

ORDINANCE NO.

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2017A

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 Twenty-Ninth Supplement.

“Board Resolution” means Resolution No. 16-076 adopted by the Texas Water Development Board on July 21, 2016, as amended by Resolution No. 17-080 adopted by the Texas Water Development Board on July 20, 2017, approving the purchase of the Bonds from the City.

“Bonds” means the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2017A” authorized for issuance by the Twenty-Ninth 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.

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

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

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

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

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

“Previously Issued Parity Water/Wastewater Obligations” means the outstanding (1) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A”, (2) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007”, (3) “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), (4) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009”, (5) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009A”, (6) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2010”, (7) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010A”, (8) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010B (Direct Subsidy-Build America Bonds)”, (9) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2011”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2012”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2013A”, (12) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2014”, (13) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2015A”,

(14) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2015B”, (15) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2016”, (16) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2016A” and (17) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2017”.

“Prior Supplements” mean Ordinances Nos. 040930-83, 20071108-081, 20080306-052, 20080306-053, 20081211-77, 20091105-051, 20091217-004, 20101118-074, 20111103-051, 20120628-101, 20130620-074, 20140522-040, 20150604-038, 20150604-039, 20160421-011, 20161020-002 and 20170622-016, authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

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

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

“State” means the State of Texas.

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

“Twenty-Ninth Supplement” means this Ordinance No. 20171012-____ authorizing the issuance of the Bonds.

The terms used in the Twenty-Ninth 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 \$45,175,000 and designated the

“CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2017A” (the “Bonds”), for the purpose of improving and extending the Water/Wastewater System by financing projects that are part of the State Water Plan, and paying costs of issuance, in conformity with the Constitution and laws of the State, including Chapter 1502.

SECTION 3: FULLY REGISTERED OBLIGATIONS—AUTHORIZED DENOMINATIONS – STATED MATURITIES - DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from R-1 upward (except as provided in Section 9 of the Twenty-Ninth 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, 2018, 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 October 12, 2017 (the “Dated Date”), shall be in any Authorized Denomination, shall bear interest from their date of delivery in the manner described in the FORM OF BOND at the rates per annum, and the principal on the Bonds shall mature on November 15 in each of the years and in the amounts, respectively, set forth in the following schedule:

<u>YEARS</u>	<u>PRINCIPAL AMOUNTS (\$)</u>	<u>INTEREST RATES (%)</u>
2018	2,020,000	
2019	2,030,000	
2020	2,045,000	
2021	2,060,000	
2022	2,075,000	
2023	2,090,000	
2024	2,110,000	
2025	2,135,000	
2026	2,160,000	
2027	2,190,000	
2028	2,220,000	

2029	2,255,000
2030	2,300,000
2031	2,345,000
2032	2,390,000
2033	2,440,000
2034	2,495,000
2035	2,550,000
2036	2,605,000
2037	2,660,000

(b) The City may redeem Bonds prior to their scheduled maturity on the dates and in the manner set forth in the FORM OF BOND. If less than all of the maturities of the Bonds are redeemed by the City, the City shall determine the maturities and amounts to be redeemed and shall direct the Paying Agent/Registrar to call Bonds by lot within a maturity and in a principal amount for redemption. Notice of any redemption shall be given in the manner set forth in the FORM OF BOND. Notice of any redemption also shall be given by United States mail, first class postage prepaid, (i) at least 30 days prior to the scheduled redemption date to the MSRB and to any national information service that disseminates redemption notices, and (ii) in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the MSRB and to any national information service that disseminates redemption notices at least 30 days but not more than 90 days prior to the redemption date. Any notice sent to the MSRB and to any national information service that disseminates redemption notices must be sent so that the notice is received at least two days prior to the general mailing of notice as set forth in the FORM OF BOND.

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

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

The selection and appointment of the Paying Agent/Registrar for the Bonds is approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar, all as provided in the Twenty-Ninth 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 Twenty-Ninth Supplement. Any Bond may, in accordance with its terms and the terms of the Twenty-Ninth 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 Bonds authorized in Section 9 of the Twenty-Ninth 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 Bonds authorized in Section 9 of the Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth Supplement and the new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

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

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

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

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

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

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

held by DTC under the Depository Agreement shall be made in accordance with the provisions of Sections 4, 5 and 6 of the Twenty-Ninth Supplement.

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

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

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

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.

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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.

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.

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.

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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 Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the 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) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery 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.

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 (h), 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 date of delivery 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 TWENTY-NINTH 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 Twenty-Ninth Supplement which may be deemed necessary or desirable by the City; provided, however, nothing contained in the Twenty-Ninth Supplement shall permit or be construed to permit the amendment of the terms and conditions in the Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth Supplement shall be deemed to be amended, and the respective rights, duties and obligations of the City under the Twenty-Ninth 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 Twenty-Ninth Supplement for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City contained in the Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth Supplement, or in regard to clarifying matters or questions arising under the Twenty-Ninth Supplement, as are necessary or desirable and not contrary to or inconsistent with the Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth Supplement and which shall not adversely affect the interests of the owners of the Bonds;

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

(7) To make changes, modifications or amendments as may be necessary or desirable to obtain the approval of the Bonds from the Attorney General of Texas, to obtain or maintain the granting of a

rating on the Bonds by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

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

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

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

SECTION 18: FINAL DEPOSITS; GOVERNMENT OBLIGATIONS.

All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Twenty-Ninth 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

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 Twenty-Ninth Supplement for Bonds issued in exchange for other Bonds.

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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 2017, 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 Twenty-Ninth 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 Twenty-Ninth 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 2017. 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; and
- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

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.

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.

(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 Twenty-Ninth Supplement for purposes of any other provision of the Twenty-Ninth 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 Twenty-Ninth 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 Twenty-Ninth 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

SECTION 22: REMEDY IN EVENT OF DEFAULT. In addition to all rights and remedies provided by the laws of the State, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Debt Service Fund as required by the Twenty-Ninth Supplement or the Master Ordinance, (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Twenty-Ninth Supplement or the Master Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Twenty-Ninth 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.

SECTION 23: SALE OF BONDS. The Bonds are to be sold by the City to the Purchaser for the price of par. The Bonds have been purchased by the Purchaser pursuant to the Board Resolution. The Initial Bonds shall be registered in the name of the Texas Water Development Board. The Private Placement Memorandum prepared in connection with the sale of the Bonds to the Purchaser, in substantially the form attached to the Twenty-Ninth 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.

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.

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.

(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.

(c) Final Accounting. The City shall render 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.

(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.

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

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

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

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

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

SECTION 29: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Twenty-Ninth Supplement or the Bonds, the performance date of any provision of the Twenty-Ninth Supplement or the Bonds, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then performance, including the payment of

principal of and interest on the Bonds, need not be made on that day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

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

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

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

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

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

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

SECTION 35: SEVERABILITY. If any provision of the Twenty-Ninth Supplement or its application to any circumstance shall be held to be invalid, the remainder of the Twenty-Ninth Supplement and its application to other circumstances shall nevertheless be valid, and council declares that the Twenty-Ninth 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 2017A Revenue Bonds Construction Fund (the "Construction Fund") is created. Money in the Construction Fund shall be maintained at an official depository bank of the City.

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

Any surplus proceeds, including the investment earnings derived from the investment of monies on deposit in the Construction Fund, from the Bonds remaining on deposit in the Construction Fund after completing the improvements and extensions to the System and upon the completion of the final accounting as described in Section 24 of the Twenty-Ninth Supplement, shall be transferred to the Debt Service Fund to redeem, in inverse order of maturity, the Bonds owned by

TWDB, unless the Executive Administrator of TWDB approves the use of the surplus proceeds to pay eligible costs of improving or extending the System by funding projects that are a part of the State Water Plan.

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

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

SECTION 39: EFFECTIVE DATE. This Twenty-Ninth 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.

PASSED AND APPROVED

CITY OF AUSTIN, TEXAS

_____, 2017

§
§
§

STEVE ADLER
Mayor

APPROVED:

ATTEST:

ANNE L. MORGAN
City Attorney

JANNETTE S. GOODALL
City Clerk

(City Seal)

EXHIBIT A
FORM OF BOND

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM
REVENUE BOND,
SERIES 2017A

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

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received promises to pay to the registered owner named above, or their registered assigns (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much of the Principal Amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount of this Bond from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the date of delivery of this Bond at the per annum rate of interest specified above; such interest being payable on May 15, 2018 and on each succeeding November 15 and May 15 until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing on this Bond, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this

Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Twenty-Ninth Supplemental Ordinance to the Master Ordinance (the "Twenty-Ninth 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 October 12, 2017, issued in the aggregate principal amount of \$45,175,000 (the "Bonds") for the purpose of (i) extending and improving the City's combined water and wastewater system through the financing of projects that are part of the State of Texas' comprehensive water plan approved pursuant to Subchapter C of Chapter 16, Texas Water Code, (ii) funding a reserve fund for the Bonds, and (iii) paying the costs of issuance associated with the Bonds. The Bonds shall be issued in any denomination or denominations in any integral multiple of \$5,000 within a maturity (an "Authorized Denomination"). All capitalized terms not defined herein shall have the same meaning as given said terms in the Master Ordinance or the Twenty-Ninth Supplement.

The Bonds maturing on and after November 15, 2028, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part, and if

in part, in inverse order of maturity, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on May 15, 2028, or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

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

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

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

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

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

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

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

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

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

CITY OF AUSTIN, TEXAS

Steve Adler
Mayor

COUNTERSIGNED:

Jannette S. Goodall
City Clerk

(SEAL)

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

(SEAL)

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

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

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

Wilmington Trust, National
Association, as Paying
Agent/Registrar

Registration date:

By: _____
Authorized Signature

FORM OF ASSIGNMENT.

ASSIGNMENT

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

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

DATED:

Signature guaranteed:

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

Exhibit B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

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

Annual Financial Information and Operating Data

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

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

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

Accounting Principles

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