted Hold Orders.

Bid has the meaning specified in subsection (a) of Section 2.01 of this Exhibit I.

Bidder means each Existing Owner and Potential Owner who places an Order.

Broker-Dealer means, initially, _____, and thereafter any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit that is a member of, or a direct participant in, the Securities Depository, that has been selected by the City, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

Broker-Dealer Agreement means an agreement among the Auction Agent, the City and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit I, as such agreement may from time to time be amended or supplemented.

Existing Owner means (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a person who is a Broker Dealer and (b) with respect to and for the purpose of dealing with a Broker Dealer in connection with an Auction, a person who is a beneficial owner of Bonds.

Fitch means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency, other than Moody's or S&P, designated by an Authorized Officer.

Hold Order has the meaning specified in subsection (a) of Section 2.01 of this Exhibit I.

Index shall have the meaning specified in Section 2.06 of this Exhibit I.

Interest Payment Date means:

(a) when used with respect to any Auction Period (including the initial Auction Period commencing on and including the Closing Date or the Mode Change Date, and expiring on and including the initial Auction Date specified in the Officers Pricing Certificate or determined and certified by an Authorized Officer on or prior to the Mode Change Date) other than a daily Auction Period or a Special Auction Period, the Business Day immediately following such Auction Period;

(b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period; and

(c) when used with respect to a Special Auction Period, (A) in the case of Bonds of a subseries with Auctions generally conducted on Fridays, each thirteenth Monday after the first day of such Special Auction Period or the next Business Day if such Monday is not a Business Day and on the Business Day immediately following such Special Auction Period, (B) in the case of Bonds of a subseries with Auctions generally conducted on Mondays, each thirteenth Tuesday after the first day of such Special Auction Period or the next Business Day if such Tuesday is not a Business Day and on the Business Day immediately following such Special Auction Period, (C) in the case of Bonds of a subseries with Auctions generally conducted on Tuesdays, each thirteenth Wednesday after the first day of such Special Auction Period or the next Business Day if such Wednesday is not a Business Day and on the Business Day immediately following such Special Auction Period, (D) in the case of Bonds of a subseries with

Auctions conducted on Wednesdays, each thirteenth Thursday after the first day of such Special Auction Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Auction Period and (E) in the case of Bonds of a subseries with Auctions generally conducted on Thursdays, each thirteenth Friday after the first day of such Special Auction Period or the next Business Day if such Friday is not a Business Day and on the Business Day immediately following such Special Auction Period.

Maximum Auction Rate means fifteen percent (15%); provided, however, that in no event shall the Maximum Auction Rate exceed the Maximum Rate, anything herein to the contrary notwithstanding.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency, other than Fitch or S&P, designated by an Authorized Officer.

Order means a Hold Order, Bid or Sell Order.

Potential Owner means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds of a subseries in addition to the Bonds currently owned by such Person, if any.

Principal Office means, with respect to the Auction Agent, the office thereof designated in the Auction Agreement as the office of the Auction Agent to which notices, requests or communications should be sent.

Securities Depository means The Depository Trust Company and its successors and assigns or any other securities depository selected by the City which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds of a subseries.

Sell Order has the meaning specified in subsection (a) of Section 2.01 of this Exhibit I.

S&P means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency, other than Fitch or Moody's, designated by an Authorized Officer.

Special Auction Period means any period of more than 180 but less than 365 days which begins on an Interest Payment Date and ends (i) in the case of Bonds of a subseries with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of Bonds of a subseries with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next

succeeding day which is followed by a Business Day, (iii) in the case of Bonds of a subseries with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of Bonds of a subseries with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of Bonds of a subseries with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

Submission Deadline means 1:00 p.m., New York City time, on each Auction Date for Bonds of a subseries not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date for Bonds of a subseries in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

Submitted Bid has the meaning specified in subsection (b) of Section 2.03 of this Exhibit I.

Submitted Hold Order has the meaning specified in subsection (b) of Section 2.03 of this Exhibit I.

Submitted Order has the meaning specified in subsection (b) of Section 2.03 of this Exhibit I.

Submitted Sell Order has the meaning specified in subsection (b) of Section 2.03 of this Exhibit I.

Sufficient Clearing Bids means with respect to Bonds of a subseries, an Auction for which the aggregate principal amount of Bonds of such subseries that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds of such subseries that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

Winning Bid Rate means with respect to Bonds of a subseries the lowest rate specified in any Submitted Bid for such subseries which if selected by the Auction Agent as the Auction Period Rate would cause the aggregate principal amount of Bonds of such subseries that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds of such series.

Section 1.02 Rules of Construction

(a) This Exhibit I constitutes an integral part of the Appendix A and, except to the extent provided in the next sentence, has the same force and effect as if set forth in Appendix A.

In the event of any conflict between this Exhibit I and Appendix A, Appendix A shall control.

(b) References in this Exhibit I to Articles or Sections are to such Article or Section of this Exhibit I.

ARTICLE II **Auction Procedures**

Section 2.01 Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds of a subseries, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds of a subseries, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds of a subseries, if any, held by such existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds of a subseries, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds of a subseries, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A)

above is herein referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b) (i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds of a subseries specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds of a subseries to be determined as described in subsection (a)(v) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds of a subseries to be determined as described in subsection (b)(iv) of Section 2.04 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds of a subseries specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds of a subseries as described in subsection (b)(iv) of Section 2.04 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds of a subseries specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds of a subseries as described in subsection (a)(vi) of Section 2.04 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds of a subseries to be held, purchased or sold in a principal amount which is not equal to the Authorized Denomination for Bonds of such subseries or an integral multiple thereof shall be rounded down to the nearest amount that is equal to the Authorized

Denomination for Bonds of such subseries, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond of a subseries which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond of a subseries which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended with respect to the Bonds of a subseries during the period commencing on the date of the Auction Agent's receipt of notice from the Paying Agent/Registrar of (i) a default by the Insurer in the due and punctual payment of a claim on the Policy for any installment of scheduled interest on any Bond of such subseries in the Auction Rate Mode which is unpaid by the City or (ii) a default by the Insurer in the due and punctual payment of a claim on the Policy for any principal of any Bond of such series in the Auction Rate Mode at stated maturity or pursuant to a mandatory redemption which is unpaid by the City, but shall resume two Business Days after the date on which the Auction Agent receives notice from the Paying Agent/Registrar that such default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.02 Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and, if requested, specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds of each subseries, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds of each subseries, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds of each subseries, if any, subject to

any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds of each subseries, if any, subject to any Sell Order placed by such Existing Owner;

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds of a particular subseries held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such subseries held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period or an amendment or modification to the Forty-First Ordinance in accordance with Section 2.07(b) of this Exhibit I and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds of the subseries to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds of such subseries to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds of a subseries held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds of such subseries held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such subseries held by such Existing Owner over the principal amount of the Bonds of such subseries subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds of such subseries held by such Existing Owner over the principal amount of Bonds of such subseries held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be

considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds of such subseries held by such Existing Owner over the principal amount of Bonds of such subseries held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds of such subseries subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner; and

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of Bonds of such subseries equal to the excess of the principal amount of Bonds of such subseries held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds of such subseries considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds of such subseries specified therein.

(f) Neither the City nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.03 Determination of Auction Period Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for Bonds of each subseries in an Auction Rate Mode, the Auction Agent shall advise the Broker-Dealers and the Authorized Officers by telephone or other electronic communication acceptable to the parties of the All Hold Rate, the Maximum Auction Rate and the Index for the Bonds of such subseries.

(b) Promptly after the Submission Deadline on each Auction Date for Bonds of each subseries in an Auction Rate Mode, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Authorized Officers by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the Auction Rate for the next succeeding Auction

Period and an Authorized Officer shall promptly notify the Securities Depository of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, including any failure caused by the lack of a duly appointed Auction Agent or Broker-Dealer, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Period Rate for the new Auction Period shall be the same as the Auction Period Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Period Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended; provided however, that in the event of such a seven-day extension, an Authorized Officer acting on behalf of the City may change the Auction Period from the Special Auction Period to a seven-day Auction Period upon the completion of such seven-day extension without complying with the otherwise applicable notice or other requirements of Section 2.08.

(e) In the event that the Auction Procedures are suspended pursuant to paragraph (iv) of subsection (c) of Section 2.01 of this Exhibit I with respect to any Bond of subseries, the Auction Period Rate for the next succeeding Auction Period shall be the Maximum Rate.

(f) In the event that all of the conditions for a change in the Mode applicable to the Bonds of a subseries from an Auction Rate Mode to any other Mode pursuant to Section A-207 of Appendix A have not been met or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period (except as provided in Section 2.08(a)(iv) with respect to the daily Auction Period).

(g) If the Bonds of a subseries are not rated or if the Bonds of a subseries are no longer maintained in book-entry form by the Securities Depository, then the Auction Period Rate shall be the Maximum Auction Rate.

(h) If on any Auction Date for any daily, seven-day, 28-day or 35-day Auction Period, other than an Auction Date on which the City is attempting to change Auction Periods, as described in Section 2.08(a), the Auction for such date does not produce Sufficient Clearing Bids, the Auction Period Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be the same as the preceding Auction Period.

(i) If on any Auction Date for any Special Auction Period the Auction for such date

does not produce Sufficient Clearing Bids, except as provided in subsection (d) above, the Auction Period Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

Section 2.04 Allocation of Bonds of a Subseries

(a) In the event of Sufficient Clearing Bids for Bonds of a subseries, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for such subseries shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds of a subseries that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds of a subseries that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds of a subseries that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds of a subseries that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds of a subseries that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds of a subseries obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds of a subseries which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds of a subseries held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Outstanding Bonds of a subseries subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds of a subseries;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to

purchase the Bonds of a subseries that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds of a subseries obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds of a subseries which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds of a subseries subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Outstanding Bonds of a subseries subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for Bonds of a subseries, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Bonds of a subseries shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds of a subseries that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate with respect to Bonds of a subseries, shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds of a subseries that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate with respect to Bonds of a subseries, shall be accepted, thus requiring each such Potential Owner to purchase the Bonds of a subseries that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate with respect to Bonds of a subseries, shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds of a subseries obtained by multiplying (A) the aggregate principal amount of Bonds of a subseries subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Outstanding Bonds of a subseries held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Outstanding Bonds of a subseries subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds of a subseries; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate with respect to the Bonds of a subseries shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds of a subseries which is not an integral multiple of the Authorized Denomination for Bonds of such subseries on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds of a subseries to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds of a subseries purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of the Authorized Denomination for Bonds of such subseries, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds of a subseries on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase a principal amount of Bonds of a subseries that is less than the Authorized Denomination for Bonds of such subseries on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate such Bonds for purchase among Potential Owners so that the principal amount of Bonds of a subseries purchased on such Auction Date by any Potential Owner shall be an integral multiple of the Authorized Denomination for Bonds of such subseries, even if such allocation results in one or more of such Potential Owners not purchasing such Bonds on such Auction Date.

Section 2.05 Notice of Auction Period Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to Bonds of each subseries for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds of a subseries, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds of a

subseries, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds of a subseries to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds of a subseries to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker Dealer) and the principal amount of Bonds of a subseries to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to Bonds of each subseries for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected, in whole or in part, and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of such Bonds of a subseries to be purchased pursuant to such Bid (including, with respect to such Bonds of a subseries in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds of a subseries; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of such Bonds of a subseries to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.06 Index

(a) (i) The Index on any Auction Date with respect to Bonds of a subseries in an Auction Period of 40 days or less shall be the One Month LIBOR Rate on such date. If such rate is unavailable, the Index for the Bonds of a subseries shall be the U.S. Treasury rate with expiration that most closely resembles the Auction Period Length.

(ii) The Index on any Auction Date with respect to Bonds of a subseries in an Auction Period over 40 days shall be the Special Auction Period Rate on such date. If such rate is unavailable, the Index for the Bonds of a subseries shall be the U.S. Treasury rate with expiration that most closely resembles the Auction Period Length

"One Month LIBOR Rate" means, as of any date of determination, the London interbank

offered rate for deposits in U.S. dollars maturing after one calendar month commencing on the related determination date which appears on the Dow Jones Market Services Page 3750 as of 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

"Special Auction Period Rate" means, as of any date of determination, the London interbank offered rate for deposits in U.S. dollars maturing after a period most nearly equal in length to the Special Auction Period for which such Special Auction Period Rate would apply, as determined by an Authorized Officer, which appears on the Dow Jones Market Services Page 3750 as of 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

(b) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided in this Section, the Index shall be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein shall be conclusive and binding upon the City, the Broker-Dealers, the Auction Agent and the Owners of the Bonds of a subseries.

Section 2.07 Miscellaneous Provisions Regarding Auctions

(a) In this Exhibit I, each reference to the purchase, sale or holding of "Bonds" shall refer to beneficial interests in such Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Mode, with respect to the Bonds of a subseries, the provisions of the Forty-First Ordinance, including the Officers Pricing Certificate, Appendix A, this Exhibit I and the definitions contained in this Exhibit I, including, without limitation, the definitions of Maximum Rate, Maximum Auction Rate, All Hold Rate, Index, Default Rate, Auction Multiple and the Auction Period Rate, may be modified or amended pursuant to the Forty-First Ordinance by obtaining, when required by the Forty-First Ordinance, the consent of the owners of all Outstanding Bonds of such subseries as follows; provided, however, that no such modification or amendment that adversely affect the rights, duties or obligations of the Auction Agent shall be made without the consent of the Auction Agent. If on the first Auction Date occurring at least 20 days after the date on which the Paying Agent/Registrar mailed notice of such proposed modification or amendment to the registered owners of the Outstanding Bonds of a subseries as and to the extent required by the Forty-First Ordinance, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the City a Favorable Opinion of Bond Counsel, the proposed modification or amendment shall be deemed to have been consented to by the owners of all affected Outstanding Bonds of such subseries.

(c) If the Securities Depository notifies the City that it is unwilling or unable to

continue as Owner of the Bonds of a subseries or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the City within 90 days after the City receives notice or becomes aware of such condition, as the case may be, the City shall execute and the Paying Agent/Registrar shall authenticate and deliver certificates representing the Bonds of such subseries. Such Bonds shall be authorized in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the City and the Paying Agent/Registrar.

(d) During an Auction Rate Mode, so long as the ownership of the Bonds of a subseries is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds of a subseries from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of Bonds of a subseries so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.08 Changes in Auction Period or Auction Date

(a) **Changes in Auction Period.** During any Auction Rate Mode, the City may from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds of any subseries among a daily, seven-day, 28-day, 35-day and a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by Bonds of such subseries. An Authorized Officer shall initiate the change in the length of the Auction Period by giving written notice to the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(i) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days or a Special Auction Period and shall be for all of the Bonds of a subseries in an Auction Rate Mode.

(ii) The change in the length of the Auction Period for Bonds of any subseries shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period for Bonds of any subseries

shall take effect only if (A) the Auction Agent receives, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from an Authorized Officer consenting to the change in the length of the Auction Period specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of a subseries for which there is to be a change in the length of the Auction Period except to the extent such Existing Owner submits an Order with respect to such Bonds. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Auction Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period (provided however, that if the Auction Period, without reference to the proposed change, would have been the daily Auction Period, then the Auction Period shall remain the daily Auction Period).

(iv) On the conversion date for Bonds of a subseries from one Auction Period to another, any Bonds of such subseries which are not the subject of a specific Hold Order or Bid shall be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Mode, the Auction Agent, with the written consent of an Authorized Officer, may specify an earlier Auction Date for Bonds of any subseries (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on such Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the City, the Broker-Dealers and the Securities Depository.

ARTICLE III **Auction Agent**

Section 3.01 Auction Agent

(a) The Auction Agent shall be appointed by the City to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by an Auction Agreement delivered to the City, the Paying Agent/Registrar and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the City.

(c) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02 Qualifications of Auction Agent; Resignation; Removal

. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of National Association of Securities Dealers having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by the Ordinance and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Ordinance by giving at least ninety (90) days notice to each Broker-Dealer and the City. The Auction Agent may be removed at any time by the City by written notice, delivered to the Auction Agent and each Broker-Dealer. Upon any such resignation or removal, the City, with the consent of the Insurer, which consent shall not be unreasonably withheld, shall appoint a successor Auction Agent meeting the requirements of this Section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the City. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the City and the Insurer and at the end of such 45-day period, if the Insurer has not voluntarily paid the unpaid compensation to the Auction Agent, the resignation will become effective, even if a successor Auction Agent has not been appointed.

APPENDIX A

MULTI-MODAL PROVISIONS

TABLE OF CONTENTS

Page

APPENDIX A

ARTICLE A-I

DEFINITIONS

Section A-101	Definitions	A-1
Section A-102	Rules of Construction	A-8

ARTICLE A-II

INTEREST RATE MODES, INTEREST RATES AND PAYMENT

Section A-201	Denominations; Medium, Method and Place of Payment of Principal and Interest	A-9
Section A-202	Determination of Interest Rate During Daily Rate Mode	A-10
Section A-203	Determination of Interest Rate During Weekly Rate Mode	A-10
Section A-204	Determination of Term Rate(s) and Fixed Rate	A-10
Section A-205	Alternate Rate for Interest Calculation	A-11
Section A-206	Determination of Interest Rate and Auction Period During Auction Rate Mode	A-12
Section A-207	Changes in Mode	A-13

ARTICLE A-III

REDEMPTION OF BONDS

Section A-301	Optional Redemption	A-15
Section A-302	Redemption from Sinking Fund Installments	A-16
Section A-303	Notice of Redemption of Bonds in Certain Modes	A-17
Section A-304	Redemption of Bank Bonds.	A-17
Section A-305	Bank Bonds To Be Redeemed First; Redemption in Part	A-17

ARTICLE A-IV

PURCHASE OF BONDS

Section A-401	Optional Tenders or Bonds in Daily Rate Mode and Weekly Rate Mode.	A-18
Section A-402	Mandatory Purchase on Any Mode Change Date	A-19
Section A-403	Mandatory Purchase Upon Expiration Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date	A-19

Section A-404	Mandatory Purchase at End of each Term Rate Mode Interest Period	A-19
Section A-405	Notice of Mandatory Tender for Purchase	A-19
Section A-406	Purchase Fund	A-21
Section A-407	Remarketing of Bonds of a subseries; Notices	A-22
Section A-408	Source of Funds for Purchase of Bonds of a subseries	A-23
Section A-409	Delivery of Bonds	A-24
Section A-410	Delivery and Payment for Purchased Bonds of a subseries; Undelivered Bonds	A-24
Section A-411	Draws on Liquidity Facility.	A-25

ARTICLE A-V

Section A-501	Liquidity Facility and Credit Facility.	A-25
Section A-502	Direct-Pay Credit Facility Drawing Account.	A-27
Section A-503	Amendments Relating to Credit Facilities and Liquidity Facilities	A-28

ARTICLE A-VI

AGENTS

Section A-601	Remarketing Agent	A-28
Section A-602	Tender Agent	A-29
Section A-603	Auction Agent	A-29
Section A-604	Broker-Dealers	A-29

ARTICLE A-VII

MISCELLANEOUS

Section A-701	Modifications or Amendments to the Ordinance	A-30
Section A-702	Notices	A-30

Exhibit I – Auction Rate Procedures	I-1
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APPENDIX A

MULTI-MODAL PROVISIONS

ARTICLE A-I

DEFINITIONS

Section A-101 Definitions

Capitalized terms used but not otherwise defined in this Appendix A shall have the meanings set forth in the Ordinance adopted on August 4, 2005, by the City Council of the City of Austin (the "Ordinance"). The following terms shall, for all purposes herein and (except as the context may otherwise require) in the Ordinance, have the following meanings:

Alternate Credit Facility means a Credit Facility that is issued in substitution for a then-existing Credit Facility in accordance with, and pursuant to, Section A-501 hereof, as the same may be amended or supplemented from time to time.

Alternate Liquidity Facility means a Liquidity Facility that is issued in substitution for a then-existing Liquidity Facility in accordance with, and pursuant to, Section A-501 hereof, as the same may be amended or supplemented from time to time.

Alternate Rate means, on any Rate Determination Date, the BMA Index or if the BMA Index is no longer published, an index or a rate selected or determined by the City with the consent of the Insurer and the Credit Facility Issuer, which consent shall not be unreasonably withheld.

Auction Agent shall have the meaning set forth in Exhibit I hereto.

Auction Agreement shall have the meaning set forth in Exhibit I hereto.

Auction Date shall have the meaning set forth in Exhibit I hereto.

Auction Period shall have the meaning set forth in Exhibit I hereto.

Auction Period Rate shall have the meaning set forth in Exhibit I hereto.

Auction Procedures shall have the meaning set forth in Exhibit I hereto.

Auction Rate Mode means the mode during which the duration of the Auction Period and the interest rate is determined in accordance with Section A-206 hereof and Exhibit I hereto.

Authorized Denominations means with respect to Bonds of a subseries (i) in an Auction Rate Mode, \$25,000 and any integral multiple thereof, (ii) in a Daily Rate Mode or Weekly Rate Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof and (iii) in a Term Rate Mode or Fixed Rate Mode, \$5,000 and any integral multiple thereof, provided, however, that if

as a result of the change in the Mode of the Bonds of a subseries from a Term Rate Mode to an Auction Rate Mode, Daily Rate Mode or Weekly Rate Mode, it is not possible to deliver all the Bonds of a subseries required or permitted to be Outstanding in a denomination permitted above, Bonds of a subseries may be delivered, to the extent necessary, in different denominations.

Bank Interest Rate means with respect to any amounts owing under any Bank Bond, the rate of interest which is (i) applicable to the amounts owing under such Bank Bond as specified in and computed in accordance with the Liquidity Facility and (ii) not in excess of the Maximum Rate.

Bank Bond means any Bond of a subseries during any period commencing on the day such Bond is owned by or held on behalf of the Liquidity Facility Issuer or its permitted assignee as a result of such Bond having been purchased pursuant to Article A-IV hereof from the proceeds of a draw under the Liquidity Facility and ending when such Bond is, pursuant to the provisions of the Liquidity Facility, no longer deemed to be a Bank Bond.

Bank Bond Maximum Rate means the per annum rate as determined by the City and consented to by the Liquidity Facility Issuer and set forth in the Liquidity Facility, but in no event higher than Maximum Rate.

BMA Index means The Bond Market Association Municipal Swap Index released by Municipal Market Data to its subscribers.

Bonds or Bonds of a subseries and words of like import shall mean any Bonds authorized pursuant to the Ordinance and issued in accordance with the Ordinance, or all such Bonds collectively, as the context may require.

Broker-Dealer shall have the meaning set forth in Exhibit I hereto.

Broker-Dealer Agreement shall have the meaning set forth in Exhibit I hereto.

Business Day means a day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which the Paying Agent/Registrar, the Insurer, the Tender Agent, the Auction Agent (if the Bonds of a subseries are in an Auction Rate Mode), the Broker-Dealers (if the Bonds of a subseries are in an Auction Rate Mode), the Remarketing Agent, the Credit Facility Issuer, the Liquidity Facility Issuer or banks and trust companies in New York, New York are authorized or required to remain closed, or (iii) a day on which the New York Stock Exchange is closed.

Credit Facility means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the City and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Bond, but excluding, for purposes of this Appendix A, any Liquidity Facility as defined below) which is obtained by the City pursuant to Section A-501 hereof and that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of principal of and interest on the Bonds of a subseries becoming due and payable during the term thereof, as the same may be amended or

supplemented from time to time.

Credit Facility Issuer means the issuer of a Credit Facility.

Current Mode has the meaning specified in Section A-207(b) hereof.

Daily Rate Mode means the mode during which Bonds of a subseries bear interest at a Daily Rate.

Daily Rate means an interest rate determined pursuant to Section A-202 hereof.

Differential Interest Amount has the meaning specified in Section A-201 hereof.

Direct-Pay Credit Facility means a Credit Facility that is issued in the form of a direct-pay letter of credit.

Direct-Pay Credit Facility Drawing Account means the Account that may be established pursuant to Section A-502 hereof.

Electronic Means means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

Expiration Date means, with respect to a Credit Facility or Liquidity Facility with respect to the Bonds of a subseries, the stated expiration date of such Credit Facility or Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the "Expiration Date" shall not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Bonds of such subseries bear interest at a Fixed Rate or an Auction Period Rate or the expiration of such Credit Facility or Liquidity Facility by reason of the obtaining of an Alternate Credit Facility or Alternate Liquidity Facility.

Expiration Tender Date shall have the meaning set forth in clause (a) of Section A-403 hereof.

Favorable Opinion of Bond Counsel means, with respect to any action the occurrence of which requires such an opinion, an opinion of nationally recognized bond counsel to the effect that such action is permitted under Applicable Law, the Ordinance and the Master Debt Ordinance, and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

Fixed Rate means an interest rate fixed to the Stated Maturity Date of the Bonds of a subseries.

Fixed Rate Mode means the period during which Bonds of a subseries bear interest at a Fixed Rate.

Insurer means MBIA Insurance Corporation..

Interest Non-Reinstatement Tender Date shall have the meaning set forth in clause (c) of Section A-403 hereof.

Interest Payment Date means the following dates upon which interest is payable on Bonds of a subseries:

- (a) the Stated Maturity Date or any Mode Change Date;
- (b) with respect to the Daily Rate Mode and the Weekly Rate Mode, the first Business Day of each calendar month;
- (c) with respect to the Auction Rate Mode, each date that is specified as an "Interest Payment Date" in Exhibit I hereto;
- (d) with respect to the Term Rate Mode, each May 1 and November 1 prior to the Purchase Date, and the Purchase Date;
- (e) with respect to the Fixed Rate Mode, each May 1 and November 1, provided that the Interest Payment Dates for the Fixed Rate Mode may be changed in connection with the conversion to such Mode upon receipt of a Favorable Opinion of Bond Counsel; and
- (f) with respect to a Bank Bond, each date that is specified as a date on which interest is payable thereon pursuant to the Liquidity Facility under which such Bank Bond was purchased.

Interest Period means the period of time that any interest rate remains in effect, which period:

- (i) with respect to Bonds of a subseries in the Daily Rate Mode, shall be the period from and including the Closing Date (if initially issued in the Daily Rate Mode) or the Mode Change Date that they began to bear interest at the Daily Rate to and excluding the next Business Day and thereafter commencing on each Business Day to and excluding the next Business Day;
- (ii) with respect to Bonds of a subseries in the Weekly Rate Mode, shall be the period from and including the Closing Date (if initially issued in the Weekly Rate Mode) or the Mode Change Date that they began to bear interest at the Weekly Rate to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the Maturity Date;
- (iii) with respect to Bonds of a subseries in the Term Rate Mode, shall be the period from and including the Closing Date (if initially issued in the Term Rate Mode) or the Mode Change Date that they began to bear interest at the Term Rate to and including the date selected by the City prior to the Closing Date or the Mode Change Date, as the case may be, as the last day upon which an interest rate determined by the Remarketing Agent pursuant to Section A-204 hereof shall be in effect, and thereafter, shall be the period beginning on the day after the end of

the prior Interest Period and ending on the date selected by the City prior to the end of such Interest Period as the last day upon which an interest rate determined by the Remarketing Agent pursuant to Section A-204 hereof shall be in effect; provided, that no Interest Period shall extend beyond the day preceding any Mandatory Purchase Date or the Stated Maturity Date; and

(iv) with respect to Bonds of a subseries in the Fixed Rate Mode, shall be the period from and including the Mode Change Date that they began to bear interest at the Fixed Rate to and including the Stated Maturity Date or date of redemption prior to the Stated Maturity Date.

Liquidity and Credit Amount means at any time:

(i) in the case of a Credit Facility and/or a Liquidity Facility that is not also a Direct-Pay Credit Facility and with respect to (a) the Bonds of a subseries bearing interest at the Daily Rate or Weekly Rate, an amount to pay the Purchase Price equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of the Bonds of the Series then Outstanding plus an interest amount equal to 35 days' interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number of days elapsed; and (b) the Bonds of a subseries in the Term Rate Mode, an amount equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of such Bonds then Outstanding plus an interest amount equal to 187 days' interest thereon calculated at the then applicable Term Rate; and

(ii) in the case of a Credit Facility and/or a Liquidity Facility that is also a Direct-Pay Credit Facility and with respect to (a) the Bonds of a subseries bearing interest at the Daily Rate or Weekly Rate, an amount to pay the Purchase Price equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of the Bonds of the Series then Outstanding plus an interest amount equal to 45 days' interest thereon calculated at the Maximum Rate on the basis of a 365 day year for the actual number of days elapsed; and (b) the Bonds of a subseries in the Term Rate Mode, an amount equal to the principal amount (and, with respect to a Credit Facility, Redemption Price) of such Bonds then Outstanding plus an interest amount equal to 197 days' interest thereon calculated at the then applicable Term Rate.

Liquidity Facility means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement acceptable to the Insurer (but excluding, for purposes of this Appendix A, any Credit Facility as defined above) which is obtained by the City pursuant to Section A-501 hereof and that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of the Purchase Price of Bonds of a subseries tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time.

Liquidity Facility Issuer means the issuer of a Liquidity Facility.

Liquidity Facility Purchase Account means the account by the name created pursuant to Section A-406 hereof.

Mandatory Purchase Date means any (i) Mode Change Date, (ii) the Interest Non-Reinstatement Tender Date, (iii) the Substitution Date, (iv) the Expiration Tender Date, (v) the Termination Tender Date and (vi) the Purchase Date of Bonds of a subseries in the Term Rate

Mode.

Maximum Auction Rate shall have the meaning set forth in Exhibit I hereto.

Maximum Rate means (i) twelve percent (12%) per annum or such higher rate as determined by the City with the consent of the Insurer, which consent shall not be unreasonably withheld or (ii) with respect to Bonds of a subseries that are Bank Bonds, the Bank Bond Maximum Rate; provided, however, that in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law, including Chapter 1204 of the Texas Government Code.

Mode means the Auction Rate Mode, the Daily Rate Mode, the Weekly Rate Mode, the Term Rate Mode or the Fixed Rate Mode.

Mode Change Date means, with respect to Bonds of a subseries, the date one Mode terminates and another Mode begins.

Mode Change Notice shall have the meaning specified in Section A-207(b) hereof.

Notice Parties means the City, the Paying Agent/Registrar, the Insurer, the Remarketing Agent (if any), the Tender Agent (if any), the Auction Agent (if any), all Broker-Dealers (if any), the Credit Facility Issuer (if any) and the Liquidity Facility Issuer (if any).

Owner means, with respect to any Bond, the Owner of such Bond pursuant to the Ordinance.

Purchase Date means with respect to any Bond of a subseries (i) in the Term Rate Mode, the Business Day after the last day of the Interest Period applicable thereto and (ii) during the Daily Rate Mode or Weekly Rate Mode, any Business Day upon which such Bond is tendered or deemed tendered for purchase pursuant to Section A-401 hereof.

Purchase Fund means the fund created in Section A-406 hereof.

Purchase Price means an amount equal to the principal amount of any Bond of a subseries purchased on any Purchase Date or Mandatory Purchase Date, plus, in the case of any Bond of a subseries that has been tendered pursuant to Section A-401 hereof, unless the Purchase Date for such Bond is also an Interest Payment Date, accrued interest to the Purchase Date.

Rate Determination Date means any date on which the interest rate on any Bonds of a subseries is required to be determined, being: (i) in the case of Bonds of a subseries in the Daily Rate Mode, each Business Day; (ii) in the case of any Bonds of a subseries in the Weekly Rate Mode, for any Interest Period commencing on a Mode Change Date, the Business Day immediately preceding the Mode Change Date, and for any other Interest Period, each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday; and (iii) in the case of any Bonds of a subseries to be, or to continue to be, in the Term Rate Mode or Fixed Rate Mode, a Business Day prior to the first day of an Interest Period.

Rating Agencies means Fitch, Moody's and S&P or such other nationally recognized securities rating agencies selected by the City.

Record Date means, with respect to Bonds of a subseries (i) in the Auction Rate Mode, the Daily Rate Mode or the Weekly Rate Mode, the opening of business on the Business Day next preceding an Interest Payment Date and (ii) in the Term Rate Mode or Fixed Rate Mode, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

Redemption Date means the date fixed for redemption of Bonds of a subseries subject to redemption in any notice of redemption given in accordance with the terms hereof.

Remarketing Agent means the remarketing agent, if any, appointed pursuant to Section A-601 of this Appendix A.

Remarketing Agreement means the remarketing agreement entered into between the City and the Remarketing Agent with respect to the Bonds of a subseries pursuant to which the Remarketing Agent has agreed to use its best efforts to remarket the Bonds of such subseries on the Mandatory Purchase Date at a price of not less than 100% of the principal amount thereof.

Remarketing Proceeds Account means the account by that name created in Section A-406 hereof.

Ordinance means the Second Supplemental Dallas Cowboys Complex Debt ordinance adopted by the City Council of the City of Austin, Texas, in connection with the issuance of the Bonds.

Securities Depository has the meaning set forth in Exhibit I.

Series means the series, or subseries, as the case may be, designation assigned to the Bonds.

Sinking Fund Installments mean the sinking fund installments for the Bonds as specified in the Pricing Certificate.

Substitution Date means:

(a) the second Business Day preceding the date that is specified in a written notice given to the City, the Remarketing Agent and the Tender Agent in accordance with the Liquidity Facility or the Credit Facility as the date on which the assignment of the obligation of the Liquidity Facility Issuer or the Credit Facility Issuer under such Liquidity Facility or Credit Facility shall be effective; provided, however, that any date specified in such written notice as the effective date of such assignment shall be treated as the effective date of such assignment even if the assignment fails to occur on such date; and

(b) the date that is specified in a written notice given by the City to the Tender Agent and the Remarketing Agent as the date on which an Alternate Credit Facility or an Alternate

Liquidity Facility is to be substituted for a then-existing Credit Facility or Liquidity Facility in effect pursuant to Section A-501 hereof; provided, however, that any date so specified in the written notice shall be treated as a Substitution Date only if a written notice thereof is given to the Tender Agent and the Remarketing Agent at least sixteen (16) days preceding such date; provided further, however, that any date so specified in the written notice shall be treated as a Substitution Date for the purposes of the Ordinance even if the substitution of the Alternate Credit Facility or the Alternate Liquidity Facility fails to occur on such date.

Tender Agent means the tender agent, if any, appointed pursuant to Section A-602 hereof.

Tender Agency Agreement means the tender agency agreement entered into among the City and the Tender Agent with respect to the Bonds of a subseries.

Term Rate means an interest rate determined pursuant to Section A-204 hereof.

Term Rate Mode means the mode during which Bonds of a subseries bear interest at a Term Rate.

Termination Date means, with respect to a Credit Facility or a Liquidity Facility, (i) the date on which such Credit Facility or Liquidity Facility shall terminate pursuant to its terms or otherwise be terminated prior to its Expiration Date or (ii) the date on which the obligation of the Credit Facility Issuer or the Liquidity Facility Issuer to provide a loan shall terminate; provided, however, that "Termination Date" shall not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Expiration Date.

Termination Tender Date shall have the meaning set forth in clause (b) of Section A-403 hereof.

Weekly Rate Mode means a period of time during which Bonds of a subseries bear interest at a Weekly Rate.

Weekly Rate means an interest rate determined pursuant to Section A-203 hereof.

Section A-102 Rules of Construction

(a) This Appendix A constitutes an integral part of the Ordinance and, except to the extent provided in the next sentence, has the same force and effect as if set forth in the forepart of the Ordinance. In the event of any conflict between this Appendix A and the forepart of the Ordinance, the forepart of the Ordinance shall control.

(b) References in the Ordinance and in this Appendix A to Articles or Sections with "A-" preceding the number of an Article or Section are to such Article or Section of this Appendix A.

(c) To the extent that the Bonds are issued in or re-designated into two or more

subseries, references in the Ordinance and in this Appendix A to the Bonds of a subseries shall be deemed to refer to Bonds of such subseries.

(d) Unless otherwise provided in the Ordinance and this Appendix A, references in the Ordinance and in this Appendix A to "time" shall be deemed to refer to New York, New York time.

ARTICLE A-II

INTEREST RATE MODES, INTEREST RATES AND PAYMENT

Section A-201 Denominations, Medium, Method and Place of Payment of Principal and Interest

The Bonds of each subseries shall be issued in Authorized Denominations. While Bonds are in the Auction Rate Mode, Daily Rate Mode or Weekly Rate Mode, accrued and unpaid interest on the Bonds of a subseries shall be due on the Interest Payment Dates and payable by wire transfer of immediately available funds to the account specified by the Owner in a written direction received by the Paying Agent/Registrar on or prior to a Record Date or, if no such account number is furnished, by check mailed by the Paying Agent/Registrar to the Owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Ordinance. The payment of the Purchase Price of Bonds of a subseries on any Purchase Date or Mandatory Purchase Date shall be made by wire transfer in immediately available funds by the Tender Agent to the account specified by the Owner in a written direction received by the Tender Agent or, if no such account number is furnished, by check mailed by the Tender Agent to the Owner at the address appearing on the books required to be kept by the Paying Agent/Registrar pursuant to the Ordinance. Any such direction shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent/Registrar or the Tender Agent, as the case may be.

Interest on Bonds of a subseries that are issued in the Daily Rate Mode or Weekly Rate Mode shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed to the Interest Payment Date. Interest on Bonds of a subseries that are issued in the Term Rate Mode, the Fixed Rate Mode or in the Auction Rate Mode with an Auction Period over 180 days shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on Bonds of a subseries that are issued in the Auction Rate Mode with an Auction Period of 180 days or less shall be calculated on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date.

The interest rates for Bonds of a subseries contained in the records of the Paying Agent/Registrar shall be conclusive and binding upon the City, the Remarketing Agent, the Tender Agent, the Auction Agent, all Broker-Dealers, the Credit Facility Issuer, the Liquidity Facility Issuer and the Owners.

Notwithstanding the provisions of Section A-202 through Section A-206, inclusive, each Bank Bond shall bear interest on the outstanding principal amount thereof, and on the amount (if any) of accrued and unpaid interest thereon, at the Bank Interest Rate for each day from and

including the date such Bond becomes a Bank Bond to, but not including, the date such Bond is paid in full or is remarketed. The Owner of a Bond of a subseries other than the Liquidity Facility Issuer or its permitted assignee shall be paid (and shall be obligated to pay as part of the price paid by such Owner in connection with the remarketing to it of such Bonds) interest thereon for an Interest Period or Auction Period only in the amount that would have accrued thereon at the rate or rates established pursuant to Section A-202, Section A-203, Section A-204, Section A-205 or Section A-206, as applicable, regardless of whether such Bond was a Bank Bond during any portion of such Interest Period. Accrued interest in respect to any Bank Bond shall be payable to the Liquidity Facility Issuer or its permitted assignee on each Interest Payment Date applicable thereto; provided that any Differential Interest Amount due to the Liquidity Facility Issuer or its permitted assignee shall be paid by the City at the times specified in the Liquidity Facility. For purposes of the preceding sentence "Differential Interest Amount" means the excess of (a) interest which has accrued on Bank Bonds at the Bank Interest Rate up to but excluding the Business Day on which such Bank Bonds are purchased from the Liquidity Facility Issuer, less (b) the interest accrued on such Bonds received by the Liquidity Facility Issuer as part of the Purchase Price as therein described.

No Bond of a subseries may bear interest at an interest rate higher than the Maximum Rate.

Section A-202 Determination of Interest Rate During Daily Rate Mode

. The interest rate for any Bond of a subseries in the Daily Rate Mode shall be the rate of interest per annum determined by the Remarketing Agent on or before 9:30 a.m. on the Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Bonds of the Series in the Daily Rate Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the rate available by Electronic Means to each other Notice Party by 10:30 a.m., on the Rate Determination Date or at such other times as may be agreed to by the City and the Remarketing Agent. With respect to any day that is not a Business Day, the interest rate shall be the same rate as the interest rate established for the immediately preceding Business Day. The determination of each interest rate by the Remarketing Agent shall, in the absence of manifest error, be conclusive and binding upon the Remarketing Agent, the Tender Agent, the Paying Agent/Registrar, the Liquidity Facility Issuer, the Credit Facility Issuer, the City and the Owners.

Section A-203 Determination of Interest Rate During Weekly Rate Mode

. To the extent the Bonds of a subseries are initially issued in a Weekly Rate Mode, the interest rate for Bonds of such subseries for the initial Interest Period shall be the rate of interest per annum set forth in the Pricing Certificate. For any Interest Period that is not an initial Interest Period, the interest rate for Bonds of a subseries in a Weekly Rate Mode for each such Interest Period shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Bonds of the Series in the Weekly Rate Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. The Remarketing Agent shall make the

rate available by Electronic Means to each other Notice Party by 5:00 p.m., on the Rate Determination Date or at such other times as may be agreed to by the City and the Remarketing Agent. The determination of each interest rate by the Remarketing Agent shall be conclusive and binding, in the absence of manifest error, upon the Remarketing Agent, the Tender Agent, the Paying Agent/Registrar, the Liquidity Facility Issuer, the Credit Facility Issuer, the City and the Owners.

Section A-204 Determination of Term Rate(s) and Fixed Rate

(a) **Term Rates.** To the extent the Bonds of a subseries are initially issued in a Term Rate Mode, the Term Rate to be effective for the Interest Period commencing on the Closing Date shall be the rate of interest set forth in the Pricing Certificate. The Term Rate to be effective for the Interest Period commencing on any Mode Change Date or Purchase Date after which Bonds of a subseries will bear interest at a Term Rate shall be determined by the Remarketing Agent. No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date or the Purchase Date, as the case may be, the Remarketing Agent shall determine the Term Rate and shall make the Term Rate available by Electronic Means to each other Notice Party. The Term Rate shall be the minimum rate that, in the sole opinion of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the Rate Determination Date taking into consideration the duration of the Interest Period, which shall be established by the City.

(b) **Fixed Rate.** The Fixed Rate to be effective for the Interest Period commencing on any Mode Change Date after which Bonds of a subseries will bear interest at a Fixed Rate, shall be determined by the Remarketing Agent. No later than 4:00 p.m. on the Business Day next preceding the Mode Change Date, the Remarketing Agent shall determine the Fixed Rate and shall make the Fixed Rate available by Electronic Means to each other Notice Party. The Fixed Rate shall be the minimum rate that, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds of the Series at a price equal to the principal amount thereof on the Rate Determination Date taking into consideration the duration of the Interest Period.

(c) **Failure to Establish Term Rate or Fixed Rate.** If, for any reason, a Term Rate or Fixed Rate cannot be established on a Mode Change Date or Purchase Date, as the case may be, the Bonds of the Series affected, other than Bonds of a subseries in an Auction Rate Mode, will be changed automatically to the Weekly Rate Mode on the Purchase Date. Notwithstanding the foregoing, if the Bonds of a subseries have been in an Auction Rate Mode, the Bonds of the Series affected shall remain in the Auction Rate Mode for an Auction Period and bearing an Auction Period Rate as provided in Section A-207(c)(7). Notwithstanding the foregoing, if the Bonds of a subseries have been in a Term Rate Mode and there has been a failure to pay the Purchase Price of the Bonds of such subseries on the Purchase Date, the Bonds of such subseries shall continue to bear interest at the then-existing Term Rate until such Purchase Price has been paid.

Section A-205 Alternate Rate for Interest Calculation

In the event (i) the Remarketing Agent fails to determine the interest rate(s) or Interest Periods with respect to the Bonds of a subseries, or (ii) the method of determining the interest rate(s) or Interest Periods with respect to the Bonds of a subseries shall be held to be unenforceable by a court of law of competent jurisdiction, the Bonds of a subseries, other than Bonds of a subseries in an Auction Rate Mode, shall thereupon, (i) in the case of Bonds in the Daily Rate Mode and Term Rate Mode, be automatically converted to a Weekly Rate Mode, and (ii) in the case of Bonds in the Weekly Rate Mode, bear interest at the Alternate Rate for subsequent Interest Periods until such time as the Remarketing Agent again makes such determination or until there is delivered to the City a Favorable Opinion of Bond Counsel. Notwithstanding the foregoing, if the Bonds of a subseries have been in a Term Rate Mode and there has been a failure to pay the Purchase Price of the Bonds of such subseries on the Purchase Date, the Bonds of such subseries shall continue to bear interest at the then-existing Term Rate until such Purchase Price has been paid.

Section A-206 Determination of Interest Rate and Auction Period During Auction Rate Mode

(a) During any Auction Rate Mode, the Bonds of a subseries shall bear interest at the Auction Period Rate for each Auction Period determined as set forth in this Section and Exhibit I hereto. The provisions of such Exhibit I constitute an integral part of this Appendix A and the Ordinance and have the same force and effect as if set forth in the forepart of this Appendix A or the Ordinance.

To the extent that the Bonds of any subseries are initially issued in an Auction Rate Mode, (i) the initial Auction Period for the Bonds of such subseries shall commence from and include the Closing Date and shall expire on and include the initial Auction Date, (ii) the initial Auction Date for the Bonds of such subseries (which will be the day of the week on which Auctions will generally be conducted) shall be the date set forth in the Pricing Certificate and (iii) the Auction Period Rate for the initial Auction Period for such Bonds of a subseries shall be the interest rate set forth in the Pricing Certificate. After the initial Auction Period, each Auction Period shall be an Auction Period set forth in the Pricing Certificate unless such Auction Period is adjusted or changed to a daily, 7-day, 28-day, 35-day or a Special Auction Period in accordance with Exhibit I hereto. For any other Auction Period that is not an initial Auction Period, the Auction Period Rate shall be the rate of interest determined in accordance with Exhibit I.

To the extent that the Mode that is applicable to the Bonds of a subseries is changed to an Auction Rate Mode, the initial Auction Period immediately after such change shall commence from and include the Mode Change Date and shall expire on and include the initial Auction Date. The initial Auction Date (which will be the day of the week on which Auctions will generally be conducted) immediately after any change in the Mode applicable to the Bonds of a subseries to an Auction Rate Mode shall be the date determined and certified (with a copy to the Remarketing Agent, the Broker-Dealer(s), the Auction Agent, the Insurer and the Credit Facility Issuer (if any)) by the City on or before the Mode Change Date. The Auction Period Rate for any initial Auction Period immediately after any change in the Mode applicable to the Bonds of

a subseries to an Auction Rate Mode shall be the rate of interest per annum determined and certified to the City (with a copy to the Remarketing Agent, the Auction Agent, the other Broker-Dealers, if any, the Insurer and the Credit Facility Issuer (if any)) by the Broker-Dealer designated by the City on a date not later than the Mode Change Date as the minimum rate of interest which, in the opinion of such Broker-Dealer, would be necessary as of such date to market Bonds of a subseries in an Auction Rate Mode in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed the Maximum Rate. After the initial Auction Period, each Auction Period shall be an Auction Period certified (with a copy to the Remarketing Agent, the Broker-Dealer(s), the Auction Agent, the Insurer and the Credit Facility Issuer (if any)) by the City on or before the Mode Change Date, unless such Auction Period is adjusted or changed to a daily, 7-day, 28-day, 35-day or a Special Auction Period in accordance with Exhibit I hereto. For any other Auction Period that is not an initial Auction Period, the Auction Period Rate shall be the rate of interest determined in accordance with Exhibit I.

(b) During any Auction Rate Mode, upon the occurrence of a default by the Insurer in the payment of principal, Sinking Fund Installment, interest or premium on any Bond of a subseries in the Auction Rate Mode which is unpaid by the City after the same shall have become due, whether at maturity, upon call for redemption or on an Interest Payment Date, the Paying Agent/Registrar shall immediately give notice of the occurrence of such events to the Auction Agent and the Broker-Dealers.

(c) Less than all of the Bonds of a subseries then subject to a particular Auction Period may be converted to another Auction Period in accordance with Exhibit I; provided, however, that in such event such subseries shall be re-designated into two or more subseries for each separate Auction Period with a new CUSIP number for each subseries.

(1) If less than all of the Bonds of a subseries then subject to a particular Auction Period are converted to another Auction Period in accordance with Exhibit I, the particular Bonds of a subseries or portions thereof which are to be converted to a new Auction Period shall be selected by the Auction Agent in its discretion subject to the provisions hereof regarding Authorized Denominations of Bonds of a subseries subject to such Mode.

(2) All Bonds of any subseries shall be in the same Auction Period, except to the extent that the Bonds of any subseries are issued in or re-designated into two or more subseries. If the Bonds of any subseries are issued in or re-designated into two or more subseries, then all Bonds within any subseries shall be in the same Auction Period.

Section A-207 Changes in Mode

(a) Changes. Any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner hereinafter provided. Subsequent to such change in Mode, the Bonds may again be changed to a different Mode at the times and in the manner hereinafter

provided. Any Bonds of a subseries converted to a Fixed Rate Mode shall not be changed to any other Mode.

(b) Notice of Intention to Change Mode. The City, shall give written notice (the "Mode Change Notice") to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (the "Current Mode") to another Mode (the "New Mode") specified in such written notice, together with the proposed Mode Change Date. Such notice shall be given at least twenty (20) days prior to the Mode Change Date.

(c) General Provisions Applying to Changes from One Mode to Another.

(1) The Mode Change Date must be a Business Day.

(2) Additionally, the Mode Change Date:

(a) from a Term Rate Mode shall be the Purchase Date of the current Interest Period; and

(b) from an Auction Rate Mode shall be the Interest Payment Date following the last day of an Auction Period.

(3) On or prior to the date the City provides, the notice to the Notice Parties pursuant to Section A-207(b) hereof, the City shall have received a letter from counsel acceptable to the City and addressed to the City and the other Notice Parties to the effect that it expects to be able to deliver a Favorable Opinion of Bond Counsel on the Mode Change Date.

(4) No change in Mode will become effective unless all conditions precedent thereto have been met and the following items shall have been delivered to the Trustee by 11:00 a.m., or such later time as is acceptable to the Authorized Officer, on behalf of the City, and the Trustee, on the Mode Change Date:

(a) except in the case of a change in Mode pursuant to Section A-204(c), Section A-205 or Section A-207(c)(6), a Favorable Opinion of Bond Counsel dated the Mode Change Date;

(b) except in the case of a change to Fixed Rate Mode or an Auction Rate Mode, a Liquidity Facility providing for the purchase of Bonds upon optional and mandatory tender for purchase thereof;

(c) if required, unless a Tender Agency Agreement and Remarketing Agreement is effective, an executed copy of such Tender Agency Agreement and Remarketing Agreement;

(d) a certificate of an authorized officer of the Tender Agent to the effect that all of the Bonds of a subseries tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the Purchase Price thereof;

(f) with respect to a change in the Mode to an Auction Rate Mode, an executed copy of an Auction Agreement and one or more Broker-Dealer Agreements; and

(g) written consent of the Insurer.

(5) If all conditions to the Mode change are met, the Interest Period(s) or the Auction Period for the New Mode shall commence on the Mode Change Date and the Interest Rate(s) shall be determined by the Remarketing Agent in the manner provided in Section A-202, Section A-203, Section A-204 and Section A-206, as applicable.

(6) With respect to a change in the Mode from any Mode (other than an Auction Rate Mode) to any other Mode, in the event the foregoing conditions have not been satisfied by the Mode Change Date, the New Mode shall not take effect and the Bonds of the Series that are the subject of the Mode Change Notice will be changed to Bonds in the Weekly Rate Mode on the Mode Change Date.

(7) With respect to a change in the Mode from an Auction Rate Mode to any other Mode, in the event the foregoing conditions have not been satisfied, the Bonds of a subseries that are subject to the Mode Change Notice will not be subject to mandatory tender for purchase, will continue to bear interest in the Auction Rate Mode and the Auction Period Rate for the Auction Period commencing on the failed Mode Change Date shall be equal to the Maximum Auction Rate as determined on the Auction Date for such Auction Period and the Auction Period commencing on the failed Mode Change Date shall be a seven-day Auction Period. Thereafter, the Auction Period Rate for each succeeding Auction Period shall be determined in accordance with Exhibit I and each Auction Period shall be a seven-day Auction Period until the length of the Auction Period is changed in accordance with Exhibit I.

(d) Serial and Term Bonds. The City may, in the notice given pursuant to Section A-207(b) hereof in connection with any change of Bonds of a subseries to the Term Rate Mode or Fixed Rate Mode, provide that all or some of such Bonds shall be serial or term Bonds. The total aggregate principal amount of Bonds due on any date shall be equal to the Sinking Fund Installment specified for such date, and the remaining Sinking Fund Installments shall continue to be sinking fund installments for the Bonds of the Series due on the Stated Maturity Date, unless the City specifies otherwise in the notice. The interest rate for serial or term Bonds maturing on a particular date may be different from the interest rate or rates established for other Bonds.

(e) Partial Mode Changes and Subseries Designations. Less than all of the Bonds of a subseries then subject to a particular Mode may be converted to another Mode pursuant to this Section; provided, however, that in such event such subseries shall be re-designated into two or more subseries for each separate Mode with a new CUSIP number for each subseries.

(1) If less than all of the Bonds of a subseries then subject to a particular Mode are converted to another Mode pursuant to this Section, the particular Bonds of a subseries or portions thereof which are to be converted to a New Mode shall be selected

by the City in its discretion subject to the provisions hereof regarding Authorized Denominations of Bonds of a subseries subject to such New Mode.

ARTICLE A-III

REDEMPTION OF BONDS

Section A-301 **Optional Redemption**

(a) Bonds of a subseries in the Auction Rate Mode shall be subject to redemption at the option of the City, in whole or in part, on any Interest Payment Date immediately following an Auction Period, at the Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date; provided, however, that in the event of a partial redemption of Bonds of a subseries in an Auction Rate Mode, the aggregate principal amount of Bonds of a subseries in an Auction Rate Mode which will remain outstanding shall be equal to or more than \$10,000,000 unless otherwise consented to by each Broker-Dealer. To the extent the Bonds that are in a Mode other than the Fixed Rate Mode and are subject to optional redemption, the City, at least 20 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar, the Auction Agent and any Broker-Dealers of such redemption date and of the principal amount of Bonds to be redeemed.

(b) Bonds of a subseries in the Daily Rate Mode or Weekly Rate Mode shall be subject to redemption at the option of the City, in whole or in part, on any Business Day, at the Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(c) Bonds of a subseries in a Term Rate Mode during an Interest Period that is less than 4 years shall be subject to redemption at the option of the City, in whole or in part on their individual Purchase Dates, at the Redemption Price equal to the principal amount thereof, plus interest accrued to the Redemption Date.

(d) Bonds of a subseries in the Term Rate Mode during an Interest Period that is equal to or greater than 4 years or Bonds of a subseries in the Fixed Rate Mode are subject to redemption at the option of the City, in whole or in part, on any date following the "No Call Period" set forth below at the Redemption Prices set forth below:

OPTIONAL REDEMPTION DURING TERM RATE MODE AND FIXED RATE MODE

<u>Duration of Interest Period in Term Rate Mode or Fixed Rate Mode</u>	<u>No Call Period (commencing on the date of commencement of the Term Rate Mode or Fixed Rate Mode Interest Period)</u>	<u>Redemption Price</u>
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Greater than or equal to 10 years	8 years	100%
Greater than or equal to 8 years and less than 10 years	6 years	100%
Greater than or equal to 4 years and less than 8 years	3 years	100%
Less than 4 years	Bonds are subject to optional redemption at any time	100%

(e) The City may, in connection with a change to a Term Rate Mode or Fixed Rate Mode or on any Purchase Date for Bonds of a subseries bearing interest at a Term Rate, alter its rights as described above in Section A-301(d) or in Article IV of the Ordinance to redeem any Bonds of such subseries on and after the Mode Change Date or Purchase Date, as the case may be, without the consent of Owners of the Bonds of such subseries; provided, that notice describing the alteration shall be submitted to the Tender Agent and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to them.

Section A-302 Redemption from Sinking Fund Installments

To the extent that the Pricing Certificate provides that Bonds of a subseries are subject to redemption from sinking fund installments, the date on which a Sinking Fund Installment shall be due when the Bonds of such subseries are in an Auction Rate Mode shall be the dates set forth in the Pricing Certificate, or if any such date is not an Interest Payment Date, the Interest Payment Date immediately succeeding such date.

Section A-303 Notice of Redemption of Bonds in Certain Modes

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds that are in the Auction Rate Mode, Daily Rate Mode, Weekly Rate Mode or Term Rate Mode by sending notice by first class United States mail, postage prepaid, not less than 15 days before the date fixed for redemption, to the Owner of each Bond (or part hereof) to be redeemed, at the address shown on the Obligation Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

(d) If any subseries of Bonds in the Auction Rate Mode are to be redeemed and such Bonds are held by a Securities Depository, the Paying Agent/Registrar shall include in the notice delivered to the Securities Depository (i) a date placed under an item entitled "Publication Date for Securities Depository Purposes" and such date shall be three Business Days after the Auction Date immediately preceding such redemption date and (ii) an instruction to the Securities

Depository to (x) determine on such Publication Date the Securities Depository Participants whose Securities Depository positions shall be redeemed and the principal amount of such Bonds to be redeemed from each such position (the "Securities Depository Redemption Information"), and (y) notify the Auction Agent immediately after such determination of (1) the positions of the Securities Depository Participants in such Bonds immediately prior to such Auction settlement, (2) the position of the Securities Depository Participants in such Bonds immediately following such Auction settlement, and (3) the Securities Depository Redemption Information.

Section A-304 Redemption of Bank Bonds.

(a) The Bank Bonds of a subseries shall be subject to redemption at the option of the City, in whole or in part, on any Business Day, at the Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

(b) The Bank Bonds of a subseries also shall be subject to mandatory redemption as provided in a Certificate of an Authorized Officer.

Section A-305 Bank Bonds To Be Redeemed First; Redemption in Part

. In the event of redemption of less than all the Bonds of a subseries having the same Maturity Date and bearing the same interest rate, the Paying Agent/Registrar shall (unless otherwise provided in the Liquidity Facility applicable thereto) first select for redemption all then Outstanding Bank Bonds prior to selecting for redemption any Bonds of such subseries which are not Bank Bonds unless the Liquidity Facility Issuer shall be in default under the Liquidity Facility, in which case, the Paying Agent/Registrar shall at the written direction of the City, select for redemption all then Outstanding Bonds of the Series in accordance with said direction. The Paying Agent/Registrar shall promptly give the Liquidity Facility Issuer and the Remarketing Agent notice by telephone of the selection of any Bank Bonds for redemption pursuant to the foregoing provision. New Bonds of the Series representing the unredeemed balance of the principal amount thereof shall be issued in Authorized Denominations to the Owner thereof, without charge therefor. Any new Bond of a subseries issued pursuant to this Section shall be executed in manual or facsimile signatures by the Mayor and City Secretary of the City and authenticated by the Paying Agent/Registrar and shall be in an aggregate unpaid principal amount equal to the unredeemed portion of such Bond surrendered.

ARTICLE A-IV

PURCHASE OF BONDS

Section A-401 Optional Tenders or Bonds in Daily Rate Mode and Weekly Rate Mode.

(a) Any Bond of a subseries (or portions thereof in Authorized Denominations) in the Daily Rate Mode that is not a Bank Bond is subject to purchase, on the demand of the Owner thereof, at a price equal to the Purchase Price on any Business Day (such purchase to be made on the Business Day upon which such demand is made), upon irrevocable notice submitted by Electronic Means to the Tender Agent and the Remarketing Agent (promptly confirmed in

writing by such Owner), delivered to the Tender Agent and the Remarketing Agent by telecopier by 11:00 a.m., New York City time, at their respective Principal Offices, which states the number and principal amount of such Bond being tendered and the Purchase Date. Such tender notice, once transmitted to the Tender Agent, shall be irrevocable with respect to the tender for which such tender notice was delivered and such tender shall occur on the Business Day specified in such Tender Notice. The Tender Agent shall, as soon as practicable, notify the City of the principal amount of Bonds of the Series being tendered. The contents of any such irrevocable telephonic tender notice shall be conclusive and binding on all parties.

(b) The Owners of Bonds of a subseries in a Weekly Rate Mode that are not Bank Bonds may elect to have such Bonds (or portions thereof in Authorized Denominations) purchased at a price equal to the Purchase Price upon delivery of an irrevocable written notice of tender to the Tender Agent and Remarketing Agent, at their respective Principal Offices, not later than 4:00 p.m. on a Business Day not less than seven (7) days before the Purchase Date specified by the Owner. Such notice shall (i) state the number and the principal amount of such Bond being tendered and (ii) state that such Bond shall be purchased on the Purchase Date so specified by the Owner. The Tender Agent shall notify the City by the close of business on the next succeeding Business Day of the receipt of any notice pursuant to this paragraph.

(c) Notwithstanding anything herein to the contrary, during any period that the Bonds of a subseries are issued registered in the name of DTC or a nominee thereof pursuant to the Ordinance, (i) any notice of tender delivered pursuant to this Section shall identify the DTC participant through whom the beneficial owner will direct transfer, (ii) on or before the Purchase Date, the beneficial owner must direct (or if the beneficial owner is not a DTC participant, cause its DTC participant to direct) the transfer of said Bond on the records of DTC, and (iii) it shall not be necessary for Bonds of a subseries to be physically delivered on the date specified for purchase thereof, but such purchase shall be made as if such Bonds had been so delivered, and the Purchase Price thereof shall be paid to DTC. In accepting a notice of tender of any Bond of a subseries pursuant to this Section, the City, the Paying Agent/Registrar and the Tender Agent may conclusively assume that the Person providing the notice of tender is the beneficial owner of the Bonds being tendered and therefore entitled to tender them. The City, Paying Agent/Registrar and Tender Agent assume no liability to anyone in accepting a notice of tender from a Person whom it reasonably believes to be such a beneficial owner of the Bonds of the Series.

Section A-402 Mandatory Purchase on Any Mode Change Date

. Except for Bank Bonds, the Bonds of a subseries to be changed to any Mode from any other Mode are subject to mandatory tender for purchase on the Mode Change Date at the Purchase Price.

Section A-403 Mandatory Purchase Upon Expiration Date, Termination Tender Date, Interest Non-Reinstatement Date and Substitution Date

. Except for Bank Bonds, the Bonds of a subseries shall be subject to mandatory tender for purchase on:

(a) the second Business Day preceding the Expiration Date of a Credit Facility or Liquidity Facility, which second Business Day is hereinafter referred to as an "Expiration Tender Date";

(b) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Credit Facility or a Liquidity Facility, which fifth calendar day is hereinafter referred to as a "Termination Tender Date", if the Liquidity Facility permits a draw thereon on the Termination Tender Date;

(c) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the City of a written notice from the issuer of a Direct-Pay Credit Facility that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to the Bonds of such subseries, which fifth calendar day is hereinafter referred to as an "Interest Non-Reinstatement Tender Date"; and

(d) the Substitution Date for a Credit Facility or a Liquidity Facility.

Section A-404 Mandatory Purchase at End of each Term Rate Mode Interest Period

Except for Bank Bonds, the Bonds of a subseries in the Term Rate Mode are subject to mandatory tender for purchase on each Purchase Date at the Purchase Price.

Section A-405 Notice of Mandatory Tender for Purchase

(a) The Paying Agent/Registrar shall, at least fifteen (15) days prior to the Expiration Tender Date with respect to Bonds of a subseries, give notice of the mandatory tender of the Bonds of such subseries on such Expiration Tender Date if it has not theretofore received confirmation that the Expiration Date has been extended.

(b) Upon receipt of a written notice from the Credit Facility Issuer, the Liquidity Facility Issuer or the City that the Credit Facility or the Liquidity Facility, as the case may be, will terminate or the obligation of the Credit Facility Issuer or Liquidity Facility Issuer, as the case may be, to provide a loan thereunder will terminate prior to its Expiration Date, the Paying Agent/Registrar shall within one (1) Business Day give notice of the mandatory tender of the Bonds of such subseries that is to occur on such Termination Tender Date if it has not theretofore received from the Credit Facility Issuer, the Liquidity Facility Issuer or the City, as the case may be, a notice stating that the event which resulted in the Credit Facility Issuer, the Liquidity Facility Issuer or the City giving a notice of the Termination Date has been cured and that the Credit Facility Issuer, the Liquidity Facility Issuer or the City has rescinded its election to terminate the Credit Facility or Liquidity Facility, as the case may be. Notwithstanding anything to the contrary in subsection (f) below, such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as provided in this subsection (b) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

(c) Upon receipt of a written notice from the issuer of a Direct-Pay Credit Facility that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to the Bonds of such subseries, the Paying Agent/Registrar shall within one (1) Business Day give notice of the mandatory tender of the Bonds of such subseries on such Interest Non-Reinstatement Tender Date if it has not theretofore received from the issuer of the Direct-Pay Credit Facility a notice stating that the Direct-Pay Credit Facility has been reinstated to an amount equal to the interest component of the Liquidity and Credit Amount. Notwithstanding anything to the contrary in subsection (f) below, such notice shall be given by Electronic Means capable of creating a written notice. Any notice given substantially as provided in this subsection (c) shall be conclusively presumed to have been duly given, whether or not actually received by each Owner.

(d) The Paying Agent/Registrar shall, at least fifteen (15) days prior to any Substitution Date with respect to a Liquidity Facility relating to any Bonds, give notice of the mandatory tender of such Bonds that is to occur on such Substitution Date.

(e) The Paying Agent/Registrar shall, at least fifteen (15) days prior to (i) any Mode Change Date or (ii) the end of an Interest Period with respect to Bonds of a subseries in the Term Rate Mode, give notice of the mandatory tender for purchase of such Bonds that is to occur on such date.

(f) Notice of any mandatory tender of Bonds of a subseries shall state that such Bonds are to be purchased pursuant to Sections A-402, A-403 or A-404, and shall be provided by the Paying Agent/Registrar or caused to be provided by the Paying Agent/Registrar by mailing a copy of the notice of mandatory tender by first-class mail to each Owner of Bonds of the Series at the respective addresses shown on the registry books. Each notice of mandatory tender for purchase shall identify the reason for the mandatory tender for purchase, and specify the Mandatory Purchase Date, the Purchase Price, the place and manner of payment, that the Owner has no right to retain such Bonds and that no further interest will accrue from and after the Mandatory Purchase Date to such Owner. Each notice of mandatory tender for purchase caused by a change in the Mode applicable to the Bonds of a subseries shall in addition specify the conditions that have to be satisfied pursuant to Section A-207 hereof in order for the New Mode to become effective and the consequences that the failure to satisfy any of such conditions would have. In the event a mandatory tender of Bonds of a subseries shall occur at or prior to the same date on which an optional tender for purchase is scheduled to occur, the terms and conditions of the applicable mandatory tender for purchase shall control. The Paying Agent/Registrar shall give a copy of any notice of mandatory tender given by it to the other Notice Parties. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner of any Bond receives the notice, and the failure of such Owner to receive any such notice shall not affect the validity of the action described in such notice. Failure by the Paying Agent/Registrar to give a notice as provided in this Section shall not affect the obligation of the Tender Agent to purchase the Bonds of a subseries subject to mandatory tender for purchase on the Mandatory Purchase Date.

Section A-406 Purchase Fund

(a) Funds and Accounts. There is hereby established, and there shall be maintained with the Tender Agent for the Bonds of each Series, a separate fund to be known as the "Purchase Fund." The Tender Agent shall further establish separate accounts within such Purchase Fund to be known as the "Liquidity Facility Purchase Account" and the "Remarketing Proceeds Account." To the extent that the Bonds of a subseries are re-designated into two or more subseries, the Tender Agent shall establish and maintain a separate Purchase Fund with separate accounts therein for the Bonds of each such subseries.

(b) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of Bonds of a subseries on a Purchase Date or Mandatory Purchase Date, the Tender Agent shall deposit such proceeds in the related Remarketing Proceeds Account for application to the payment of the Purchase Price of such Bonds. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to or for the account of the related Liquidity Facility Issuer to the extent of any amount owing to the Liquidity Facility Issuer.

(c) Liquidity Facility Purchase Account. Upon receipt by the Tender Agent of the proceeds of any draw on a Liquidity Facility supporting Bonds of a subseries that are transferred to such Tender Agent pursuant to subsection (a) of Section A-411 hereof, the Tender Agent shall deposit such moneys in the related Liquidity Facility Purchase Account for application to the payment of the Purchase Price of Bonds of such subseries. Any amounts deposited in the Liquidity Facility Purchase Account for a Series of Bonds and not needed with respect to any Purchase Date or Mandatory Purchase Date for the payment of the Purchase Price for any Bonds of such subseries shall be returned immediately to the Liquidity Facility Issuer.

(d) No Investment; Amounts Applied Solely to Related Series. Amounts held by the Tender Agent in the Liquidity Facility Purchase Account or the Remarketing Proceeds Account relating to the Bonds of a subseries shall not be deemed as Pledged Funds or Pledged Revenues under the Controlling Ordinances and shall be held uninvested and separate and apart from all other funds and accounts. Amounts so held or available to be drawn under the Liquidity Facility for deposit in a Liquidity Facility Purchase Account shall not be available to pay the Purchase Price of Bonds of any subseries other than Bonds of a subseries that are supported by such Liquidity Facility.

(e) Payment of Purchase Price by Tender Agent. The Tender Agent shall pay the Purchase Price of Bonds of a subseries to their Owners from the moneys in the Liquidity Facility Purchase Account or the Remarketing Proceeds Account in accordance with this Appendix A by 3:00 p.m. on any Purchase Date or Mandatory Purchase Date.

Section A-407 Remarketing of Bonds of a subseries; Notices

(a) Remarketing of Bonds of a subseries. The Remarketing Agent for Bonds of a subseries shall offer for sale and use its best efforts to find purchasers for (i) all Bonds of such

subseries or portions thereof as to which notice of tender pursuant to Section A-401 has been given and (ii) all Bonds required to be tendered for purchase. To the extent a Direct-Pay Credit Facility is in effect, any Bonds of a subseries purchased pursuant to clause (c) of Section A-403 shall not be remarketed unless such Direct-Pay Credit Facility has been reinstated to the Liquidity and Credit Amount. To the extent a Liquidity Facility is in effect, no Bonds of a subseries supported by such Liquidity Facility shall be remarketed to the City, or any affiliate of the City, nor shall any Bank Bonds be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Bonds became Bank Bonds.

(b) Notice of Remarketing; Registration Instructions; New Bonds.

(1) The Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 11:45 a.m. on (12:15 p.m. in the case of Bonds of a subseries in the Daily Rate Mode) on the Purchase Date or Mandatory Purchase Date of the registration instructions as may be necessary to re-register Bonds; and

(2) Unless otherwise permitted by the Securities Depository and the book-entry-only system applicable to a Series of Bonds, the Tender Agent shall authenticate and have available for delivery to the Remarketing Agent prior to 12:30 p.m. on the Purchase Date or Mandatory Tender Date new Bonds of the Series for the respective purchasers thereof.

(c) Transfer of Funds; Draw on Liquidity Facility.

(1) The Remarketing Agent shall at or before 11:45 a.m. (12:15 p.m. in the case of Bonds of a subseries in the Daily Rate Mode) on the Purchase Date or Mandatory Purchase Date, as the case may be, confirm to the City, the Paying Agent/Registrar and the Tender Agent the transfer of the Purchase Price of remarketed Bonds of the Series to the Tender Agent in immediately available funds at or before 12:00 noon (12:20 p.m. in the case of Bonds of a subseries in the Daily Rate Mode), such confirmation to include the pertinent Fed Wire reference number.

(2) To the extent a Liquidity Facility is in effect, the Paying Agent/Registrar shall draw on the Liquidity Facility, in accordance with the terms thereof, by 12:25 p.m. on the Purchase Date or Mandatory Purchase Date, as the case may be, in an amount equal to the Purchase Price of all Bonds of the Series tendered or deemed tendered less the aggregate amount of remarketing proceeds confirmed to the City, the Paying Agent/Registrar and the Tender Agent by the Remarketing Agent pursuant to clause (1) of this Section A-407(c) and shall cause the proceeds of such draw to be transferred to the Tender Agent by no later than 2:30 p.m. Notwithstanding the foregoing, the Paying Agent/Registrar shall draw on the Liquidity Facility, if any, in an amount equal to the Purchase Price of all Bonds of the Series tendered or deemed tendered for purchase on each Purchase Date or Mandatory Purchase Date, as the case may be, if it does not receive a confirmation from the Remarketing Agent pursuant to clause (1) above of this Section A-407(c).

(4) To the extent a Liquidity Facility is in effect, the Paying Agent/Registrar shall confirm to the City by 2:40 p.m. on the Purchase Date or Mandatory Purchase Date, receipt of the proceeds of any draw on the Liquidity Facility.

(d) Notice to the City of Bank Bond Remarketing. The Remarketing Agent shall notify the City by Electronic Means of any proposed remarketing of Bank Bonds by the close of business on the Business Day preceding the proposed date of remarketing of such Bank Bonds.

Section A-408 Source of Funds for Purchase of Bonds of a subseries

. On or before the close of business on the Purchase Date or Mandatory Purchase Date with respect to Bonds of a subseries, the Tender Agent shall purchase such Bonds from the Owners at the Purchase Price. Unless otherwise provided in a certificate of an Authorized Officer delivered to the Paying Agent/Registrar, the Insurer, the Tender Agent and the Remarketing Agent on a Purchase Date or Mandatory Purchase Date, funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated:

(a) immediately available funds on deposit in the Remarketing Proceeds Account with respect to Bonds of such subseries; and

(b) to the extent a Liquidity Facility is in effect, immediately available funds on deposit in the Liquidity Facility Purchase Account derived from the Liquidity Facility relating to Bonds of such subseries.

Notwithstanding the foregoing, unless otherwise provided in a certificate of an Authorized Officer delivered to the Tender Agent and the Remarketing Agent on a Purchase Date or Mandatory Purchase Date, the City shall have the option, but shall not be obligated, to transfer immediately available funds to the Tender Agent for the payment of the Purchase Price of any Bond that is tendered or deemed tendered for purchase in accordance with this Appendix A and the Purchase Price of which is not paid on the Purchase Date or Mandatory Purchase Date from the source identified above. None of the City, the Tender Agent nor the Remarketing Agent shall have any liability or obligation to pay or, except from the source identified above, make available such Purchase Price. Unless otherwise provided in a certificate of an Authorized Officer delivered to the Paying Agent/Registrar and Tender Agent on a Purchase Date or Mandatory Purchase Date, the failure to pay any such Purchase Price for Bonds of a subseries that have been tendered or deemed tendered for purchase from the source identified above shall not constitute an Event of Default under the Master Debt Ordinance and in the case of such failure such Bonds shall not be purchased and shall remain in the Mode in effect immediately preceding such Purchase Date or Mandatory Purchase Date, as the case may be, unless such Mode is automatically converted to a Weekly Rate Mode pursuant to Section A-205 hereof; provided, however, that if such Bonds were in the Auction Rate Mode immediately preceding such Date, such Bonds shall remain in the Auction Rate Mode for an Auction Period and bearing an Auction Period Rate as provided in Section A-207(c)(7).

Section A-409 Delivery of Bonds

. Except as otherwise required or permitted by the book-entry-only system of the Securities

Depository, the Bonds of a subseries shall be delivered as follows:

(a) Bonds of a subseries sold by the Remarketing Agent pursuant to Section A-407 shall be delivered by the Remarketing Agent to the purchasers of those Bonds by 3:00 p.m., on the Purchase Date or the Mandatory Purchase Date, as the case may be.

(b) The Tender Agent shall, as appropriate to the circumstances, either (i) register Bonds of a subseries purchased by the Tender Agent with moneys described in Section A-408(b), or if any such Bond is not delivered by the Owner thereof, a new Bond of such subseries in replacement of the undelivered Bond, in the name of the Liquidity Facility Issuer or, if directed in writing by the Liquidity Facility Issuer, its nominee or designee on the registry books on or before the close of business on the Purchase Date or Mandatory Purchase Date, as the case may be, and shall promptly deliver such Bonds to the custodian, if any, provided for in the Liquidity Facility or as the Liquidity Facility Issuer may otherwise direct in writing, and prior to such delivery shall hold such Bonds of such subseries in trust for the benefit of the Liquidity Facility Issuer or (ii) cause the beneficial ownership of such Bonds of such subseries to be credited to the account of the Liquidity Facility Issuer or, if directed in writing by the Liquidity Facility Issuer, its nominee or designee with DTC.

(c) When any Bank Bonds of a subseries are remarketed, the Tender Agent shall not release the Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to or for the account of the Liquidity Facility Issuer the proceeds of such remarketing and (i) the Liquidity Facility has been reinstated by an amount equal to the principal amount of Bank Bonds so remarketed plus the interest component of the Liquidity and Credit Amount calculated with respect to such principal amount of Bonds, which reinstatement the Tender Agent has confirmed with the Liquidity Facility Issuer, or (ii) if the Bonds of a subseries became Bank Bonds on a Mandatory Purchase Date and a Liquidity Facility is no longer in effect with respect to Bonds of such subseries after the Mandatory Purchase Date, any draws on such Liquidity Facility and interest thereon have been reimbursed to the Liquidity Facility Issuer.

**Section A-410 Delivery and Payment for Purchased Bonds of a subseries:
Undelivered Bonds**

Except as otherwise required or permitted by the book-entry-only system of the Securities Depository, the Bonds of a subseries purchased pursuant to this Article shall be delivered by the Owners thereof (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, at the office of the Tender Agent in New York, New York; provided, however, that payment of the Purchase Price of any Bond of a subseries purchased pursuant to Section A-401 hereof shall be made only if such Bond so delivered to the Tender Agent conforms in all respects to the description thereof in the notice of tender. Payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date, or, if the Owner has not provided or caused to be provided wire transfer instructions, by check mailed to the Owner at the address appearing in the books required to be kept by the Paying Agent/Registrar pursuant to the Ordinance. If Bonds of a subseries to be purchased are not delivered by the Owners to the Tender Agent by 12:00 noon on the Purchase Date or Mandatory Purchase Date, the Tender Agent shall hold any funds received for the purchase of those Bonds

in trust in a separate account and shall pay such funds to the former Owners upon presentation of the Bonds subject to tender. Any such amounts shall be held uninvested. Such undelivered Bonds shall be deemed tendered and cease to accrue interest as to the former Owners on the Purchase Date or Mandatory Purchase Date, and moneys representing the Purchase Price shall be available against delivery of those Bonds at the Principal Office of the Tender Agent; provided, however, that any funds which shall be so held by the Tender Agent and which remain unclaimed by the former Owner of any such Bond not presented for purchase for a period of three years after delivery of such funds to the Tender Agent, shall, to the extent permitted by law, upon request in writing by the City and the furnishing of security or indemnity to the Tender Agent's satisfaction, be paid to the City free of any trust or lien and thereafter the former Owner of such Bond shall look only to the City and then only to the extent of the amounts so received by the City without any interest thereon and the Tender Agent shall have no further responsibility with respect to such moneys or payment of the Purchase Price of such Bonds. The Tender Agent shall authenticate a replacement Bond of a subseries for any undelivered Bond of such subseries which may then be remarketed by the Remarketing Agent.

Section A-411 Draws on Liquidity Facility.

(a) To the extent a Liquidity Facility is in effect with respect to the Bonds of a subseries, by 12:25 p.m. on each Purchase Date or Mandatory Purchase Date with respect to Bonds of such subseries, as the case may be, the Paying Agent/Registrar shall draw on the Liquidity Facility supporting the Bonds of such subseries in accordance with the terms thereof and cause to have transferred the proceeds of such draw to the Tender Agent so as to have funds deposited with the Tender Agent by 2:30 p.m. on such date in an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such Bonds on such date, to enable the Tender Agent to pay the Purchase Price in connection therewith. The Tender Agent shall deposit said proceeds in the related Liquidity Facility Purchase Account.

(b) Notwithstanding the foregoing provisions of this Section, the Paying Agent/Registrar shall not draw on a Liquidity Facility with respect to the Purchase Price of Bank Bonds or Bonds of a subseries owned by the City, any subsidiary or affiliate of the City, or the Liquidity Facility Issuer.

ARTICLE A-V

LIQUIDITY FACILITIES AND CREDIT FACILITIES

Section A-501 Liquidity Facility and Credit Facility.

(a) At any time, the City may provide for the delivery of (i) an initial and an Alternate Liquidity Facility with respect to the Bonds of any subseries, and/or (ii) an initial and an Alternate Credit Facility with respect to the Bonds of any subseries. The City shall not obtain a Liquidity Facility for the Bonds of a subseries or provide for the delivery of a Liquidity Facility for the Bonds of a subseries without the prior consent of the Credit Facility Issuer for the Bonds of such subseries. Any such Liquidity Facility or Credit Facility shall provide that a Termination Date which permits the City to make on the Termination Tender Date a draw under the Liquidity Facility or the Credit Facility, as the case may be, shall not occur unless written

notice thereof is given to the City and the Tender Agent at least sixteen (16) days prior to the Termination Tender Date. To the extent that any Liquidity Facility or Credit Facility permits the issuer thereof to assign its obligation thereunder, such Liquidity Facility or Credit Facility, as the case may be, shall provide that such assignment shall not be effective unless a written notice of such assignment is given to the City, the Remarketing Agent and the Tender Agent at least sixteen (16) days prior to the effective date of such assignment. On or prior to the date on which a Liquidity Facility or Credit Facility is obtained or delivered to the City, the City shall obtain a Favorable Opinion of Bond Counsel. As provided in Section A-403 hereof, all Outstanding Bonds of the Series to which such Liquidity Facility or Credit Facility relates will become subject to mandatory tender for purchase on the Substitution Date.

(b) The City may execute and deliver any instrument that, upon such execution and delivery by the City, would constitute a "Credit Facility" or "Liquidity Facility."

(c) The City shall deliver to the Paying Agent/Registrar, the Tender Agent, the Credit Facility Issuer, the Insurer and the Remarketing Agent a copy of each Liquidity Facility or Credit Facility obtained pursuant to this article on the effective date of such Liquidity Facility or Credit Facility. If at any time there shall have been delivered (i) an Alternate Credit Facility or Alternate Liquidity Facility in substitution for the Credit Facility or Liquidity Facility with respect to Bonds of a subseries then in effect and (ii) a Favorable Opinion of Bond Counsel, then, providing that any condition to substitution contained in the existing Credit Facility or Liquidity Facility shall have been satisfied, the Paying Agent/Registrar shall accept such Alternate Credit Facility or Alternate Liquidity Facility and, subject to subsection (d) of this Section A-501, shall surrender the Credit Facility or Liquidity Facility then in effect to the Credit Facility Issuer or Liquidity Facility Issuer on the effective date of the Alternate Credit Facility or Alternate Liquidity Facility. In the event of an extension of the Expiration Date, the City shall give the Paying Agent/Registrar, the Tender Agent, the Credit Facility Issuer, the Liquidity Facility Issuer and the Remarketing Agent a written notice of the new Expiration Date at least sixteen (16) days prior to the Expiration Tender Date. In the event of a substitution of a Liquidity Facility with an Alternate Liquidity Facility or of a Credit Facility with an Alternate Credit Facility, the City shall give the Paying Agent/Registrar, the Tender Agent, the Insurer and the Remarketing Agent a written notice of the Substitution Date at least sixteen (16) days prior to such Substitution Date. The City shall give the Paying Agent/Registrar, Tender Agent, the Insurer and the Remarketing Agent a written notice of its election to terminate the Credit Facility or the Liquidity Facility at least sixteen (16) days prior to the Termination Tender Date resulting from its election to terminate such Credit Facility or Liquidity Facility.

(d) In no event shall the City surrender or cancel a Liquidity Facility relating to the Bonds of any subseries unless it has received funds, either from proceeds of remarketing or a draw under the Liquidity Facility to be surrendered or cancelled, sufficient to pay the Purchase Price of such Bonds to the applicable Mandatory Purchase Date. In no event shall the City surrender or cancel a Credit Facility relating to the Bonds of any subseries unless it has received funds sufficient to pay the Purchase Price of such Bonds to the applicable Mandatory Purchase Date.

(e) The City shall not sell, assign or otherwise transfer the Credit Facility or Liquidity Facility, except in accordance with the terms of the Credit Facility or Liquidity Facility and the

Ordinance.

(f) On or prior to the Substitution Date, no drawing under an Alternate Liquidity Facility shall be made by the City if the predecessor Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing. After the Substitution Date, no drawing under a predecessor Liquidity Facility shall be made by the City if the Alternate Liquidity Facility shall be effective and available to make drawings thereunder on the date of such drawing.

Section A-502 Direct-Pay Credit Facility Drawing Account.

(a) If a Direct-Pay Credit Facility is in effect with respect to the Bonds of any subseries, there shall be created and established in accordance with the Ordinance a separate Account for the Bonds of such subseries in the Debt Service Fund, to be held by the City, to be known as the "[Name of Bonds of a subseries that are secured by such Credit Facility] Direct-Pay Credit Facility Drawing Account" (the "Direct-Pay Credit Facility Drawing Account"). The establishment of such Direct-Pay Credit Facility Drawing Account shall be evidenced in a certificate of an Authorized Officer of the City.

(b) The City shall make payments of principal and Redemption Price of and interest on the Bonds of a subseries in accordance with the Ordinance into the Debt Service Fund as and when the same shall become due and payable regardless of whether a Direct-Pay Credit Facility is in effect with respect to the Bonds of such subseries.

(c) If a Direct-Pay Credit Facility is in effect with respect to the Bonds of a subseries, the City shall take all action necessary to draw or make a claim on the related Direct-Pay Credit Facility in such amounts, at such times, and in such manner as shall be necessary to pay the principal and Redemption Price (including, to the extent amounts are available therefor under the Direct-Pay Credit Facility, Sinking Fund Installments) of and interest on all Bonds payable therefrom as and when the same shall become due and payable. The City shall promptly deposit into the related Direct-Pay Credit Facility Drawing Account all moneys so drawn by the City under the related Direct-Pay Credit Facility, which shall not be commingled with any other moneys held by the City and which shall be applied to the payment of such principal, Redemption Price and interest.

(d) Subject to the immediately succeeding paragraph, on each Principal Installment due date or Redemption Date, as the case may be, and Interest Payment Date, the Paying Agent/Registrar shall make payments of principal or Redemption Price of and interest on the Bonds of each Series to their Owners in accordance with the Ordinance.

If a Direct-Pay Credit Facility is in effect with respect to the Bonds of any subseries, notwithstanding the immediately preceding paragraph, the Paying Agent/Registrar shall make payments of principal or Redemption Price of and interest on the Bonds of such subseries to their Owners in the manner provided for in the Ordinance from the moneys deposited in the related Direct-Pay Credit Facility Drawing Account pursuant to subsection (c) of this Section A-502. If sufficient funds are not available in the related Direct-Pay Credit Facility Drawing Account, the City shall apply other moneys, if any, available in the Debt Service Fund (excluding moneys

available in any other Direct-Pay Credit Facility Drawing Account established with respect to any other Series of Bonds), to the extent necessary to make such payment. If the principal or Redemption Price of and interest on the Bonds of a subseries has been paid in full when due and all payments required to be made under the Direct-Pay Credit Facility have been made, the City shall apply remaining moneys, if any, available in the Debt Service Fund (excluding moneys available in any other Direct-Pay Credit Facility Drawing Account established with respect to any other Series of Bonds) in an amount not to exceed the amount of the draw or borrowing under the Direct-Pay Credit Facility to reimburse the issuer of the Direct-Pay Credit Facility for such draw or borrowing after such draw or borrowing has been honored by the issuer of the Direct-Pay Credit Facility.

(e) Amounts held in each Direct-Pay Credit Facility Drawing Account shall be held uninvested and separate and apart from all other funds and accounts.

Section A-503 Amendments Relating to Credit Facilities and Liquidity Facilities

. In addition to any amendments permitted pursuant to Section 1.5(b) of the Ordinance, the City may amend any provisions of the Ordinance, including without limitation any provisions of this Appendix A, as the City deems necessary or appropriate in connection with the conversion to a Daily Rate Mode or a Weekly Rate Mode or with the delivery of any Credit Facility or Liquidity Facility.

ARTICLE A-VI

AGENTS

Section A-601 Remarketing Agent

. The City shall appoint and employ the services of a Remarketing Agent while the Bonds of any subseries are in the Daily Rate Mode or the Weekly Rate Mode. The City shall appoint and employ the services of a Remarketing Agent, which is reasonably acceptable to the Insurer, prior to any Purchase Date or Mode Change Date while the Bonds of any subseries are in the Auction Rate Mode or Term Rate Mode.

Any Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Ordinance and the Remarketing Agreement by giving notice to the City, the related Credit Facility Issuer, the related Liquidity Facility Issuer and the Tender Agent in accordance with the Remarketing Agreement. Any Remarketing Agent may be removed at any time, at the direction of the City, by an instrument filed with the related Remarketing Agent and the related Tender Agent in accordance with the Remarketing Agreement.

Any Remarketing Agent shall be selected by the City and shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least fifteen million dollars (\$15,000,000), and shall be authorized by law to perform all the duties set forth herein. The City's execution of a Certificate setting forth the effective date of the appointment of a Remarketing Agent and the name, address and telephone number of such Remarketing Agent shall be conclusive evidence that (i) such Remarketing Agent has been appointed and is qualified

to act as Remarketing Agent under the terms of the Ordinance and (ii) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of the Ordinance and the Remarketing Agreement.

Each Remarketing Agent shall keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the City at all reasonable times.

Section A-602 Tender Agent

. The City shall appoint and employ the services of the Tender Agent while the Bonds of any subseries are in the Daily Rate Mode or the Weekly Rate Mode. The City shall appoint and employ the services of the Tender Agent prior to any Purchase Date or Mode Change Date while the Bonds of any subseries are in the Auction Rate Mode or Term Rate Mode.

The Tender Agent may at any time resign and be discharged of the duties and obligations created by the Ordinance and the Tender Agency Agreement by giving notice to the related Credit Facility Issuer, the related Liquidity Facility Issuer and the City in accordance with the Tender Agency Agreement, provided that a successor Tender Agent shall be appointed and acting hereunder on or prior to the effective date of such resignation or discharge. The Tender Agent may be removed at any time, at the direction of the City, by an instrument filed with the related Remarketing Agent and the Tender Agent in accordance with the Tender Agency Agreement, provided that a successor Tender Agent shall be appointed and acting hereunder on or prior to the effective date of such removal.

The Tender Agent shall be selected by the City and shall be a bank or other financial institution that satisfies the qualifications determined by the City and set forth in any applicable provisions of law. The City's execution of a Certificate setting forth the effective date of the appointment of a Tender Agent and the name, address and telephone number of such Tender Agent shall be conclusive evidence that (i) such Tender Agent has been appointed and is qualified to act as Tender Agent under the terms hereof and (ii) if applicable, the predecessor Tender Agent has been removed in accordance with the provisions hereof.

The Tender Agent shall keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the City, the related Credit Facility Issuer and the related Liquidity Facility Issuer, at all reasonable times.

Section A-603 Auction Agent

. The City shall appoint and employ the services of an Auction Agent while the Bonds of any subseries are in the Auction Rate Mode. The City shall have the right to remove the Auction Agent as provided in the Auction Agreement.

Section A-604 Broker-Dealers

. The City shall appoint and employ the services of one or more Broker-Dealers, which are reasonably acceptable to the Insurer, for the Bonds of each Series that are in the Auction Rate

Mode. The City shall have the right to remove any Broker-Dealer as provided in the applicable Broker-Dealer Agreement.

ARTICLE A-VII

MISCELLANEOUS

Section A-701 Modifications or Amendments to the Ordinance

The provisions of the Master Debt Ordinance and the Ordinance, including, without limitation, the provisions of the Pricing Certificate and this Appendix A, may be modified or amended by obtaining the consent or deemed consent of the Owners of all Outstanding Bonds of such subseries as follows:

(a) during a Weekly Rate Mode or Daily Rate Mode, if on the 30th day (or if such day is not a Business Day, on the next succeeding Business Day) after the date on which the Paying Agent/Registrar mailed notice of such proposed modification or amendment to Owners of the Outstanding Bonds of a subseries there is delivered to the City (a) a certificate of the Tender Agent to the effect that all Bonds that have been tendered for purchase by their Owners pursuant to Section A-401 after the date on which the Paying Agent/Registrar mailed such notice of the proposed modification or amendment have been purchased at a price equal to the Purchase Price thereof, (b) a written consent of the Remarketing Agent to the proposed modification or amendment and (c) a Favorable Opinion of Bond Counsel, the proposed amendment shall be deemed to have been consented to by the Owners of the Bonds of such subseries;

(b) during any Mode other than the Fixed Rate Mode, if on or prior to any Mandatory Purchase Date there is delivered to the City (i) a certificate of the Tender Agent to the effect that all Bonds of such subseries have been purchased at a price equal to the Purchase Price thereof, (ii) a written consent of the Remarketing Agent to the proposed modification or amendment, and (iii) a Favorable Opinion of Bond Counsel, and the proposed modification or amendment has been disclosed in the official statement or other disclosure document pursuant to which the Bonds of such subseries have been remarketed, the proposed amendment shall be deemed to have been consented to by the Owners of the Bonds of such subseries; and

(c) during an Auction Rate Mode, in accordance with Section 2.07(b) of Exhibit I hereto.

Section A-702 Notices

(a) Notices to Owners. All notices required to be given to Owners of Bonds of a subseries, unless otherwise expressly provided, shall be given by first class mail, postage prepaid.

(b) Notices to Rating Agencies. The City shall give written notice to the Rating Agencies of any of the following events:

- (1) any material changes to the Ordinance that affect the Bonds;
- (2) a conversion to the Term Rate Mode or Fixed Rate Mode;
- (3) any redemption, defeasance or mandatory tender of all the Outstanding Bonds;
- (4) any material changes to the Liquidity Facility, the Credit Facility, or any material changes to any agreement with the Liquidity Facility Issuer, Credit Facility Issuer, Remarketing Agent or Tender Agent pertaining to the Bonds; and
- (5) any expiration, termination or extension of any Liquidity Facility or Credit Facility or the obtaining of an Alternate Liquidity Facility or Alternate Credit Facility pertaining to the Bonds.

(c) **Demands; Requests.** All notices, demands and requests to be given to or made hereunder by the City, the Tender Agent, the Remarketing Agents, the Auction Agent, the Broker-Dealers, the Credit Facility Issuers, the Liquidity Facility Issuers or the Rating Agencies shall, unless otherwise expressly provided herein, be given or made in writing and shall be deemed to be properly given or made if by United States registered or certified mail, return receipt requested, postage prepaid, addressed as set forth below. Notices, demands and requests that may be given by Electronic Means may be sent to the telephone or fax numbers, as applicable, set forth below:

- | | |
|---|--|
| (i) As to the City: | The address, phone number and fax number specified in the Pricing Certificate. |
| (ii) As to the Tender Agent: | The address, phone number and fax number specified in the Tender Agency Agreement. |
| (iii) As to the Remarketing Agent(s): | The address, phone number and fax number specified in the related Remarketing Agreement. |
| (iv) As to the Auction Agent: | The address, phone number and fax number specified in the Auction Agreement. |
| (v) As to the Broker-Dealer(s): | The address, phone number and fax number specified in the related Broker-Dealer Agreement. |
| (vi) As to the Insurer: | The address specified in the Auction Agreement. |
| (vii) As to the Credit Facility Issuer(s) and Liquidity Facility Issuer(s): | The address, phone number and fax number specified in the related Credit Facility or Liquidity Facility, as the case may be. |

or to such other address as is provided by the entity.

**RESOLUTION DIRECTING PUBLICATION OF NOTICE OF
INTENTION
TO ISSUE CERTIFICATES OF OBLIGATION**

WHEREAS, the City of Austin expects to pay expenditures in connection with the design, planning, acquisition and construction of the projects described in Exhibit A to this Resolution prior to the issuance of the Certificates of Obligation hereinafter described; and

WHEREAS, the City Council hereby finds, considers and declares that the reimbursement of the payment by the City of such expenditures will be appropriate and consistent with the lawful objectives of the City and, as such, chooses to declare its intention, in accordance with the provisions of Section 1.150-2 of the U.S. Treasury Regulations, to reimburse itself for such payments at such time as it issues the hereinafter described Certificates of Obligation; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was considered was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

Section 1. That attached hereto and marked "Exhibit A" is a form of notice, the form and substance of which are hereby passed and approved.

Section 2. That the City shall cause said notice to be published, in substantially the form attached hereto, in the *Austin American-Statesman*, a newspaper of general circulation in the City of Austin, Texas, for two consecutive weeks, the date of the first publication to be before the fourteenth day before the day tentatively proposed for authorizing the issuance of the Certificates of Obligation as shown in said notice.

Section 3. That the facilities and improvements to be financed with proceeds from the proposed Certificates of Obligation are to be used for the purposes described in the attached Notice of Intention.

Section 4. That all costs to be reimbursed pursuant to this Resolution will be

capital expenditures; the proposed Certificates of Obligation shall be issued within 18 months of the later of (i) the date the expenditures are paid or (ii) the date on which the property, with respect to which such expenditures were made, is placed in service; and the foregoing notwithstanding, the Certificates of Obligation will not be issued pursuant to this Resolution on a date that is more than three years after the date any expenditure which is to be reimbursed is paid.

Section 5. That the Mayor and City Clerk are hereby authorized to take such actions as may be appropriate to carry out the intent of this Resolution.

PASSED AND APPROVED this the 28th day of July, 2005.

ADOPTED:

, 2002 ATTEST:

Shirley A. Brown
City Clerk

EXHIBIT A

NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION

NOTICE IS HEREBY GIVEN that it is the intention of the City Council of the City of Austin, Texas, to issue one or more series of the interest bearing certificates of obligation of the City to be entitled "City of Austin, Texas Certificates of Obligation", bearing interest at such rate or rates, not to exceed the maximum interest rate now or hereafter allowed by law, as shall be determined at the discretion of the Austin City Council on or before the date of issuance thereof, and maturing no later than forty (40) years from the date of issuance of such certificates of obligation as shall be determined at the discretion of the Austin City Council, for the purpose of paying contractual obligations to be incurred by the City, to-wit, the acquisition and renovation of the Motorola Building facility located at 4101 Ed Bluestein Boulevard, which facility is to be used to house the _____ Department, the costs of constructing the Turner/Roberts Recreation Center located at the 8200 block of Loyola Lane, Austin, TX 78724, drainage improvements and other public infrastructure improvements in the vicinity of Harris Branch Parkway, east of I-35 in the Harris Branch area, east of I-35, generally bounded by US 290 to the south and Boyce Land to the north, and the payment of fiscal, engineering and legal fees incurred in connection therewith. The City Council tentatively proposes to authorize the issuance of said series (one or more) of Certificates of Obligation at its regular meeting place located at 301 W. 2nd Street, at a meeting to commence at 10:00 o'clock, a.m., on the 25th day of August, 2005. The maximum amount of Certificates of Obligation indebtedness that may be authorized to be sold on said date for such purposes described above is \$7,185,000. The City Council presently proposes to provide for payment of said series (one or more) of Certificates of Obligation from the levy of taxes and from a limited pledge (not to exceed \$1,000) of the revenues of the City's solid waste disposal system.