

PRIVATE PLACEMENT MEMORANDUM DATED DECEMBER 10, 2020

NEW ISSUE - Book-Entry-Only

On the date of initial delivery of the Bonds (defined below), Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

\$9,400,000
CITY OF AUSTIN, TEXAS
Water and Wastewater System Revenue Bonds, Series 2021B

Dated Date: September 25, 2020

Due: November 15

Interest to accrue from Date of Initial Delivery

Interest Date:	Interest on the City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2021B (the “Bonds”) will be payable on May 15, 2021, and on each November 15 and May 15 each year thereafter until maturity or prior redemption (each an “Interest Payment Date”). The Bonds will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”
Record Date:	The close of business on the last business day of the calendar month immediately preceding the applicable Interest Payment Date.
Date Interest Accrues:	Each Bond shall bear interest from the Date of Initial Delivery (defined below) or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth for such maturity.
Redemption:	The Bonds are subject to redemption prior to maturity as provided in this document. See “THE BONDS - Redemption Provisions” in this document.
Authorized Denominations:	The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof.
Paying Agent/Registrar:	The paying agent (“Paying Agent/Registrar”) for the Bonds is UMB Bank, N.A, Dallas, Texas.
Book-Entry-Only System	Upon initial issuance, the ownership of the Bonds will be registered in the registration books of the Issuer (defined below) kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) to which principal, redemption premium, if any, and interest payments on the Bonds will be made. The purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Bonds will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.
Issuer:	City of Austin, Texas (the “Issuer”).
Official Action:	Thirty-Seventh Supplemental Ordinance (the “Bond Ordinance”) adopted by the City Council of the City of Austin, Texas (the “City”) on December 10, 2020.
Purpose:	See “APPENDIX B - OFFICIAL ACTION.”
Security for the Bonds:	See “APPENDIX B - OFFICIAL ACTION.”
Ratings:	See “OTHER INFORMATION – Ratings.”
Delivery Date:	January 22, 2021 (the “Date of Initial Delivery”).

See “APPENDIX A - MATURITY SCHEDULE” for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

CITY OF AUSTIN

Elected Officials

	<u>Term Expires January</u>
Steve Adler.....	Mayor 2023
Natasha Harper-Madison	Councilmember Place 1 2023
Delia Garza, Mayor Pro Tem	Councilmember Place 2 2021 ⁽¹⁾
Sabino "Pio" Renteria.....	Councilmember Place 3 2023
Gregorio "Greg" Casar.....	Councilmember Place 4 2021
Ann Kitchen	Councilmember Place 5 2023
Jimmy Flannigan.....	Councilmember Place 6 2021 ⁽²⁾
Leslie Pool.....	Councilmember Place 7 2021
Paige Ellis	Councilmember Place 8 2023
Kathyne B. Tovo.....	Councilmember Place 9 2023
Alison Alter	Councilmember Place 10 2021 ⁽²⁾

(1) Vanessa Fuentes was elected as Councilmember Place 2 and will assume office on January 6, 2021.

(2) Jimmy Flannigan and Alison Alter are each in run-off elections scheduled for December 15, 2020.

Appointed Officials

Spencer Cronk	City Manager
Nuria Rivera-Vandermyde.....	Deputy City Manager
Ed Van Eenoo.....	Chief Financial Officer
Greg Canally.....	Deputy Chief Financial Officer
Anne Morgan	City Attorney
Jannette S. Goodall	City Clerk

BOND COUNSEL

McCall, Parkhurst & Horton L.L.P.
Austin and Dallas, Texas

FINANCIAL ADVISOR

PFM Financial Advisors LLC
Austin, Texas

INDEPENDENT AUDITORS

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Austin, Texas

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PRIVATE PLACEMENT MEMORANDUM

Relating to

\$9,400,000

CITY OF AUSTIN, TEXAS

Water and Wastewater System Revenue Bonds, Series 2021B

INTRODUCTION

This Private Placement Memorandum, which includes the cover page and the appendices, is being furnished in connection with the proposed issuance by the City of Austin, Texas (the "City" or the "Issuer") of its \$9,400,000 City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2021B (the "Bonds"). This Private Placement Memorandum contains brief descriptions of the Issuer, provides certain information with respect to the issuance of the Bonds by the Issuer, and summaries of certain provisions of the Bonds pursuant to the Official Action. Except as otherwise set forth in this document, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. The Bonds are to be issued as "Parity Water/Wastewater Obligations" pursuant to an ordinance and supplemental ordinance adopted by the City Council of the City (See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto).

APPENDIX A contains the maturity schedule for the Bonds. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Bonds. APPENDIX C contains a copy of the proposed opinion of Bond Counsel with respect to the Bonds. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

COVID-19 PANDEMIC

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation.

In response to the continued prevalence of COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50% of most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50% occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75% of occupancy. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <http://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement. In addition to the actions by the state and federal officials, certain local officials, including the City and Travis County, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts have reduced the collection of sales and other excise taxes, charges, and fees within the City and may continue to do so; the Pandemic's economic impact may also reduce or otherwise negatively affect future property values within the City as well as the assets of City pension funds. The duration, severity and degree of any impact of COVID-19 is uncertain and difficult to predict at this time due to the dynamic nature of the Pandemic. The City has experienced a loss in revenues and an increase in costs associated with mitigating the impacts of the Pandemic on the residents of the City, including public health, emergency response, support to homeless and vulnerable populations, and small businesses support, among others.

Financial Impact of the Pandemic on Austin Water

As a result of the Pandemic and the corresponding local stay-at-home mandates and social distancing guidelines, Austin Water has experienced decreases in residential and commercial revenue, while revenue from multifamily users has remained above budgeted levels. Austin Water's revenue shortfall for the current fiscal year ending September 30, 2020 (FY 2020) is approximately \$10.1 million. The shortfall is in comparison to the original \$562.7 million Water and Wastewater revenue budget for FY 2020. In addition, Austin Water utilized a conservative approach to forecast the remaining revenue for FY 2020 and for the FY 2021 Budget that was approved by City Council on August 12, 2020. The Water and Wastewater revenue budget is \$555.8 million for the fiscal year ending September 30, 2021 (FY 2021). Austin Water currently has strong reserves and is projected to continue to maintain adequate reserves and maintain a debt service coverage ratio that is consistent with its financial policies.

The Bonds are secured by net revenues of the City's Water and Wastewater System. In response to the Pandemic, the City has temporarily modified its water and wastewater system rates effective April 10, 2020. A reduction in system revenues may reduce the revenue available to pay the operations and maintenance expenses of the water and wastewater system and the net revenues available to pay debt service on the obligations of the City's water and wastewater system. A reduction in the collection of water and wastewater system revenue may negatively impact the system's operating budget and overall financial condition.

On April 9, 2020, in response to a recognition that assistance is needed for residential customers facing economic hardship because of the Pandemic, the City Council approved Austin Water's 10% reduction to its Customer Assistance Program ("CAP") and non-CAP residential water (Tiers 1-3) and wastewater (Tiers 1-2) volume rates and included an additional \$5 million contribution to the Plus 1 program, as well as additional measures to halt disconnects for non-payment, waived late fees and place customers in need on payment plans. All residential customers saw immediate savings on their water bill. These rates are anticipated to remain in effect through September 30, 2021.

On August 13, 2020, City Council approved the continuance of Austin Water's 10% percent reduction in water and wastewater rates for the utility's most vulnerable low-income customers enrolled in CAP for the entirety of fiscal year 2021 (through September 30, 2021). The CAP offers some of the most affordable water and wastewater rates in the nation. Improving affordability is a component of the utility's long-term strategic business plan that uses Effective Utility Management strategies to meet the challenges ahead. Austin Water continues to find savings through cost containment, debt management and innovations in technology and processes. Cost savings are then passed along to customers through rate reductions, rebates, and financial assistance for customers.

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THE BONDS

General Description

The Bonds are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described in Appendix A. The Bonds are being issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds will be dated as of the Dated Date, will mature on the dates, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Bonds is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Bonds will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, and the terms of the Master Ordinance adopted June 8, 2000, governing the issuance of water and wastewater revenue bonds (the “Master Ordinance”) and of the Bond Ordinance. The Master Ordinance and the Bond Ordinance are referred to collectively as the “Ordinance.”

Security for the Bonds

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Redemption Provisions

On May 15, 2031, or on any date thereafter, the Bonds maturing on and after November 15, 2031 may be redeemed prior to their scheduled maturities, upon the written direction of the City, with funds provided by the City, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of the Bonds of a stated maturity are to be redeemed the Paying Agent/Registrar will determine by lot the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Obligations to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

In the Ordinance, the City agrees to provide written notice to the Texas Water Development Board (“TWDB”) of its exercising its right to redeem the Bonds prior to their scheduled maturities at least 90 days prior to the stated redemption date. The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of any proposed amendment to the Official Action or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

Book-Entry-Only System

DTC will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC

holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as "Participants". DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the

responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered. Subject to DTC's policies and guidelines, the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City and PFM Financial Advisors LLC each believes to be reliable, but neither the City nor PFM Financial Advisors LLC takes any responsibility for the accuracy thereof.

TAX MATTERS

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Bonds substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

The Bonds will not be rated. No application has been made to any ratings agency or municipal bond insurance company for qualification of the Bonds for ratings or municipal bond insurance, respectively. Certain of the City's outstanding water and wastewater system separate lien revenue bonds are rated "Aa2" (stable outlook) by Moody's Investors Service, "AA" (stable outlook) by S&P Global Ratings and "AA-" (stable outlook) by Fitch Ratings. An explanation of the significance of such ratings may be obtained from the organization furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Concurrent Issuance of Additional Parity Water/Wastewater Obligations

Concurrently with the delivery of the Bonds, the City anticipates issuing its \$10,400,000 Water and Wastewater System Revenue Bonds, Series 2021A (the "Series 2021A Bonds"). The Series 2021A Bonds, when issued, will constitute additional Parity Water/Wastewater Obligations, and together with the Bonds and outstanding Parity Water/Wastewater Obligations, will be equally and ratably secured by a lien on and pledge of the net revenues of the Water and Wastewater system.

LITIGATION

A number of claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City's operations. The City Attorney and the City management are of the opinion that resolution of the claims pending (including the matters described below) will not have a material adverse effect on the City's financial condition or the financial condition of the Electric Utility System or of the Water and Wastewater System.

Electric Utility System Litigation

On May 3, 2017, Data Foundry, Inc., filed a lawsuit against the City (Cause No. D-1-GN-17-000937 in the 419th Judicial District Court of Travis County, Texas), alleging that the Electric Reliability Council of Texas nodal market design disqualifies the City's electric generation assets from being considered as used and useful for the purpose of establishing rates for electric service to the City's retail customers, and otherwise challenging the reasonableness of the City's rate of return and debt service coverage levels. The lawsuit seeks declaratory relief that the City's current retail electric rates are unlawful due to the inclusion of costs and return related to generation assets, and seeks a permanent injunction against the City's establishing electric rates that include costs and return related to generation assets and operations. The case was dismissed by the trial court on November 27, 2017 on the basis that the plaintiff lacked standing to bring a lawsuit challenging the City's rates. Data Foundry appealed the trial court's decision to the 14th Court of Appeals in Houston (Cause No. 14-18-00071-CV). On April 23, 2019, the appellate court partially upheld the trial court's dismissal of the case, holding that the City's inclusion of generation costs in retail rates was proper and dismissing other claims, but remanded the remainder of the case on the grounds that municipal utility ratepayers have general standing to bring suit alleging the excessiveness of utility rates on certain grounds. Both parties are currently seeking review of the appellate decision by the Texas Supreme Court in Cause No. 19-0475.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made a continuing disclosure undertaking agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe this agreement for so long as it remains obligated to advance funds to pay the Bonds. Under this agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION – Section 21: Continuing Disclosure Undertaking."

Compliance with Prior Undertakings

With respect to the City's continuing disclosure agreement regarding the Rental Car Special Facility Revenue Bonds, the City failed to file rating upgrades from Moody's and Fitch within the ten-day window which started on July 10, 2015 and August 17, 2016, respectively. The City filed the event notices with respect to the ratings upgrade on December 14, 2016. The failure to file the ratings upgrade in a timely manner was also filed on the same date. With respect to the continuing disclosure agreement entered into by Austin-Bergstrom Landhost Enterprise ("ABLE"), with respect to its Series 1999A & 1999B Bonds, ABLE did not file its financial statements by the June 30 deadline for Fiscal Year December 31, 2015. The financial statements were filed on July 19, 2016 and the failure to file notice was posted on September 1, 2017. The referenced ABLE bonds are no longer outstanding. With respect to the City's continuing disclosure reports regarding its outstanding Combined Utility Revenue Bonds, Water and Wastewater System Revenue Bonds, and Electric Utility System Revenue Bonds, on April 25, 2016, the City filed updated financial information and operating data to reflect audited financial information as well as updated information in the "Comparative Analysis of Electric Utility System and Water and Wastewater System Operations," "Operating Statement Electric Utility System and Water and Wastewater System" and "The Electric Utility System and Water and Wastewater System (Plant Cost and Equity in Utility Systems)" tables previously filed. On February 3, 2017, the City filed a ratings upgrade notice for the Prior First-Lien Combined Electric, Water and Wastewater Revenue Bonds, which took place on July 1, 2015. The failure to file the ratings upgrade in a timely manner was also filed on the same date. On June 30, 2017, the City filed updated financial information and operating data to reflect Fiscal Year 2016 information on the first page of the "Water Service Rates" table. The City has implemented procedures to ensure timely filing of all future financial information and event notices.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of

the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Bonds.

The information contained above is neither guaranteed as to accuracy or completeness nor shall be construed as a representation by the Issuer. The information and expressions of opinion in this document are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to in this document to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, in whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained in this document is subject to change. Descriptions of the Bonds and the Official Action and any other agreements and documents contained in this document constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

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APPENDIX A
MATURITY SCHEDULE

\$9,400,000
CITY OF AUSTIN, TEXAS
Water and Wastewater System Revenue Bonds, Series 2021B

Base CUSIP No. 052477 (1)

<u>Maturity Date</u>	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix (1)	<u>Maturity Date</u>	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix (1)
11/15/2021	\$250,000	0.000%	0.000%	GP5	11/15/2036	\$315,000	0.000%	0.000%	HE9
11/15/2022	315,000	0.000%	0.000%	GQ3	11/15/2037	315,000	0.000%	0.000%	HF6
11/15/2023	315,000	0.000%	0.000%	GR1	11/15/2038	310,000	0.000%	0.000%	HG4
11/15/2024	315,000	0.000%	0.000%	GS9	11/15/2039	315,000	0.000%	0.000%	HH2
11/15/2025	315,000	0.000%	0.000%	GT7	11/15/2040	315,000	0.000%	0.000%	HJ8
11/15/2026	315,000	0.000%	0.000%	GU4	11/15/2041	315,000	0.000%	0.000%	HK5
11/15/2027	315,000	0.000%	0.000%	GV2	11/15/2042	315,000	0.000%	0.000%	HL3
11/15/2028	315,000	0.000%	0.000%	GW0	11/15/2043	315,000	0.000%	0.000%	HM1
11/15/2029	315,000	0.000%	0.000%	GX8	11/15/2044	315,000	0.000%	0.000%	HN9
11/15/2030	315,000	0.000%	0.000%	GY6	11/15/2045	315,000	0.010%	0.010%	HP4
11/15/2031	315,000	0.000%	0.000%	GZ3	11/15/2046	315,000	0.020%	0.020%	HQ2
11/15/2032	315,000	0.000%	0.000%	HA7	11/15/2047	320,000	0.030%	0.030%	HR0
11/15/2033	315,000	0.000%	0.000%	HB5	11/15/2048	320,000	0.040%	0.040%	HS8
11/15/2034	315,000	0.000%	0.000%	HC3	11/15/2049	320,000	0.050%	0.050%	HT6
11/15/2035	315,000	0.000%	0.000%	HD1	11/15/2050	320,000	0.060%	0.060%	HU3

(Interest to accrue from the Date of Initial Delivery)

Redemption of the Bonds

The Bonds will be subject to optional redemption as described in “THE BONDS - Redemption Provisions” in this document.

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- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitution for the services provided by CGS. CUSIP numbers are provided for convenience of reference only. The City, the Financial Advisor, and the TWDB are not responsible for the selection or correctness of CUSIP numbers set forth in this document.

APPENDIX B
FORM OF OFFICIAL ACTION

CERTIFICATE FOR ORDINANCE

THE STATE OF TEXAS :
COUNTIES OF TRAVIS, WILLIAMSON AND HAYS :
CITY OF AUSTIN :

I, the undersigned, City Clerk of the City of Austin, Texas, DO HEREBY CERTIFY as follows:

1. The City Council of the City convened in **REGULAR MEETING ON THE 10TH DAY OF DECEMBER, 2020**, at the designated meeting place, and the roll was called of the duly constituted officers and members of Council, to-wit:

STEVE ADLER	:	MAYOR
DELIA GARZA	:	MAYOR PRO-TEM
NATASHA HARPER-MADISON	:	
KATHRYNE B. TOVO	:	
SABINO "PIO" RENTERIA	:	
GREGORIO "GREG" CASAR	:	COUNCILMEMBERS
ANN KITCHEN	:	
JIMMY FLANNIGAN	:	
LESLIE POOL	:	
PAIGE ELLIS	:	
ALISON ALTER	:	

and all of the persons were present, thus constituting a quorum. Whereupon, among other business, the following was transacted at this meeting: a written

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF AUSTIN, TEXAS WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021B; AND AUTHORIZING THE ISSUANCE OF THE BONDS AND RELATED DOCUMENTS

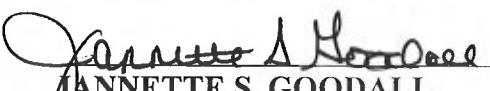
was duly introduced and submitted to Council for passage and adoption. After presentation and due consideration of the Ordinance, and upon a motion being made by Councilmember Pool and seconded by Councilmember Harper-Madison, the Ordinance was finally passed and adopted by the City Council to be effective immediately by the following vote:

10 voted "For" 0 voted "Against" 0 absent when voting

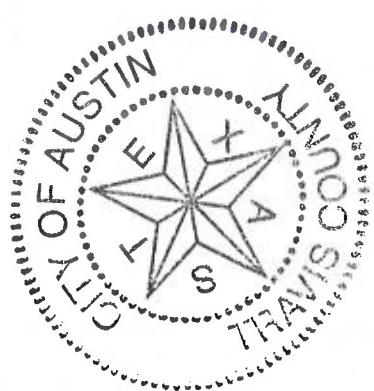
as shown in the official minutes of Council for this Meeting.

2. That a true, full and correct copy of the Ordinance passed at the Meeting described in the above paragraph is attached to and follows this Certificate; that the Ordinance has been duly recorded in Council's minutes of the Meeting; that the above paragraph is a true, full and correct excerpt from Council's minutes of the Meeting pertaining to the passage of the Ordinance; that the persons named in the above paragraph are the duly chosen, qualified and acting officers and members of Council; that each of the officers and members of Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Ordinance would be introduced and considered for passage at the Meeting, and each of the officers and members consented, in advance, to the holding of the Meeting for such purpose, and that the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED THE 10TH DAY OF DECEMBER, 2020.


JANNETTE S. GOODALL
City Clerk, City of Austin, Texas

[SEAL]



ORDINANCE NO. 20201210-005

**AN ORDINANCE AUTHORIZING THE ISSUANCE AND
SALE OF CITY OF AUSTIN, TEXAS, WATER AND
WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021B**

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

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

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

“Beneficial Owner” shall have the meaning given in Section 7 of the Thirty-Seventh Supplement.

“Board Resolution” means Resolution No. 19-097 adopted by the Texas Water Development Board on October 3, 2019, approving the purchase of the Bonds from the City.

“Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021B” authorized for issuance by the Thirty-Seventh Supplement.

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

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

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

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

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

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

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

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

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

“Code” means the Internal Revenue Code of 1986.

“Concurrent Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021A” authorized for issuance by the Thirty-Sixth Supplement.

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

“Delivery Date” means the date all or any portion of the Bonds are delivered to the Purchaser in exchange for the agreed purchase price of the delivered Bonds.

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

“Initial Bond” shall have the meaning given in Section 9 of the Thirty-Seventh Supplement.

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

“Paying Agent/Registrar” means UMB Bank, N.A.

“Previously Issued Parity Water/Wastewater Obligations” means the outstanding (1) “City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008”, together with certain regularly scheduled payments under the Series 2008 Interest Rate Management Agreement and the Series 2008 Liquidity Agreement (as these terms are defined in Ordinance No. 20080306-053), (2) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2010”, (3) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010B (Direct Subsidy-Build America Bonds)”, (4) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2011”, (5) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2012”, (6) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2013A”, (7) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2014”, (8) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2015A”, (9) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2015B”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2016”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2016A”, (12) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2017”, (13) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2017A”, (14) “City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2018”, (15) “City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2019”, (16) “City of

Austin, Texas Water and Wastewater System Revenue Bonds, Series 2020A”, (17) “City of Austin, Texas Water and Wastewater System Revenue Bonds, Series 2020B”, (18) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2020C” and (19) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2020D”.

“Prior Supplements” mean Ordinances Nos. 20080306-052, 20080306-053, 20091217-004, 20101118-074, 20111103-051, 20120628-101, 20130620-074, 20140522-040, 20150604-038, 20150604-039, 20160421-011, 20161020-002, 20170622-016, 20171012-002, 20181018-004, 20191003-002, 20200123-106, 20200123-107, 20200927-057, and 20201029-041 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

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

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

“State” means the State of Texas.

“Thirty-Seventh Supplement” means this Ordinance No. 20201210-005 authorizing the issuance of the Bonds.

“Thirty-Sixth Supplement” means Ordinance No. 20201210-004 authorizing the issuance of the Concurrent Bonds.

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

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

SECTION 2: AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT - PURPOSE. Revenue bonds of the City shall be and are authorized to be issued in the aggregate principal amount of \$9,400,000 and designated the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021B” (the “Bonds”), for the purpose of improving and extending the Water/Wastewater System by financing projects that are part of the City’s water system, and paying costs of issuance, in conformity with the Constitution and laws of the State, including Chapter 1502.

SECTION 3: FULLY REGISTERED OBLIGATIONS-AUTHORIZED DENOMINATIONS – STATED MATURITIES - DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from R-1 upward (except as provided in Section 9 of the Thirty-Seventh Supplement). The Bonds shall bear interest on the unpaid principal amounts from the date and at the rate(s) per annum as specified in Section 4 below (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing on May 15, 2021, until maturity or prior redemption, as provided in the FORM OF BOND.

SECTION 4: PRINCIPAL PAYMENTS AND INTEREST RATES; REDEMPTION.

(a) The Bonds shall be dated September 25, 2020 (the “Dated Date”), shall be in any Authorized Denomination, shall bear interest from their Delivery Date in the manner described in the FORM OF BOND at the rates per annum, and the principal on the Bonds shall mature on November 15 in each of the years and in the amounts, respectively, set forth in Schedule I attached to this Thirty-Seventh Supplement.

(b) The City may redeem Bonds prior to their scheduled maturity on the dates and in the manner set forth in the FORM OF BOND. If less than all of the maturities of the Bonds are redeemed by the City, the City shall determine the maturities and amounts to be redeemed and shall direct the Paying Agent/Registrar to call Bonds by lot within a maturity and in a principal amount for redemption. Notice of any redemption shall be given in the manner set forth in the FORM OF BOND. Notice of any redemption also shall be given by United States mail, first class postage prepaid, (i) at least 30 days prior to the scheduled redemption date to the MSRB and to any national information service that disseminates redemption notices, and (ii) at least 90 days prior to the scheduled redemption date to the TWDB. Any notice sent to the MSRB and to any national information service that disseminates redemption notices must be sent so that the notice is received at least two days prior to the general mailing of notice as set forth in the FORM OF BOND.

(c) Each redemption notice, whether required in the FORM OF BOND or otherwise by this Thirty-Seventh Supplement, shall contain a description of the Bonds to be redeemed, including the complete name of the Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, if any, the amounts called for redemption, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar

and the address at which the Bond may be redeemed including a contact person and telephone number. All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

SECTION 5: TERMS OF PAYMENT - PAYING AGENT /REGISTRAR. The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

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

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

Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities or redemption of the Bonds, only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated office in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders whose names appear in the Security Register at the close of business on

the Record Date (the last Business Day of the month next preceding each interest payment date), and interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds is a day other than a Business Day, then the date for payment shall be the next succeeding Business Day; and payment on that date shall have the same force and effect as if made on the original date payment was due. If TWDB is the Beneficial Owner of 100% in aggregate principal amount of the Bonds then Outstanding, principal shall be paid to TWDB by wire transfer, at no expense to TWDB.

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

SECTION 6: REGISTRATION-TRANSFER-EXCHANGE OF BONDS

- PREDECESSOR BONDS. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each registered owner of the Bonds issued under the provisions of the Thirty-Seventh Supplement. Any Bond may, in accordance with its terms and the terms of the Thirty-Seventh Supplement, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or the Holder’s authorized agent, upon surrender of the Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange executed by the Holder or the Holder’s authorized agent, in form satisfactory to the Paying Agent/ Registrar.

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

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

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

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

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

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

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

The City agrees to deliver to the Paying Agent/Registrar one initial Bond numbered T-1, as provided in Section 9 of the Thirty-Seventh Supplement, and registered to the TWDB following the approval by the Attorney General of the State and the registration by the Comptroller of Public Accounts. Proceeds from the Bonds will be held in escrow and disbursed to the City in accordance with procedures approved by the TWDB.

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

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

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the City determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the City covenants and agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. The Bonds in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of the Bonds not held by DTC under the Depository Agreement shall be made in accordance with the provisions of Sections 4, 5 and 6 of the Thirty-Seventh Supplement.

SECTION 8: EXECUTION - REGISTRATION. The Bonds shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed on the Bonds and countersigned by the City Clerk. The signature of the officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper

officers of the City on the Dated Date shall be deemed to be executed on behalf of the City, notwithstanding that those individuals or either of them shall cease to hold the offices at the time of delivery of the Bonds to the Purchaser and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Chapter 1201.

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

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

SECTION 10: FORMS. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State, the Certificate of Registration, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in the FORM OF BOND set forth in **Exhibit A** to the Thirty-Seventh Supplement, with appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Thirty-Seventh Supplement, and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures (CUSIP) of the American Bankers Association) and any other legends and endorsements (including insurance legends in the event the Bonds, or any maturities of the Bonds, are purchased with insurance and any

reproduction of an opinion of counsel) as may be established by the City or determined by the officers executing the Bonds as evidenced by their execution of the Bonds. Any portion of the text of any Bond may be set forth on the reverse of the Bond, with an appropriate reference on the face of the Bond.

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

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

SECTION 12: PLEDGE. The Net Revenues of the Water/Wastewater System are pledged to the payment of the Bonds, and the Bonds, together with the Prior Subordinate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance with the terms of the Master Ordinance and the Thirty-Seventh Supplement. Additionally, the Bonds and the Previously Issued Parity Water/Wastewater Obligations shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund in accordance with the terms of the Master Ordinance, the Prior Supplements and the Thirty-Seventh Supplement. The Parity Water/Wastewater Obligations, and the interest on the Parity Water/Wastewater Obligations, shall constitute a lien on the Net Revenues of the Water/Wastewater System and be valid and binding and fully perfected from and after the date of adoption of the Thirty-Seventh Supplement without physical delivery or transfer or transfer of control of the Net Revenues, the

filing of the Thirty-Seventh Supplement or any other act, all as provided in Chapter 1208. The owners of the Parity Water/Wastewater Obligations shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Ordinance, the Prior Supplements and the Thirty-Seventh Supplement.

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

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

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

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

SECTION 14: RESERVE FUND. In accordance with the provisions of the Prior Supplements authorizing the issuance of certain of the Previously Issued

Water/Wastewater Obligations, the Required Reserve Amount is funded with cash and Credit Facilities originally issued by Ambac Assurance Corporation and XL Capital Assurance Inc.

The Reserve Fund shall be funded in an amount of no less than the average annual debt service requirements on the Bonds, either (a) with proceeds of the Bonds, in the amount described in the letter of instructions executed in accordance with Section 26 of the Thirty-Seventh Supplement, or (b) by the deposit of Net Revenues in approximately equal monthly installments over the initial 60 months following the issuance of the Bonds, all in accordance with the Board Resolution and as further provided in the letter of instructions.

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

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

SECTION 16: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS.

The City covenants to refrain from any action which would adversely affect, or to take any action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use", as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether or not received by the City, with respect to such

private business use, do not, under the terms of this Thirty-Seventh Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

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

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

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

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

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

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

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

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

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not

otherwise contravene the requirements of section 148 of the Code (relating to arbitrage);

(h) to refrain from using the proceeds of the Bonds or the proceeds of any prior bonds to pay debt service on another issue more than ninety (90) days after the issuance of the Bonds in contravention of section 149 of the Code (relating to advance refundings);

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

(j) to file with the Internal Revenue Service an executed Form 8038-G, in furtherance of the requirements of section 149(e) of the Code.

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

registered owners of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

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

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

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

**SECTION 17: AMENDMENT OF THIRTY-SEVENTH
SUPPLEMENT.**

(a) Required Owner Consent for Amendments. The owners of a majority in Outstanding Principal Amount of the Bonds shall have the right from time to time to approve any amendment to the Thirty-Seventh Supplement which may be deemed necessary or desirable by the City; provided, however, nothing contained

in the Thirty-Seventh Supplement shall permit or be construed to permit the amendment of the terms and conditions in the Thirty-Seventh Supplement so as to:

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

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

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

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

(d) Revocation of Consent. Any consent given by the owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, and shall be conclusive and binding upon all future owners of the same Bonds during such period. At any time after six months from the date for

measuring the one year period to obtain consents noted in paragraph (c) above, consent may be revoked by the owner who gave the consent, or by a successor in title, by filing written notice with the Paying Agent/Registrar for the Bonds and the City, but revocation shall not be effective if the owners of at least a majority in Outstanding Principal Amount of the then Outstanding Bonds as determined in accordance with this Section have, prior to the attempted revocation, consented to and approved the amendment.

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

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

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

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

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

(4) To make amendments to the Thirty-Seventh Supplement as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and

the regulations promulgated under and applicable to those sections and regulations;

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

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

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

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

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

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

SECTION 18: FINAL DEPOSITS; GOVERNMENT OBLIGATIONS.

All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Thirty-Seventh Supplement when payment of the principal of, and redemption premium, if any, on the Bonds, plus interest on the Bonds to the due date (whether the due date is by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms of the Bonds, or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for this payment, (1) money sufficient to make the payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in amounts and at the times as will insure the availability, without reinvestment, of sufficient money to make this payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which the deposit is made shall have been paid or the payment provided for the satisfaction of the Paying Agent/Registrar. Once a Bond shall be deemed to be paid under the Thirty-Seventh Supplement, it shall no longer be secured by or entitled to the benefit of the Thirty-Seventh Supplement, the Master Ordinance or a lien on and pledge of the Net Revenues of the Water/Wastewater System, and shall be entitled to payment solely from the money or Government Obligations.

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

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

SECTION 19: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be

printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for the Bond in the manner provided in this Section. An application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of the Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of the Bond with all legal, printing, and other expenses in connection with this issuance. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the Thirty-Seventh Supplement equally and proportionately with any and all other Bonds issued under the Thirty-Seventh Supplement.

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

SECTION 20: THIRTY-SEVENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by the Holders from time to time, the Thirty-Seventh Supplement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Bonds and the pledge made in the Thirty-Seventh Supplement by the City and the covenants and agreements set forth in the

Thirty-Seventh Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized under the Thirty-Seventh Supplement over any of the others by reason of time of issuance, sale, or maturity or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Thirty-Seventh Supplement.

SECTION 21: CONTINUING DISCLOSURE UNDERTAKING.

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

(b) Annual Reports. The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2020, financial information and operating data with respect to the City of the general type included in the final Official Statement and which is described in **Exhibit B** to the Thirty-Seventh Supplement, and (2) if not provided as part of the financial information and operating data, audited financial statements of the City, when and if available. Any financial statements provided shall be prepared in accordance with the accounting principles described in **Exhibit B** to the Thirty-Seventh Supplement, or other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and audited, if the City commissions an audit of the statements and the audit is completed within twelve months after the end of each fiscal year ending in or after 2020. If audited financial statements of the City are not available by the end of the 12 month period, the City will provide notice that the audited financial statements are not available, and will provide unaudited financial statements by the end of the 12 month period and audited financial statements for the applicable fiscal year when and if the audited financial statements become available.

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

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

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

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material;
- (15) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material; and

- (16) Default, event of acceleration, termination event, modification of terms, or other similar event under the terms of a Financial Obligation of the Obligated Person, and which reflect financial difficulties.

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

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

As used in paragraphs 15 and 16 above, the term "Financial Obligation" means: (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), however, the term Financial Obligation shall not include Municipal Securities as to which a final official statement has been provided to the MSRB consistent with the Rule; the term "Municipal Securities" means securities which are direct obligations of, or obligations guaranteed as to principal or interest by, a state or any political subdivision thereof, or any agency or instrumentality of a state or any political subdivision thereof, or any municipal corporate instrumentality of one or more states and any other Municipal Securities described by Section 3(a)(29) of the Securities Exchange Act of 1934, as the same may be amended from time to time; and the term "Obligated Person" means the City.

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

(e) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section with

respect to the City and the Bonds while, but only while, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) of this Section of any Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

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

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

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

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

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

Notwithstanding any provisions in the Thirty-Seventh Supplement to the contrary, the provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of

operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of the amendment, as well as the changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Thirty-Seventh Supplement that authorizes the amendment) of the Outstanding Bonds consent to the amendment or (b) a Person that is unaffiliated with the City and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that the provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in the offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

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

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

SECTION 23: SALE OF BONDS. The Bonds are to be sold by the City to the Purchaser for the price of par, less an origination fee of \$184,314.00. The Bonds have been purchased by the Purchaser pursuant to the Board Resolution. The Initial Bond shall be registered in the name of the Texas Water Development Board. The Private Placement Memorandum prepared in connection with the sale of the Bonds to the Purchaser, in substantially the form attached to the Thirty-Seventh Supplement, is approved. The City has determined, based upon the advice provided by its financial advisor, that acceptance of the purchase price for the Bonds is on terms advantageous to, and in the best interests of, the City.

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

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

By agreeing to the purchase the Bonds, the TWDB agrees that the bond proceeds shall be deposited into the escrow fund established in the Escrow Agreement between the City and UMB Bank, N.A., and that the procedures set forth in Sections 5 and 6 of the Thirty-Seventh Supplement satisfy the Board Resolution.

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

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

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

(b) Audits. For so long as the State owns any Bond, the City shall mail a copy of the audit required by the Master Ordinance to the TWDB. The audit shall be performed by an independent certified public accountant, a firm of independent certified public accountants, or a licensed professional auditor, in accordance with generally accepted accounting principles applicable to governmental entities such as the City. In addition, monthly operating statements for the Water/Wastewater System shall be maintained by the City and made available, on request, to the TWDB as long as the State owns any Bond, and the monthly operating statement

shall be in such detail as requested by the Development Fund Manager of the TWDB until the Development Fund Manager of the TWDB waives this requirement.

(c) Final Accounting. The City shall render, and submit within 60 days of the completion of the project, a final accounting to the TWDB in reference to the total cost incurred by the City for improvements and extensions to the Water/Wastewater System which were financed by the issuance of the Bonds, together with a copy of "as built" plans of the improvements and extensions upon completion.

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

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

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

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

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

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

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

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

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

(m) Compliance with Davis-Bacon Act. The City acknowledges that all laborers and mechanics employed by contractors and subcontracts for Projects shall be paid at rates not less than those prevailing on projects of a similar character in the City in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations; the City, all contractors, and all sub-contractors shall ensure that all Project contracts mandate compliance with the Davis-Bacon Act; and all contracts and subcontracts for the construction of the Project carried on in whole or in part with financial assistance provided by the Board shall insert in full in any contract in excess of \$2,000 the contract clauses as provided by the Board.

(n) Compliance with Federal Funding Accountability and Transparency Act. The City acknowledges that the City shall provide the Board with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub.L.109-282, as amended by Pub. L. 110-252; and the City shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times while the Bonds are Outstanding.

(o) Adherence to Project Schedule. The City acknowledges that all proceeds of the Bonds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and that the City will adhere to the approved Project schedule.

(p) Use of Iron and Steel Products. The City agrees that it will abide by all applicable construction contract requirements related to the use of iron and steel

products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines.

(q) Maintenance of Project Accounts. The City acknowledges that it will comply with the requirements set forth in 33 U.S.C. § 1382 *et seq.* relating to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with general accepted accounting principles (which shall apply also to the reporting of underlying infrastructure assets).

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

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

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

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

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

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

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

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

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

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

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

SECTION 34: CONSTRUCTION OF TERMS. If appropriate in the context of the Thirty-Seventh Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders. References to any named person shall mean that person and his or her successors and assigns. References to any constitutional, statutory or regulatory provision means the provision as it exists on the date the Thirty-Seventh Supplement is adopted by council. Any reference to the payment of principal in the Thirty-Seventh Supplement shall include the payment of any mandatory sinking fund redemption payments as described in the Thirty-Seventh Supplement. Any reference to "FORM OF BOND" refers to the form of the Bonds in **Exhibit A** to the Thirty-Seventh Supplement.

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

SECTION 36: CONSTRUCTION FUND. A fund entitled the "City of Austin, Texas Water and Wastewater System Series 2021B Revenue Bonds Construction Fund" (the "Construction Fund") is created. Money in the Construction Fund shall be maintained at an official depository bank of the City.

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

Any surplus proceeds, including the investment earnings derived from the investment of monies on deposit in the Construction Fund, from the Bonds remaining on deposit in the Construction Fund after completing the improvements and extensions to the System and upon the completion of the final accounting as

described in Section 24 of the Thirty-Seventh Supplement, shall be transferred to the Debt Service Fund to redeem, the Bonds owned by TWDB, unless the Executive Administrator of TWDB approves the use of the surplus proceeds to pay eligible costs of improving or extending the System by funding projects that are consistent with the Board Resolution.

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

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

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

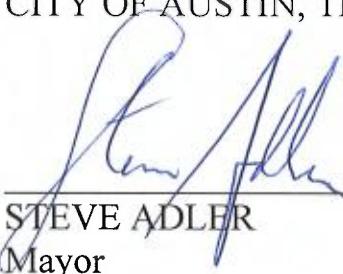
SECTION 40: CONCURRENT BONDS. Concurrently with the adoption of this Thirty-Seventh Supplement, Council adopted the Thirty-Sixth Supplement authorizing the sale of the Concurrent Bonds to TWDB. Should the Concurrent Bonds not be purchased by TWDB, any reference to Concurrent Bonds in this Thirty-Seventh Supplement shall be of no effect.

[Execution page follows]

PASSED AND APPROVED

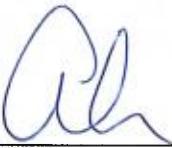
CITY OF AUSTIN, TEXAS

December 10, 2020



STEVE ADLER
Mayor

APPROVED:

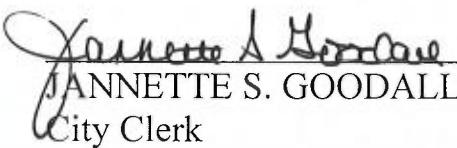


ANNE L. MORGAN
City Attorney

(City Seal)



ATTEST:



JANNETTE S. GOODALL
City Clerk

SCHEDULE I

<u>YEARS(11/15)</u>	<u>PRINCIPAL AMOUNTS (\$)</u>	<u>INTEREST RATES (%)</u>
2021	250,000	0.00
2022	315,000	0.00
2023	315,000	0.00
2024	315,000	0.00
2025	315,000	0.00
2026	315,000	0.00
2027	315,000	0.00
2028	315,000	0.00
2029	315,000	0.00
2030	315,000	0.00
2031	315,000	0.00
2032	315,000	0.00
2033	315,000	0.00
2034	315,000	0.00
2035	315,000	0.00
2036	315,000	0.00
2037	315,000	0.00
2038	310,000	0.00
2039	315,000	0.00
2040	315,000	0.00
2041	315,000	0.00
2042	315,000	0.00
2043	315,000	0.00
2044	315,000	0.00
2045	315,000	0.01
2046	315,000	0.02
2047	320,000	0.03
2048	320,000	0.04
2049	320,000	0.05
2050	320,000	0.06

EXHIBIT A
FORM OF BOND

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE BOND,
SERIES 2021B

Delivery Date: _____ Interest Rate: _____ Stated Maturity: _____ CUSIP NO: _____
January 22, 2021

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received promises to pay to the registered owner named above, or their registered assigns (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much of the Principal Amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount of this Bond from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Delivery Date of this Bond specified above at the per annum rate of interest specified above; such interest being payable on May 15, 2021, and on each succeeding November 15 and May 15 until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing on this Bond, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Thirty-Seventh Supplemental Ordinance to the Master Ordinance (the "Thirty-Seventh Supplement")) whose

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

This Bond is one of the series specified in its title dated September 25, 2020, issued in the aggregate principal amount of \$9,400,000 (the "Bonds") for the purpose of (i) extending and improving the City's combined water and wastewater system through the financing of projects that are part of the City's water system, (ii) funding a reserve fund for the Bonds, and (iii) paying the costs of issuance associated with the Bonds. The Bonds shall be issued in any denomination or denominations in any integral multiple of \$5,000 within a maturity (an "Authorized Denomination"). All capitalized terms not defined herein shall have the same meaning as given said terms in the Master Ordinance or the Thirty-Seventh Supplement.

The Bonds maturing on and after November 15, 2031, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on May 15, 2031, or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

Not less than thirty days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the

address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Thirty-Seventh Supplement. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

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

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

The Bonds are special obligations of the City payable solely from and, together with the Prior Subordinate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations currently Outstanding, equally and ratably secured by a parity lien on and pledge of, the Net Revenues of the Water/Wastewater System in the manner provided in the Master Ordinance and the Thirty-Seventh Supplement. Additionally, the Bonds and Previously Issued Parity Water/Wastewater Obligations referenced above shall be equally and ratably

secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund in accordance with the terms of the Master Ordinance and the Thirty-Seventh Supplement. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Water/Wastewater System, except with respect to the Net Revenues. The Holder of this Bond shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

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

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

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

interest and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

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

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

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

CITY OF AUSTIN, TEXAS

Steve Adler
Mayor, City of Austin, Texas

COUNTERSIGNED:

Jannette S. Goodall
City Clerk, City of Austin, Texas

(SEAL)

Form of Registration Certificate of Comptroller of Public Accounts
to Appear on Initial Bond only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

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

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

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

UMB Bank, N.A.,
as Paying Agent/Registrar

Registration date:

By: _____
Authorized Signature

FORM OF ASSIGNMENT.

ASSIGNMENT

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

Social Security or other identifying number
(_____) the within Bond
and all rights under this Bond, and irrevocably constitutes and appoints

attorney to transfer the within Bond on the books kept for registration
of the Bonds, with full power of substitution in the premises.

DATED:

Signature guaranteed:

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

The Initial Bond shall be in the form set forth above, except that the form of the single fully registered Initial Bond shall be modified as follows:

- (i) immediately under the name of the bond the headings "Delivery Date", "Interest Rate", "Stated Maturity" and "Cusip No." shall be omitted; and
- (ii) Paragraph one shall read as follows:

Registered Owner: Texas Water Development Board

Principal Amount: Nine Million Four Hundred Thousand Dollars

Delivery Date: January 22, 2021

THE CITY OF AUSTIN, IN TRAVIS, WILLIAMSON AND HAYS COUNTIES, TEXAS (the "City") promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on November 15 in each of the years and in principal installments in accordance with the following schedule:

<u>YEARS</u>	<u>PRINCIPAL AMOUNTS (\$)</u>	<u>INTEREST RATES (%)</u>
2021	250,000	0.00
2022	315,000	0.00
2023	315,000	0.00
2024	315,000	0.00
2025	315,000	0.00
2026	315,000	0.00
2027	315,000	0.00
2028	315,000	0.00
2029	315,000	0.00
2030	315,000	0.00
2031	315,000	0.00
2032	315,000	0.00
2033	315,000	0.00
2034	315,000	0.00
2035	315,000	0.00
2036	315,000	0.00
2037	315,000	0.00
2038	310,000	0.00
2039	315,000	0.00
2040	315,000	0.00
2041	315,000	0.00

2042	315,000	0.00
2043	315,000	0.00
2044	315,000	0.00
2045	315,000	0.01
2046	315,000	0.02
2047	320,000	0.03
2048	320,000	0.04
2049	320,000	0.05
2050	320,000	0.06

and to pay interest thereon from the delivery date specified above, on May 15, 2021, and semiannually on each November 15 and May 15 thereafter to the maturity date specified above, or to the date of redemption prior to maturity, at the interest rate per annum specified above. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Exhibit B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

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

Annual Financial Information and Operating Data

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

The quantitative financial information and operating data with respect to the City within the following tables in the main text of the Official Statement relating to the sale of the City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2020C (the “Official Statement”): (1) “WATER SYSTEM – Historical Water Pumpage,” (2) “WATER SYSTEM – Projected Water Pumpage,” (3) “WATER SYSTEM – Information Concerning Water Sales,” (4) “WATER SYSTEM – Large Water Customers,” (5) “WASTEWATER SYSTEM – Historical Wastewater Flows,” (6) “WASTEWATER SYSTEM – Projected Wastewater Flows,” (7) “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION– Water Service Rates,” (8) “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Wastewater Service Rates,” (9) “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Water Bills,” (10) “COMBINED WATER AND WASTEWATER SYSTEM INFORMATION – Analysis of Wastewater Bills,” (11) “ELECTRIC UTILITY SYSTEM – Generation Facilities,” (12) “AUSTIN ENERGY’S CUSTOMER STATISTICS – Five Year Electric Customer Statistics,” (13) “AUSTIN ENERGY’S CUSTOMER STATISTICS – Generation and Use Data,” (14) “DISCUSSION OF OPERATING STATEMENT – The Electric Utility System and Water and Wastewater System,” (15) “ELECTRIC UTILITY SYSTEM – Customer Base–Average Monthly Number of Customers,” (16) “ELECTRIC UTILITY SYSTEM – Fuel Supply,” (17) “AUSTIN ENERGY’S CUSTOMER RATES – Typical Monthly Residential Electric Bills of Large Texas Cities, (18) Austin Energy’s approved rate schedules incorporated into this document by reference as described in the applicable Pricing Certificate and “AUSTIN ENERGY’S CUSTOMER STATISTICS – Electric Rates,” (19) “AUSTIN ENERGY’S CUSTOMER STATISTICS – GreenChoice® Energy Rider,” (20) “COMPARATIVE ANALYSIS OF ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM OPERATIONS,” (21) “OPERATING STATEMENT ELECTRIC UTILITY SYSTEM AND WATER AND WASTEWATER SYSTEM,” (22) The table of annual results of the City’s

annexations in "THE CITY – Annexation Program," and (23) "INVESTMENTS – Current Investments."

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

Accounting Principles

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

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

January 27, 2021

City of Austin, Texas
301 West Second Street
Austin, Texas 78701

Texas Water Development Board
1700 N. Congress Avenue
Austin, Texas 78701

CITY OF AUSTIN, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2021B
\$9,400,000

Ladies and Gentlemen:

As Bond Counsel for the City of Austin, Texas (the "City"), the issuer of the bonds described above (the "Bonds"), we have examined into the record of proceedings relating to the issuance of the Bonds. The Bonds bear interest from the date and mature on the dates specified on the face of the Bonds, and are subject to redemption prior to maturity on the dates and in the manner specified in the Bonds, all in accordance with the master ordinance (the "Master Ordinance") and the thirty-seventh supplemental ordinance to the Master Ordinance of the City authorizing the issuance of the Bonds (the "Thirty-Seventh Supplement", and together with the Master Ordinance, the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

We have examined the Constitution and statutes of the State of Texas, the Charter of the City, certified copies of the proceedings of the City Council of the City, and other proofs authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond No. T-1).

In our opinion, under existing laws, such record of proceedings shows lawful authority for the issuance and sale of the Bonds in accordance with the provisions, terms and conditions of the Ordinance, which was duly adopted by the City. We are further of the opinion that, under existing laws, the Ordinance and the Bonds constitute valid and legally binding special obligations of the City, and, except as may be limited by laws applicable to the City relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, that the interest on and principal of the Bonds, together with outstanding Previously Issued Parity Water/Wastewater Obligations and Prior Subordinate Lien Obligations, are payable from, and secured by a parity lien on and pledge of, the Net Revenues of the System in the manner provided in the Ordinance. The Bonds are secured ratably by such pledge of revenues in such manner that no one Bond shall have priority of lien over any other Bond so secured. The holder or holders of the Bonds shall never have the right to demand payment out of money raised or to be raised by taxation.

600 Congress Ave.
Suite 1800
Austin, Texas 78701
T 512.478.3805
F 512.472.0871

717 North Harwood
Suite 900
Dallas, Texas 75201
T 214.754.9200
F 214.754.9250

Two Allen Center
1200 Smith Street, Suite 1550
Houston, Texas 77002
T 713.980.0500
F 713.980.0510

700 N. St. Mary's Street
Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984



The City has reserved the right, subject to certain restrictions, to issue additional revenue obligations in all things on parity with the Bonds and payable from and equally secured by a lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as the Bonds.

It is further our opinion, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the City to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

We express no opinion as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

Our sole engagement in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the City as to the availability and sufficiency of the Net Revenues of the System.



Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

This opinion is furnished solely for your benefit and may be relied upon only by the addressees hereof or anyone to whom specific permission is given in writing by us.

Respectfully,

