

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING THE ISSUANCE OF “CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2012” IN AN AMOUNT NOT TO EXCEED \$_____; MAKING PROVISIONS FOR THE PAYMENT AND SECURITY THEREOF BY A JUNIOR AND INFERIOR LIEN ON AND PLEDGE OF THE NET REVENUES OF THE CITY’S UTILITY SYSTEM; PRESCRIBING THE FORM, TERMS, CONDITIONS, AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, AND DELIVERY OF THE BONDS; INCLUDING THE APPROVAL AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING THERETO; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND A PURCHASE CONTRACT; COMPLYING WITH THE REQUIREMENTS IMPOSED BY THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; DELEGATING THE AUTHORITY TO THE MAYOR AND CERTAIN MEMBERS OF THE CITY STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF THE BONDS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of Corpus Christi, Texas (the *City*) has heretofore issued, and there are currently Outstanding, revenue bonds (the *Previously Issued Priority Bonds*) supported by a first and prior lien on and pledge of the Net Revenues (as hereinafter defined) of the City’s combined utility systems (as further described and defined herein, the *System*); and

WHEREAS, the City Council has heretofore established a commercial paper program (the *Commercial Paper Program*) pursuant to which it issued from time to time a series of commercial paper notes (the *Commercial Paper Notes*), equally and ratably secured by a lien on and pledge of the Net Revenues, subordinate to the lien thereon and pledge thereof securing the Previously Issued Priority Bonds (but senior and superior to such lien and pledge securing the hereinafter-defined Previously Issued Inferior Lien Obligations) and which expired by the terms of the Commercial Paper Program’s authorizing ordinance on March 25, 2010, rendering such Commercial Paper Program void and of no further effect; and

WHEREAS, the City Council has heretofore entered into a certain Federal Contract (as hereinafter defined) supported by an lien on and pledge of the Net Revenues of the System inferior to the lien thereon and pledge thereof securing the Previously Issued Priority Bonds and the Commercial Paper Notes (such inferior lien Federal Contract, the *Previously Issued Inferior Lien Obligations*); and

WHEREAS, the City Council is authorized by the terms of the City ordinances authorizing the issuance of the Previously Issued Priority Bonds and Section 1502.052, as amended, Texas Government Code (which permits the grant of a lien on Net Revenues at the level of priority determined by the City Council), to create and establish a revenue financing system supported by a lien on and pledge of Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the Priority Bonds (as hereinafter defined); and

WHEREAS, to realize covenant relief governing the issuance and maintenance of Additional Priority Bonds (as hereinafter defined), the City Council has determined to establish a junior lien revenue finance system in support of the System, secured (primarily) by a lien on and pledge of Net Revenues that is junior and inferior to the lien thereon and pledge thereof securing the Priority Bonds but senior and superior to the Inferior Lien Obligations and which junior lien revenue finance system will, upon establishment, assume the lien position formerly held by the Commercial Paper Program prior to its expiration; and

WHEREAS, the City Council has determined that revenue and refunding bonds payable from and equally and ratably secured solely by a lien on and pledge of the Junior Lien Pledged Revenues (as hereinafter defined) should be issued for the purposes of (i) establishing the junior lien finance system heretofore described, (ii) building, improving, extending, enlarging, and repairing the System, and (iii) refunding certain Outstanding Previously Issued Priority Bonds for the purposes of realizing debt service savings and covenant relief; and

WHEREAS, the City Council further determines and finds that these revenue and refunding bonds be issued as the initial series of Junior Lien Obligations (as hereinafter defined) and establishes the aforementioned junior lien finance system; and

WHEREAS, the City has heretofore issued, sold, and delivered, and there are currently Outstanding obligations in the aggregate principal amount of \$_____ in Previously Issued Priority Bonds, being the obligations set forth on Schedule I hereto which is incorporated by reference for all purposes to this ordinance (the *Refunded Obligations*); and

WHEREAS, pursuant to the provisions of Chapter 1207, as amended, Texas Government Code, (*Chapter 1207*), the City Council is authorized to issue revenue and refunding bonds and deposit the proceeds of sale under an escrow agreement to provide for the payment of the Refunded Obligations, and such deposit, when made in accordance with Chapter 1207, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 requires that the deposit of the proceeds from the sale of the revenue and refunding bonds be deposited directly with any designated escrow agent for the Refunded Obligations that is not the depository bank of the City; and

WHEREAS, _____, _____, Texas, which is not a depository bank of the City, is appointed and will serve as the Paying Agent/Registrar (hereinafter defined) and Escrow Agent (hereinafter defined) for the revenue and refunding bonds; and

WHEREAS, the City Council hereby finds and determines that the Refunded Obligations are scheduled to mature, or are subject to being redeemed, not more than twenty (20) years from

the date of the refunding bonds herein authorized to restructure the City's debt service and such refunding will result in a gross savings of \$_____ and a net present value savings of \$_____ (_____%), including a City cash contribution of \$_____, as well as provide the City with covenant relief resultant from the subordination of the Refunded Obligations; and

WHEREAS, the City is empowered by the provisions of Chapters 1207, 1371, and 1502, as amended, Texas Government Code, and the City's Home Rule Charter to issue revenue and refunding bonds; and

WHEREAS, the City Council hereby finds and determines that the establishment of a junior lien finance system in support of the System and the issuance of these revenue and refunding bonds as the initial issuance thereunder, under the terms specified herein, is in the best interests of the citizens of the City, now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CORPUS CHRISTI, TEXAS THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Revenue and refunding bonds of the City shall be and are hereby authorized to be issued in the aggregate principal amount of _____ AND NO/100 DOLLARS (\$_____), to be designated and bear the title of CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2012 (the *Bonds*), pursuant to this ordinance adopted by the City Council (the *Ordinance*) for the purpose of (i) building, improving, extending, enlarging, or repairing the System, (ii) discharging and making final payment of the Refunded Obligations, and (iii) paying the costs of issuing the Bonds. The Bonds shall be payable from and equally and ratably secured solely by a lien on and pledge of the Junior Lien Pledged Revenues, which includes a lien on and pledge of Net Revenues that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds, but senior and superior to the lien thereon and pledge thereof securing the repayment of the Inferior Lien Obligations. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapters 1207, 1371, and 1502, as amended, Texas Government Code, the City's Home Rule Charter, and this Ordinance.

SECTION 2: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates - Dated Date. The Bonds are issuable in fully registered form only; shall be dated July 1, 2012 (the *Dated Date*) shall be in denominations of \$5,000 or any integral multiple thereof, shall be lettered "R-" and numbered consecutively from One (1) upward and principal shall become due and payable on July 15 in each of the years and in principal amounts (the *Stated Maturities*) and bear interest on the unpaid principal amounts from the Dated Date, or the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the rates per annum in accordance with the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
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<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		

As authorized by Chapters 1207 and 1371, as amended, Texas Government Code, the Mayor of the City, the City Manager of the City, and the Assistant City Manager for General Government and Operations Support (each of the foregoing, individually, an *Authorized Representative*) are hereby authorized, appointed, and designated as the officers of the City authorized to individually act on behalf of the City in selling and delivering the Bonds authorized herein and carrying out the procedures specified in this Ordinance, including approval of the aggregate principal amount of each maturity of the Bonds, the redemption provisions therefor, the Dated Date therefor, the further designation of the Bonds by series and by year, the identity of the Purchaser (which may include a syndicate of underwriters and the identification by the Authorized Representative of the duties of such syndicate members) selected from the City's pool of approved underwriters, and the rate of interest to be borne on the principal amount of each such maturity. Each Authorized Representative, acting for and on behalf of the City, is authorized to execute the Approval Certificate attached hereto as Schedule II. The Bonds shall be issued in the principal amount not to exceed \$_____ ; the maximum maturity of the Bonds will be July 15, 20__ ; the net effective per annum interest rate shall not exceed a rate greater than ___% per annum calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code; and the refunding of the Refunded Obligations shall produce a net present value savings of at least _____%. Lastly, each Authorized Representative is authorized to select the bond insurer and/or debt service reserve fund credit provider, if any, with respect to the Bonds. If the Authorized Representative chooses to purchase a debt service reserve surety policy or similar credit facility relating to the Bonds, then the Authorized Representative shall be permitted to execute an insurance or similar reimbursement agreement in

substantially the form attached hereto as Exhibit F (which form is hereby approved) in connection with such purchase. The execution of the Approval Certificate shall evidence the sale date of the Bonds by the City to the Purchaser in accordance with the provisions of Chapters 1207 and 1371, as amended, Texas Government Code. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to their initial delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Chapter 1371, as amended, Texas Government Code. Upon execution of the Approval Certificate, Bond Counsel is authorized to complete this Ordinance to reflect such final terms.

SECTION 3: Payment of Bonds - Interest Payments - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable 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 such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (as hereinafter defined) of the Bonds.

The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above in Section 2, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable semiannually on January 15 and July 15 of each year (the *Interest Payment Date*), commencing January 15, 2013, while the Bonds are Outstanding.

The selection and appointment of _____, _____, Texas, to serve as the initial Paying Agent/Registrar (the *Paying Agent/Registrar*) for the Bonds is hereby approved and confirmed, and the City agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, 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 while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The City reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or ordinance terminating such agency. Additionally, the City agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Both principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the

Bonds appearing on the Security Register (the *Holder* or *Holder*s) maintained on behalf of the City by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (defined herein) for purposes of payment of interest thereon and (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof at the Bonds' Stated Maturity or upon prior redemption of the Bonds. The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the last business day of the month next preceding an Interest Payment Date for the Bonds (the *Record Date*) and shall be paid (i) by check sent by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust 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 day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) 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.

SECTION 4: Redemption.

A. Mandatory Redemption of Bonds. The Bonds stated to mature on July 15, 20__ are referred to herein as the "Term Bonds". The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund (but not the Reserve Fund) for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on July 15 in each of the years as set forth below:

Term Bonds Stated to
Mature on July 15, 20__

Year	Principal Amount (\$)
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*Payable at stated maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Bond Fund (but not the Reserve Fund), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

B. Optional Redemption. The Bonds having Stated Maturities on and after July 15, 20__ shall be subject to redemption prior to Stated Maturity, at the option of the City, on July 15, 20__, or any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

C. Exercise of Redemption Option. At least forty-five (45) days prior to a date set for the redemption of Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the City Council.

D. Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond

then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by \$5,000.

E. Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Ordinance. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*). Additionally, this notice may also be sent by the City to any registered securities depository and to any national information service that disseminates redemption notices.

F. Transfer/Exchange. Neither the City nor the Paying Agent/Registrar shall be required (i) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (ii) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 5: Execution - Registration. The Bonds shall be executed on behalf of the City by its Mayor, its seal reproduced or impressed thereon, and attested by the City Secretary. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Dated Date, the proper officers of the City shall bind the City, notwithstanding that such individuals or either of them

shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers (defined herein), all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Ordinance, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

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 every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the City shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and 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 corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Bonds surrendered upon such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any fee, 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 pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 30 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 7: Initial Bond(s). The Bonds herein authorized shall be issued initially either (i) as a single fully-registered Bond in the total principal amount of \$_____ with principal installments to become due and payable as provided in Section 2 and numbered T-1, or (ii) as one (1) fully-registered Bond for each year of Stated Maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the *Initial Bond(s)*) and, in either case, the Initial Bond(s) shall be registered in the name of the initial purchasers or the designee thereof. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchasers. Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar shall cancel the Initial Bond(s) delivered hereunder and exchange therefor 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 therefor; all pursuant to and in accordance with such written instructions from the initial purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: FORMS.

A. Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds, or any Stated Maturities thereof, are insured and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as may, consistent herewith, be established by the City or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond(s) submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

B. Form of Definitive Bond.

REGISTERED
NO. _____

REGISTERED
PRINCIPAL AMOUNT
\$ _____

United States of America
State of Texas
Counties of Nueces, Aransas, Kleberg, and San Patricio
CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM
JUNIOR LIEN REVENUE AND REFUNDING BONDS,
SERIES 2012

Dated Date: Interest Rate: Stated Maturity: CUSIP NO:
July 1, 2012

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Corpus Christi, Texas (the *City*), a body corporate and a municipal corporation located in the Counties of Nueces, Aransas, Kleberg, and San Patricio, State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid Principal Amount hereof from the Dated Date (anticipated to occur on or about July __, 2012) or from the most recent interest payment date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day of 30-day months; such interest being payable on January 15 and July 15 of each year commencing January 15, 2013.

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the *Holder*) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Ordinance hereinafter referenced) 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. All payments of principal of and interest on this Bond 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. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States Mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$_____ (the *Bonds*) pursuant to an ordinance adopted by the governing body of the City (the *Ordinance*), for the purpose of (i) building, improving, extending, renovating, enlarging, and repairing the System, (ii) discharging and making final payment of the Refunded Obligations, and (iii) the payment of their costs of issuance. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the Constitution and laws of the State of Texas, particularly Chapters 1207, 1371, and 1502, as amended, Texas Government Code, the City’s Home Rule Charter, and the Ordinance.

The Bonds stated to mature on July 15, 20__ are referred to herein as the “Term Bonds”. The Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Bond Fund (but not the Reserve Fund) for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on July 15 in each of the years as set forth below:

<u>Term Bonds Stated to Mature on July 15, 20__</u>	
Year	Principal Amount (\$)

*Payable at stated maturity

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Bond Fund (but not the Reserve Fund), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption requirement.

The Bonds stated to mature on and after July 15, 20__ may be redeemed prior to their Stated Maturities, at the option of the City, on July 15, 20__ or on any date, in whole or in part in

principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Ordinance. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. In the event of a partial redemption of the principal amount of this Bond, payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of this Bond to the corporate trust office of the Paying Agent/Registrar and, there shall be issued to the registered owner hereof, without charge, a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided in the Ordinance for the then unredeemed balance of the principal sum hereof. If this Bond is called for redemption, in whole or in part, the City or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the City, issued as the initial series of Junior Lien Obligations, payable from and equally and ratably secured by a lien on and pledge of the Junior Lien Pledged Revenues, being (primarily) lien on and pledge of the Net Revenues derived from the operation of the City's utility system (as further described in the Ordinance, the *System*), that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds, but senior and superior to the lien thereon and pledge thereof securing the repayment of the Inferior Lien Obligations. In the Ordinance, the City reserves and retains the right to issue Additional Priority Bonds, Additional Junior Lien Obligations, and Additional Inferior Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Ordinance or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the City or System, except with respect to the Junior Lien Pledged Revenues.

The Holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Reference is hereby made to the Ordinance, a copy of which is on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Junior Lien Pledged Revenues pledged for the payment of the Bonds; the terms and conditions under which the City may issue Additional Priority Bonds, Additional Junior Lien Obligations, and Additional Inferior Lien Obligations; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Ordinance 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 this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned in the Ordinance.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon 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 to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, shall treat the Holder hereof whose name appears on the Security Register (i) on the Record Date as the owner hereof for purposes of receiving payment of interest hereon, (ii) on the date of surrender of this Bond as the owner hereof for purposes of receiving payment of principal hereof at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner hereof for all other purposes, and neither the City nor the Paying Agent/Registrar, or any such agent of either, shall be affected by notice to the contrary. In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a *Special Record Date*) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the *Special Payment Date* - which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) 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 hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the City have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does 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 and lien on the Junior Lien Pledged Revenues. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected

or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, this Bond has been signed with the imprinted or lithographed facsimile signature of the Mayor of the City, attested by the imprinted or lithographed facsimile signature of the City Secretary, and the official seal of the City has been duly affixed to, printed, lithographed or impressed on this Bond.

CITY OF CORPUS CHRISTI, TEXAS

Mayor

ATTEST:

City Secretary

(SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond(s) Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

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

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly 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)

* Bond to Printer: Not to appear on printed Bonds

D. *Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued under the provisions of the within-mentioned Ordinance; 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.

Registered this date:

_____, _____,
Texas, as Paying Agent/Registrar

By: _____
Authorized Signature

* Bond to Printer: to appear on printed Bonds

E. Form of Assignment.

ASSIGNMENT

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

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

DATED: _____

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

Signature guaranteed:

F. The Initial Bond(s) shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

(1) immediately under the name of the Bond(s) the headings "Interest Rate" and "Stated Maturity" shall both be completed "as shown below";

(2) the first two paragraphs shall read as follows:

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

The City of Corpus Christi, Texas (the *City*), a body corporate and a municipal corporation located in the Counties of Nueces, Aransas, Kleberg, and San Patricio, State of Texas, for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above on the fifteenth day of July in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Years of Stated Maturity</u>	<u>Principal Amounts (\$)</u>	<u>Interest Rates (%)</u>
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(Information to be inserted from
schedule in Section 2 hereof).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Dated Date, or from the most recent interest payment date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day of 30-day months; such interest being payable on January 15 and July 15 of each year, commencing January 15, 2013.

Principal of this Bond shall be payable to the Registered Owner hereof (the *Holder*), upon its presentation and surrender, at the corporate trust office of _____, _____, Texas (the *Paying Agent/Registrar*). Interest shall be payable to the Holder of this Bond 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. All payments of principal of and interest on this Bond 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. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing 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 Holder hereof.

G. Insurance Legend. If bond insurance is obtained by the Purchasers or the City for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the insurer.

SECTION 9: Definitions. For all purposes of this Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 35 and 49 of this Ordinance have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Ordinance as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Additional Priority Bonds* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 19 of this Ordinance and which are equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System that is senior and superior to the lien thereon and pledge thereof that is made a part of Junior Lien Pledged Revenues or that may secure the repayment of any Inferior Lien Obligations and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

B. The term *Additional Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Net Revenues, such pledge is subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the Priority Bonds or that is included in Junior Lien Pledged Revenues, and on parity with the lien on and pledge of the Net Revenues securing the payment of the then-Outstanding Inferior Lien Obligations and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with applicable law.

C. The term *Additional Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the City that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Junior Lien Pledged Revenues, such pledge to include a pledge of Net Revenues that is junior and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of the Priority Bonds now Outstanding or hereafter issued by the City but senior and superior to the lien thereon and pledge thereof that are or will be pledged to the payment of the Inferior Lien Obligations now Outstanding or hereafter issued by the City, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured solely by a lien on and pledge of the Junior Lien Pledged Revenues, as determined by the City Council in accordance with applicable law.

D. The term *Authorized Official* shall mean the Mayor of the City, the City Manager of the City, the Assistant City Manager for General Government and Operations Support, the Director of Financial Services, and _____, the City Auditor.

E. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements of obligations when due and derived by dividing the total of such Debt Service Requirements by the number of years then remaining before final Stated Maturity. The calculation of Average Annual Debt Service Requirements shall be net of (1) capitalized interest from bond proceeds and (2) the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of Junior Lien Obligations irrevocably designated as refundable tax credit bonds, which payment shall be treated as one offset to regularly scheduled debt service of the series of Junior Lien Obligations to which it relates.

F. The term *Bonds* shall mean the \$_____ “CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2012”, dated July 1, 2012, authorized by this Ordinance.

G. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Ordinance.

H. The term *Capital Additions* shall mean a reservoir or other water storage facilities, a water or wastewater treatment plant or an interest therein, an electric generation facility and/or distribution system or an interest therein, a gas distribution system or an interest therein and associated transmission facilities with respect to each and any combination thereof, which shall become a part of the System.

I. The term *Capital Improvements* shall mean any capital extensions, improvements and betterments to the System other than Capital Additions.

J. The term *City* shall mean the City of Corpus Christi, Texas and, where appropriate, the City Council of the City.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds in exchange for the payment in full by the Purchasers.

L. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the City as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond or the payment of any Credit Facility.

M. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, or (ii) a letter or line of credit issued by any financial institution.

N. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or Credit Facility.

O. The term *Debt* shall mean

(1) all indebtedness payable from Junior Lien Pledged Revenues and/or Net Revenues incurred or assumed by the City for borrowed money (including indebtedness payable from Junior Lien Pledged Revenues and/or Net Revenues arising under Credit Agreements) and all other financing obligations of the System payable from Junior Lien Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Junior Lien Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction, or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the City, or that is in effect guaranteed, directly or indirectly, by the City through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining *Debt*, there shall be excluded any particular Debt if, upon or prior to the maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

P. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each

case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the City under such hedge agreement from the amounts payable by the City under such hedge agreement and such obligations.

Q. The term *Depository* shall mean an official depository bank of the City.

R. The term *Engineer* shall mean an individual, firm, or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to a combined municipal utility system similar to the System and such individual, firm, or corporation may be employed by, or may be an employee of, the City.

S. The term *Federal Contract* shall mean Contract No. 6-07-01-X0675 entered into by an among the United States of America, the City and the Nueces River Authority, dated June 30, 1976, with respect to the Nueces River Reclamation Project, together with any amendments thereto, pursuant to which the City has pledged the revenues of its waterworks system in support of the payment obligations of the City under the Federal Contract, subordinate and inferior to the pledge of and lien on the Net Revenues securing the payment of the Priority Bonds and the lien thereon and pledge thereof as a result of such Net Revenues being included as Junior Lien Pledged Revenues.

T. The term *Fiscal Year* shall mean the twelve month accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City, which period presently commences on August 1 of each year and ends on the following July 31.

U. The term *Government Securities* as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

V. The term *Gross Revenues* shall mean all revenues, income, and receipts derived or received by the City from the operation and ownership of the System, including the interest income from the investment or deposit of money in any Fund created or confirmed by this

Ordinance or maintained by the City in connection with the System, other than those amounts subject to payment to the United States of America as rebate pursuant to section 148 of the Code.

W. The term *Holder or Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

X. The term *Inferior Lien Obligations* shall mean (i) the Previously Issued Inferior Lien Obligations, (ii) any Additional Inferior Lien Obligations, and (iii) any obligations issued to refund the foregoing payable and equally and ratably secured from a subordinate and inferior lien on and pledge of the Net Revenues as determined by the City Council in accordance with any applicable law.

Y. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being January 15 and July 15 of each year, commencing January 15, 2013, while any of the Bonds remain Outstanding.

Z. The term *Junior Lien Obligations* shall mean (i) the Bonds, (ii) any Additional Junior Lien Obligations, and (iii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured solely by a lien on and pledge of the Junior Lien Pledged Revenues, which includes a lien on and pledge of Net Revenues that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds, but senior and superior to the lien thereon and pledge thereof securing the repayment of the Inferior Lien Obligations, as determined by the City Council in accordance with applicable law.

AA. The term *Junior Lien Pledged Revenues* means (1) the Net Revenues that remain after payment of all amounts, and funding of all funds, relating to any Priority Bonds, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the City to the payment of the Bonds, and at the City's discretion, any Additional Junior Lien Obligations, and excluding those revenues excluded from Gross Revenues.

BB. The term *Net Revenues* shall mean all Gross Revenues less Operating Expenses.

CC. The term *Operating Expenses* shall mean the expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City, reasonably and fairly exercised by the passage of appropriate ordinances, are necessary to render adequate service, or such as might be necessary to meet some physical accident or condition which would otherwise impair any Priority Bonds, Junior Lien Obligations, Inferior Lien Obligations, or other Debt of the System. Operating Expenses shall include the purchase of water, sewer and gas services as received from other entities and the expenses related thereto, and, to the extent permitted by law, Operating Expenses may include payments made on or in respect of obtaining and maintaining any Credit Facility. Operating Expenses shall never include any allowance for depreciation, property retirement, depletion,

obsolescence, and other items not requiring an outlay of cash and any interest on the Bonds or any Debt.

DD. The term *Ordinance* shall mean this Ordinance adopted by the City Council on June 26, 2012.

EE. The term *Outstanding* shall mean when used in this Ordinance with respect to all Debt means, as of the date of determination, all Debt except:

(1) those Priority Bonds, Junior Lien Obligations, and Inferior Lien Obligations canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Priority Bonds, Junior Lien Obligations, and Inferior Lien Obligations for which payment has been duly provided by the City in accordance with the provisions of Section 37 of this Ordinance; and

(3) those Priority Bonds, Junior Lien Obligations, and Inferior Lien Obligations that has been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 of this Ordinance.

FF. The term *Previously Issued Inferior Lien Obligations* shall mean the Federal Contract.

GG. The term *Previously Issued Priority Bonds* shall mean, as of the Closing Date (i) the Outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a prior and first lien on and pledge of the Net Revenues of the System, identified as follows:

(1) “City of Corpus Christi, Texas Utility System Revenue Refunding Bonds, Series 2003”, dated May 15, 2003, in the original principal amount of \$28,870,000;

(2) “City of Corpus Christi, Texas Utility System Revenue Refunding Bonds, Series 2005”, dated January 1, 2005, in the original principal amount of \$70,390,000;

(3) [“City of Corpus Christi, Texas Utility System Revenue Refunding Bonds, Series 2005A”, dated October 1, 2005, in the original principal amount of \$68,325,000;]

(4) “City of Corpus Christi, Texas Utility System Revenue Refunding and Improvement Bonds, Series 2006”, dated October 1, 2006, in the original principal amount of \$84,415,000;

(5) “City of Corpus Christi, Texas Utility System Revenue Improvement Bonds, Series 2009”, dated March 1, 2009, in the original principal amount of \$96,490,000;

(6) “City of Corpus Christi, Texas Utility System Revenue Improvement Bonds, Series 2010”, dated March 1, 2010, in the original principal amount of \$8,000,000;

(7) “City of Corpus Christi, Texas Utility System Revenue Improvement Bonds, Taxable Series 2010 (Direct Subsidy-Build America Bonds)”, dated July 1, 2010, in the original principal amount of \$60,625,000;

(8) “City of Corpus Christi, Texas Utility System Revenue Improvement Bonds, Series 2010A”, dated July 1, 2010, in the original principal amount of \$14,375,000; and

(9) “City of Corpus Christi, Texas Utility System Revenue Bonds, Series 2012”, dated April 1, 2012, in the original principal amount of \$55,000,000.

HH. The term *Priority Bonds* shall mean the Previously Issued Priority Bonds, any Additional Priority Bonds, and obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System, as determined by the City Council in accordance with any applicable law.

II. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 31 of this Ordinance.

JJ. The term *Special Project* shall mean, to the extent permitted by law, any water, sewer, wastewater reuse, or municipal drainage system property, improvement, or facility declared by the City, upon the recommendation of the City Council, not to be part of the System, for which the costs of acquisition, construction, and installation are paid from proceeds of Special Project Bonds (as hereinafter defined) being a financing transaction other than the issuance of bonds payable from ad valorem taxes, Junior Lien Pledged Revenues, or Net Revenues and for which all maintenance and operation expenses are payable from sources other than ad valorem taxes, Junior Lien Pledged Revenues, or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction, and installation under such Special Project Bonds.

KK. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on July 15 of each year, as set forth in Section 2 of this Ordinance.

LL. The term *System* shall mean and include, whether now existing or hereinafter added (including additions made from time to time in accordance with the provisions of the City ordinances authorizing the issuance of the Outstanding Priority Bonds), the City’s existing combined waterworks system, wastewater disposal system and gas system, together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law (and to be added at the sole discretion of the City), storm sewer and drainage within the waterworks system, solid waste disposal system, additional utility (including electricity), telecommunications, technology, and any other similar enterprise services, and all replacements, additions, and improvements to any of the foregoing, within or without the City

limits; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any waterworks, wastewater or gas facilities which are declared by the City to be a Special Project and not a part of the System and which are hereafter acquired or constructed by the City with the proceeds from the issuance of "Special Project Bonds", which are hereby defined as being special revenue obligations of the City which are not secured by or payable from all or part of the Junior Lien Pledged Revenues and/or Net Revenues, but which are secured by and payable solely from special contract revenues, or payments received from the City or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Project Bonds".

SECTION 10: Pledge of Junior Lien Pledged Revenues.

A. The City hereby covenants and agrees that the Junior Lien Pledged Revenues of the System are hereby irrevocably pledged to the payment and security of the Junior Lien Obligations, including the establishment and maintenance of the special funds or accounts created for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Junior Lien Obligations, and the interest thereon, shall constitute a lien on and pledge of the Junior Lien Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the City, and the lien created hereby on the Junior Lien Pledged Revenues for the payment and security of the Junior Lien Obligations, shall be, subject to the subordinate lien nature of the Junior Lien Pledged Revenues as herein described otherwise, prior in right and claim as to any other indebtedness, liability, or obligation of the City or the System. The Junior Lien Obligations are and will be secured by and payable only from the Junior Lien Pledged Revenues, and are not secured by or payable from a mortgage or deed of trust on any properties whether real, personal, or mixed, constituting the System.

B. Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Junior Lien Pledged Revenues granted by the City under subsection (A) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at anytime while the Junior Lien Obligations are Outstanding and unpaid such that the pledge of the Junior Lien Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Junior Lien Obligations the perfection of the security interest in this pledge, the City Council agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Junior Lien Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience

and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System.

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to satisfy the rate covenant contained in the ordinances authorizing the issuance of the Priority Bonds and to pay the principal of and interest on the Priority Bonds and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Priority Bonds, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on an pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on the Junior Lien Obligations as the same become due and payable and to deposit the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a lien on and pledge of the Net Revenues, including the Junior Lien Pledged Revenues, that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds but senior and superior to the lien thereon and pledge thereof securing the repayment of the Inferior Lien Obligations;

D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on the Inferior Lien Obligations as the same become due and payable and to deposit the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds and the Junior Lien Obligations; and

E. To pay, together with any other lawfully available funds, any other legally incurred Debt payable from the Net Revenues of the System and/or secured by a lien on any part of the System.

The determination of the amount of principal of and interest on any obligations identified in this Section for the purpose of confirming the sufficiency of System rates and charges shall be made after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to any series of obligations irrevocably designated as refundable tax credit bonds pursuant to the City ordinance authorizing their issuance or otherwise relating thereto.

SECTION 12: System Fund. The City hereby covenants, agrees, and ratifies its prior covenants and agreements that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account (previously created and established and to be

maintained with the Depository) known as the “City of Corpus Christi, Texas Utility System Revenue Fund” (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the City. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

A. First: To the payment of all necessary and reasonable Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.

B. Second: To the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the Previously Issued Priority Bonds and any Additional Priority Bonds hereafter issued by the City.

C. Third: To the payment of the amounts required to be deposited into the special funds and accounts created and established for the payment, security and benefit of the Bonds and any Additional Junior Lien Obligations hereafter issued by the City.

D. Fourth: To the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of the Previously Issued Inferior Lien Obligations and any Additional Inferior Lien Obligations hereafter issued by the City.

Any Net Revenues remaining in the System Fund following such transfers may be used by the City for payment of other obligations of the System, and for any other lawful purpose; provided, however, that for so long as any Priority Bonds remain Outstanding, transfers made for purposes other than for payment of obligations of the System shall be made only at the end of the Year (if such limitation is imposed, and then, only to the extent imposed in the City ordinances authorizing the issuance of the Priority Bonds.

SECTION 13: Bond Fund - Excess Funds. For purposes of providing funds to pay the principal of and interest on the currently Outstanding Junior Lien Obligations as the same become due and payable, the City agrees to maintain, at the Depository, a separate and special Fund or account to be created and known as the “City of Corpus Christi, Texas Utility System Junior Lien Revenue and Refunding Bonds Interest and Sinking Fund” (the *Bond Fund*). The City covenants that there shall be deposited by an Authorized Official into the Bond Fund prior to each principal and interest payment date from the available Net Revenues an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the currently Outstanding Junior Lien Obligations then falling due and payable, such deposits to pay maturing principal and accrued interest on the currently Outstanding Junior Lien Obligations to be made in substantially equal monthly installments on or before the 10th day of each month, beginning on or before the 10th day of the month next following the delivery of the Bonds to the Purchaser. As described further in Section 15 hereof, if the Junior Lien Pledged Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the currently Outstanding Junior Lien Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Junior Lien Obligations (principal and interest) or (ii) the Junior Lien Obligations are no longer Outstanding.

Any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Net Revenues of the System.

Any surplus proceeds from the sale of the Bonds, including investment income thereon, not expended for authorized purposes shall be deposited in the Bond Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in such Fund from the Junior Lien Pledged Revenues.

SECTION 14: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds equal to ___% of the Average Annual Debt Service Requirements or such lesser amount as restricted by the Code (calculated by the City Council at the beginning of each Fiscal Year and as of the date of issuance of the Bonds and each series of Additional Junior Lien Obligations) for the Bonds (the *Required Reserve Amount*), the City hereby creates and establishes, and shall maintain at a Depository a separate and special fund known as the “Corpus Christi, Texas Utility System Junior Lien Revenue and Refunding Bonds Reserve Fund” (the *Reserve Fund*). Earnings and income derived from the investment of amounts held for the credit of the Reserve Fund shall be retained in the Reserve Fund until the Reserve Fund contains the Required Reserve Amount; thereafter, such earnings and income shall be deposited to the credit of the System Fund. All funds deposited into the Reserve Fund shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

The City may acquire a Credit Facility or Facilities issued by a Credit Provider in amounts equal to all or part of the Required Reserve Amount for the Bonds in lieu of depositing cash into the Reserve Fund; provided, however, that no such Credit Facility may be so substituted unless the substitution of the Credit Facility will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the resolution authorizing the substitution of the Credit Facility for all or part of the Required Reserve Amount for the Bonds contains (i) a finding that such substitution is cost effective and (ii) a provision that the interest due on any repayment obligation of the City by reason of payments made under such Credit Facility does not exceed the highest lawful rate of interest which may be paid by the City at the time of the delivery of the Credit Facility. The City reserves the right to use Junior Lien Pledged Revenues to fund the payment of (1) periodic premiums on the Credit Facility as a part of the payment of the City’s Operating Expenses, and (2) any repayment obligation incurred by the City (including interest) to the Credit Provider, the payment of which will result in the reinstatement of such Credit Facility, prior to making payments required to be made to the

Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund the Required Reserve Amount for the Bonds.

Until the issuance of any Additional Junior Lien Obligations (or as from time to time recalculated by the City as provided in the first paragraph of this Section), the Required Reserve Amount is \$_____. This amount shall be deposited to the Reserve Fund at such time as may be required pursuant to the provisions of this Section from Revenues, paid from the System Fund at such level of priority as specified in Section 12, by the deposit of monthly installments, made on or before the 10th day of each month following the month in which such obligation to fund the Reserve Fund arises, of not less than 1/60th of the amount to be maintained in the Reserve Fund.

As and when Additional Junior Lien Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of all or a portion of the necessary amount from the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Junior Lien Obligations, or, at the option of the City, by the deposit of monthly installments, made on or before the business day before the 10th day of each month following the month of delivery of the then proposed Additional Junior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Junior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash) (such deposits, the *Required Reserve Fund Deposits*), thereby ensuring the accumulation in the Reserve Fund of the appropriate Required Reserve Amount.

When and for so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Junior Lien Obligations as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to the Reserve Fund from the Junior Lien Pledged Revenues in monthly deposit amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the City to be maintained in the Reserve Fund. Any such deficiency payments shall be made on or before the 10th day of each month until the Required Reserve Amount has been fully restored. The City further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund, the Junior Lien Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Ordinance, any City ordinance authorizing the issuance of the Priority Bonds, and any other ordinance pertaining to the issuance of Additional Junior Lien Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the City Council may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount. Any such withdrawn surplus shall be deposited to the Bond Fund or used by the City for any other lawful purpose; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund or be otherwise used in accordance with then-applicable State law.

In the event a Credit Facility issued to satisfy all or a part of the City's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount for the Bonds, the City may transfer such excess amount to any fund or funds established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to the provisions of Chapter 1207), or be used for any lawful purposes; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund or be otherwise used in accordance with then-applicable State law.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for such time as the Junior Lien Pledged Revenues for each Fiscal Year are equal to at least ___% of the Average Annual Debt Service Requirements. In the event that the Junior Lien Pledged Revenues for any Fiscal Year are less than ___% of the Average Annual Debt Service Requirements, the City will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve Amount or (ii) the Junior Lien Pledged Revenues in each of two consecutive Fiscal Years have been equal to not less than ___% of the Average Annual Debt Service Requirements.

SECTION 15: Deficiencies - Excess Junior Lien Pledged Revenues.

A. If on any occasion there shall not be sufficient Junior Lien Pledged Revenues to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Junior Lien Pledged Revenues, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

B. Subject to making the required deposits to the Bond Fund when and as required by any ordinance or resolution authorizing the issuance of the currently Outstanding Priority Bonds, the Junior Lien Obligations and the Inferior Lien Obligations, the excess Net Revenues of the System may be used by the City for any lawful purpose (as further provided in Section 12 hereof).

SECTION 16: Payment of Bonds. While any of the Bonds are Outstanding, the Authorized Officials shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date a debt service payment is due on the Bonds.

SECTION 17: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Ordinance shall, at the option of the City, be placed in time deposits, certificates of deposit, guaranteed investment contracts or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal

Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 18: Application of the Covenants and Agreements of the Priority Bonds. It is the intention of the City Council and accordingly hereby recognized and stipulated that the provisions, agreements, and covenants contained herein bearing upon the management and operations of the System, and the administering and application of Gross Revenues derived from the operation thereof, shall to the extent possible be harmonized with like provisions, agreements, and covenants contained in the City ordinances authorizing the issuance of the Priority Bonds now or hereafter Outstanding, and to the extent of any irreconcilable conflict between the provisions contained herein and in the City ordinances authorizing the issuance of the Priority Bonds now or hereafter Outstanding, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Ordinance, especially the priority of rights and benefits conferred thereby to the holders of the Priority Bonds now or hereafter Outstanding. It is expressly recognized that prior to the issuance of any Additional Junior Lien Obligations or Additional Inferior Lien Obligations, that the City must comply with each of the conditions precedent contained in this Ordinance and the City ordinances authorizing the issuance of the then-Outstanding Priority Bonds, as appropriate.

SECTION 19: Issuance of Additional Priority Bonds, Additional Junior Lien Obligations and Additional Inferior Lien Obligations. The City hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise:

A. Additional Priority Bonds payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System upon satisfying each of the conditions precedent contained in the City ordinances authorizing the issuance of the Priority Bonds now or hereafter Outstanding.

B. Additional Junior Lien Obligations, secured by and payable from the Junior Lien Pledged Revenues, which includes (primarily) a lien on and pledge of Net Revenues that is junior and inferior to the lien thereon and pledge thereof securing the repayment of the Priority Bonds but senior and superior to the lien there on and pledge thereof securing the repayment of the Inferior Lien Obligations, upon satisfying each of the following conditions precedent:

(1) The City Manager (or other officer of the City then having the responsibility for the financial affairs of the City) shall have executed a certificate stating (i) that the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues and (ii) that the amounts on deposit in all Funds or Accounts created and established for the payment and security of all Outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues are the amounts then required to be deposited therein. Such certificate shall be dated on or before the date of delivery of such Additional Junior Lien Obligations, but such certificate shall not be dated prior to the date an ordinance is passed authorizing the issuance of such Additional Junior Lien Obligations.

(2) Conditions Precedent for Issuance of Additional Junior Lien Obligations - Capital Improvements and for any other Lawful Purpose except for Capital Additions or for Refunding. The City covenants and agrees that Additional Junior Lien Obligations will not be issued for the purpose of financing Capital Improvements, or for any other lawful purpose (except for Capital Additions or for refunding, which are to be issued in accordance with the provisions of Subsection (3) this Section and Section 20 hereof, respectively) unless and until the conditions precedent in Subsection (1) above have been satisfied and, in addition thereto, the City has secured a certification of the City Manager to the effect that, according to the books and records of the City, the Net Earnings (as hereinafter defined) for the preceding Fiscal Year or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted are at least equal to 1.10 times the Average Annual Debt Service Requirements for all then-Outstanding Priority Bonds or Junior Lien Obligations after giving effect to the Additional Junior Lien Obligations then proposed. The foregoing notwithstanding, the City covenants and agrees that Additional Junior Lien Obligations may not be issued for the purpose of financing Capital Improvements when other Outstanding Junior Lien Obligations which have been issued for the purpose of financing Capital Additions and for which capitalized interest for such other Junior Lien Obligations has been provided for at least the twelve months subsequent to the date of issuance of the Additional Junior Lien Obligations then proposed to be issued, unless the conditions precedent in Subsection (1) above have been satisfied and, in addition thereto, the City has either (1) complied with the relevant conditions in this Subsection as set forth above, or (2) if the relevant conditions of this Subsection (2) as set forth above cannot be satisfied, the City has satisfied the conditions precedent in Subsection (3)(i) and (ii) of this Section (but, for purposes of such clauses, the term Capital Improvements shall be substituted for the term Capital Additions where the term Capital Additions appears therein to the extent necessary to give recognition to the fact that Capital Improvements, rather than Capital Additions, are then to be financed) and has secured a certification of the City Manager to the effect that, according to the books and records of

the City, the Net Earnings for the preceding Fiscal Year or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Junior Lien Obligations is adopted are at least equal to 1.10 times the Average Annual Debt Service Requirements for all then-Outstanding Priority Bonds and Junior Lien Obligations (other than any Priority Bonds or Junior Lien Obligations issued for Capital Additions for which capitalized interest has been provided for at least the twelve months subsequent to the date of issuance of the Additional Junior Lien Obligations proposed to be issued) after giving effect to the Additional Junior Lien Obligations then proposed to be issued.

(3) Conditions Precedent for Issuance of Additional Junior Lien Obligations - Capital Additions: Initial Issue. The City covenants and agrees that Additional Junior Lien Obligations will not be issued for the purpose of financing Capital Additions, unless the same conditions precedent specified in Subsection (1) above have been satisfied and, in addition thereto, either the relevant conditions precedent specified in Subsection (1) above are satisfied or, in the alternative, the City shall have obtained: (i) from the Engineer of Record a comprehensive engineering report for each Capital Addition to be financed, which report shall (A) contain (1) detailed estimates of the cost of acquiring and constructing the Capital Addition, (2) the estimated date the acquisition and construction of the Capital Addition will be completed and commercially operative, and (3) a detailed analysis of the impact of the Capital Addition on the financial operations of the system for which the Capital Addition is to be integrated and to the System as a whole during the construction thereof and for at least five Fiscal Years after the date the Capital Addition becomes commercially operative, and (B) conclude that (1) the Capital Addition is necessary and will substantially increase the capacity, or is needed to replace existing facilities, to meet current and projected demands for the service or product to be provided thereby, and (2) the estimated cost of providing the service or product from the Capital Addition will be reasonable in comparison with projected costs for furnishing such service or product from other reasonably available sources; and (ii) a certificate of the Engineer of Record to the effect that, based on an engineering report prepared thereby for each Capital Addition, the projected Net Earnings for each of the five Fiscal Years subsequent to the date the Capital Addition becomes commercially operative (as estimated in the engineering report) will be equal to at least 1.10 times the Average Annual Debt Service Requirements for the currently Outstanding Junior Lien Obligations or incurred and all Additional Junior Lien Obligations estimated to be issued, if any, for all Capital Improvements and for all Capital Additions then in progress or then being initiated, during the period from the date the first series of obligations for the Capital Additions is to be delivered through the fifth Fiscal Year subsequent to the date the Capital Addition is estimated to become commercially operative.

(4) Completion Issues. Once a Capital Addition has been initiated by meeting the conditions precedent specified in Subsection (3)(i) and (ii) above and the initial Junior Lien Obligations issued therefor are delivered, the City reserves the right to issue Additional Junior Lien Obligations to finance the remaining costs of such Capital Addition in such amounts as may be necessary to complete the acquisition and construction thereof and make the same commercially operative without satisfaction of any condition precedent under Subsection (3)(i) and (ii) or Subsection (1) of this Section

but subject to satisfaction of the following conditions precedent: (i) the City makes a forecast (the *Forecast*) of the operations of the System demonstrating the System's ability to pay all obligations, payable from the Net Revenues of the System to be Outstanding after the issuance of the Additional Junior Lien Obligations then being issued for the period (the *Forecast Period*) of each ensuing Fiscal Year through the fifth Fiscal Year subsequent to the latest estimated date such Capital Addition is expected to be commercially operative; and (ii) the Engineer of Record reviews such Forecast and executes a certificate to the effect that (A) such Forecast is reasonable, and based thereon (and such other factors deemed to be relevant), the Net Revenues of the System will be adequate to pay all the obligations, payable from the Junior Lien Pledged Revenues of the System to be Outstanding after the issuance of the Additional Junior Lien Obligations then being issued for the Forecast Period and (B) the proceeds from the sale of such Additional Junior Lien Obligations are estimated to be sufficient to complete such acquisition and construction.

(5) Computations; Reports. With reference to Junior Lien Obligations anticipated and estimated to be issued or incurred, the Average Annual Debt Service Requirements therefor shall be those reasonably estimated and computed by the City's Director of Financial Services (or other officer of the City then having the primary responsibility for the financial affairs of the City) after giving effect to the receipt or anticipated receipt of a refundable tax credit or similar payment relating to any series of Junior Lien Obligations irrevocably designated as refundable tax credit bonds, which payment shall be treated as an offset to regularly scheduled debt service of the series of Junior Lien Obligations to which it relates. In the preparation of the engineering report required in Subsection (3)(i) above, the Engineer of Record may rely on other experts or professionals, including those in the employment of the City, provided such engineering report discloses the extent of such reliance and concludes it is reasonable so to rely. In connection with the issuance of Junior Lien Obligations for Capital Additions, the certification of the City Manager and the Engineer of Record, together with the engineering report for the initial issue and the Forecast for a subsequent issue, shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements and this clause of this Section.

(6) Combination Issues. Junior Lien Obligations for Capital Additions may be combined in a single issue with Junior Lien Obligations for Capital Improvements or for any lawful purpose provided the conditions precedent set forth in Subsection (2) through (4) are complied with as the same relate to the appropriate purpose.

(7) Definition of Net Earnings. As used in this Section, the term *Net Earnings* shall mean the Gross Revenues of the System after deducting the Operating Expenses of the System and those items identified in the SECOND level of priority in Section 12 hereof, but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(8) Determination of Net Earnings. In making a determination of Net Earnings for any of the purposes described in this Section, the City Manager may take into consideration a change in the rates and charges for services and facilities afforded by

the System that became effective at least 60 days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying any of the Net Earnings test described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by the City Manager's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the City Manager's certificate or opinion.

C. The City may issue Additional Inferior Lien Obligations secured by a lien on and pledge of the Net Revenues of the System subordinate and inferior to the lien thereon and pledge thereof securing the Priority Bonds and that is included in the Junior Lien Pledged Revenues, respectively, on the terms and conditions desired by the City, subject only to the limitations imposed by applicable and upon satisfying each of the conditions precedent contained in the ordinances authorizing the issuance of the currently Outstanding Priority Bonds, this Ordinance, and, to the extent applicable, the Federal Contract.

SECTION 20: Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the currently Outstanding Debt, pursuant to any applicable law then available, upon such terms and conditions as the City Council may deem to be in the best interest of the City, and if less than all such currently Outstanding Debt are refunded, the conditions precedent prescribed for the issuance of Additional Junior Lien Obligations set forth in Section 19 of this Ordinance shall be satisfied and the City Managers' certification required in Section 19 shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the obligations being refunded following their cancellation or provision being made for their payment); provided that, if after giving effect to any such partial refunding the average annual Debt Service Requirements for all Priority Bonds and Junior Lien Obligations will be reduced after giving effect to the then-anticipated refunding, then the test set forth in Subsection 2 of Section 19 shall be applied by substituting "1.00" for "1.10".

SECTION 21: Issuance of Special Project Bonds. Nothing in this Ordinance shall be construed to deny the City the right and it shall retain the right to issue Special Project Bonds, provided, however, the City will not issue Special Project Bonds unless the City concludes, upon recommendation of the City Council, that (i) the plan for developing the Special Project is consistent with sound planning, (ii) the Special Project would not materially and adversely interfere with the operation of the System, (iii) the Special Project can be economically and efficiently operated and maintained, and (iv) the Special Project can be economically and efficiently utilized by the City to meet combined utility system requirements and the cost of such will be reasonable.

SECTION 22: Maintenance of System – Insurance. The City covenants, agrees, and affirms its covenants made in the ordinances or resolutions authorizing the issuance of the currently Outstanding Priority Bonds that, for so long as such obligations remain Outstanding, it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State

of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of its Outstanding evidences of indebtedness, until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Operating Expenses. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 23: Records and Accounts – Annual Audit. The City covenants, agrees, and affirms its covenants that so long as any of the Bonds remain Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating to the System, and that the Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The City further agrees that following (and in no event later than 180 days after) the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Operating Expenses.

SECTION 24: Limited Obligations of the City. The Bonds are limited, special obligations of the City payable from and equally and ratably secured solely by a lien on and pledge of the Junior Lien Pledged Revenues, being (primarily) a junior and inferior lien on and pledge of Net Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the City.

SECTION 25: Security of Funds. All money on deposit in the funds or accounts for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Ordinance.

SECTION 26: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in the payments to be made to the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition, or obligation prescribed in this 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 therein, and every such right and power may be exercised from time to time and as

often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 27: Notices to Holders Waiver. Wherever this Ordinance provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register.

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

SECTION 28: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a "security" and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 29: Cancellation. All Bonds surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the City, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The City may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the City may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the City.

SECTION 30: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the City and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the City and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the City or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the City shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the City in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the City may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 31: Sale of Bonds- Official Statement Approval – Approval of Purchase Contract. The Bonds authorized by this Ordinance are hereby sold by the City to _____, _____, Texas, as the authorized representative of a group of underwriters (the *Purchasers*, and having all the rights, benefits, and obligations of a Holder) in accordance with the provisions of a Purchase Contract dated June 26, 2012 (the *Purchase Contract*) attached hereto as Exhibit B and incorporated herein by reference as a part of this Ordinance for all purposes. The pricing terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the City. The Initial Bonds shall be registered in the name of _____, _____, Texas. Any Authorized Representative is hereby authorized and directed to execute the Purchase Contract for and on behalf of the City and as the act and deed of the City Council, and in regard to the approval and execution of the Purchase Contract, the City Council hereby finds, determines and declares that the representations, warranties, and agreements of the City contained in the Purchase Contract are true and correct in all material respects and shall be honored by the City. Delivery of the Bonds to the Purchaser shall occur as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of the Purchase Contract.

Furthermore, the City hereby ratifies, confirms, and approves in all respects (i) the City's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in accordance with the Rule (hereinafter defined) and (ii) the use and distribution of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Bonds. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by an Authorized Representative), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute the final Official Statement, dated _____, 2012, in the reoffering, sale and delivery of the Bonds to the public. The Mayor and/or City Secretary are further authorized and directed to manually execute and deliver for and on behalf of the City copies of the Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the City Council and constitute the Official Statement authorized for distribution and use by the Purchaser.

SECTION 32: Escrow and Trust Agreement - Approval and Execution. The Escrow and Trust Agreement dated as of June 26, 2012 (the *Agreement*) by and between the City and _____, _____, Texas (the *Escrow Agent*), attached hereto as Exhibit C and incorporated herein by reference as a part of this Order for all purposes, is hereby approved as to form and content, and such Agreement in substantially the form and substance attached hereto, together with such changes or revisions as may be necessary to accomplish the refunding or benefit the City, is hereby authorized to be executed by the Mayor and City Secretary for and on behalf of the City and as the act and deed of this City Council; and such Agreement as executed by said officials shall be deemed approved by the City Council and constitute the Agreement herein approved.

Furthermore, the Mayor and City Secretary, and Bond Counsel in cooperation with the Escrow Agent are hereby authorized and directed to make the necessary arrangements for the purchase of the Escrowed Securities, if any, referenced in the Agreement and the delivery thereof to the Escrow Agent on the day of delivery of the Bonds to the Purchasers for deposit to the credit of the "CITY OF CORPUS CHRISTI, TEXAS JUNIOR LIEN REVENUE AND REFUNDING BONDS, SERIES 2012 ESCROW FUND" (the *Escrow Fund*), including the execution of the subscription forms, if any, for the purchase and issuance of the "United States Treasury Securities - State and Local Government Series" for deposit to the Escrow Fund; all as contemplated and provided by the provisions of the Act, this Ordinance, and the Agreement.

SECTION 33: Proceeds of Sale; Contribution from the City. Immediately following the delivery of the Bonds, certain proceeds of sale along with a cash contribution, if any, from the City (less certain costs of issuance and accrued interest, if any, received from the Purchasers of the Bonds) shall be deposited with the Escrow Agent for application and disbursement in accordance with the provisions of the Escrow Agreement. The proceeds of sale of the Bonds not so deposited with the Escrow Agent for the refunding of the Refunded Obligations shall be disbursed for payment of costs of issuance or deposited in the Bond Fund for the Bonds, all in accordance with written instructions from the Mayor. Amounts held in the interest and sinking fund for the Refunded Obligations and not used as part of the City's contribution to the Escrow Fund, if any, shall be deposited into the Bond Fund and used to pay principal on the Bonds.

Proceeds from the sale of the Bonds shall be applied as follows:

A. Accrued interest, if any, received from the Purchasers shall be deposited into the Bond Fund.

B. \$_____ shall be deposited to the Escrow Fund.

C. The balance of the proceeds derived from the sale of the Bonds (after paying costs of issuance) shall be deposited into a construction fund created for the projects to be constructed with the proceeds of the Bonds. This construction fund shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 17 of this Ordinance. Interest earned on the proceeds of the Bonds pending completion of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as

required by any other applicable law. Thereafter, such amount shall be deposited into the Bond Fund and expended in accordance with Section 13.

SECTION 34: Redemption of Refunded Obligations. The Refunded Obligations referenced in the preamble hereof become subject to redemption prior to their stated maturities at the price of par and accrued interest to their respective date of redemption. The City shall give written notice to the paying agent that the Refunded Obligations have been called for redemption, and the City Council orders that such obligations are called for redemption on the applicable redemption dates set forth on Schedule I attached hereto, and such order to redeem the Refunded Obligations on such dates shall be irrevocable upon the delivery of the Bonds. A copy of each notice of redemption pertaining to the applicable series of Refunded Obligations is attached to this Ordinance as Exhibit D and is incorporated herein by reference for all purposes. The paying agent is authorized and instructed to provide notices of these redemptions to the holders of the Refunded Obligations in the form and manner described in the applicable ordinance authorizing the issuance of the Refunded Obligations.

SECTION 35: Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

Code means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

Computation Date has the meaning set forth in Section 1.148-1(b) of the Regulations.

Gross Proceeds means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

Investment has the meaning set forth in Section 1.148-1(b) of the Regulations.

Nonpurpose Investment means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

Rebate Amount has the meaning set forth in Section 1.148-1(b) of the Regulations.

Regulations means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

Yield of

(a) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(b) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

B. Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the City shall comply with each of the specific covenants in this Section.

C. No Private Use or Private Payments. Except as would not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds (including property financed with Gross Proceeds of the Refunded Obligations), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

D. No Private Loan. Except as would not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Bonds (including property financed with Gross Proceeds of the Refunded Obligations), to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such

property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except as would not cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

F. Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

G. Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

H. Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Bonds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Bond Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-

3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

I. Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection H of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

J. Bonds Not Hedge Bonds.

(1) The City reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.

(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Current Refunding of the Refunded Obligations. The Bonds are issued, in part, to refund the Refunded Obligations, and the Bonds will be issued, and certain proceeds thereof used, within 90 days after the Closing Date for the redemption of certain of the Refunded Obligations. In the issuance of the Bonds, the City has employed no "device" to obtain a material financial advantage (based on arbitrage), within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates. The City has complied with the covenants, representations, and warranties contained in the documents executed in connection with the issuance of these Refunded Obligations.

L. Qualified Advance Refunding. The Bonds are issued, in part, to refund certain of the Refunded Obligations, and the Bonds will be issued more than 90 days before the redemption of these Refunded Obligations. The City represents as follows:

(1) The Bonds are the "first advance refunding" of any original bonds issued after 1985 and are the "first or second advance refunding" of any original bonds issued before 1986, both within the meaning of section 149(d)(3) of the Code.

(2) The advance refunded Refunded Obligations are being called for redemption, and will be redeemed: (i) in the case of Refunded Obligations issued after 1985, not later than the earliest date on which such bonds may be redeemed and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds; and (ii) in the case of Refunded Obligations issued before 1986, not later than the earliest date on which such issue may be redeemed at par or at a premium of three percent or less and on which the City will realize present value debt service savings (determined without regard to administrative expenses) in connection with the issuance of the Bonds.

(3) The initial temporary period under section 148(c) of the Code will end: (i) with respect to the proceeds of the Bonds used to refund the advance refunded Refunded Obligations not later than 30 days after the date of issue of such Bonds; and (ii) with respect to proceeds of the advance refunded Refunded Obligations on the Closing Date if not ended prior thereto.

(4) On and after the date of issue of the Bonds, no proceeds of the advance refunded Refunded Obligations will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such advance refunded Refunded Obligations.

(5) The Bonds are being issued for the purposes stated in the preamble of this Ordinance. There is a present value savings associated with the refunding. In the issuance of the Bonds the City has: (i) neither issued more bonds, nor issued bonds earlier, and will not allow bonds to remain Outstanding longer, than reasonably necessary to accomplish the governmental purposes for which the Bonds were issued; (ii) not employed an "abusive arbitrage device" within the meaning of Section 1.148-10(a) of the Regulations; and (iii) not employed a "device" to obtain a material financial advantage based on arbitrage, within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates.

M. Elections. The City hereby directs and authorizes each Authorized Official, or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document. Such elections shall be deemed to be made on the Closing Date.

SECTION 36: Control and Custody of Bonds. The Mayor shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Bonds pending their approval by the Attorney General of the State of Texas, the registration thereof by the Comptroller of Public Accounts of the State of Texas and the delivery of the Bonds to the Purchasers.

Furthermore, any Authorized Official or any combination of them are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the City's Bond Counsel

and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond(s) to the Purchasers.

SECTION 37: Satisfaction of Obligation of City. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance, then the lien on and pledge of Junior Lien Pledged Revenues under this Ordinance and all covenants, agreements, and other obligations of the City to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

The Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Bonds. In the event of a gross defeasance of the Bonds, the City shall deliver a certificate from its financial advisor, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The City covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 35 hereof).

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the City be remitted to the City against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Ordinance to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the City expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that

right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 38: Ordinance a Contract; Amendments - Outstanding Bonds. The City acknowledges that the covenants and obligations of the City herein contained are a material inducement to the purchase of the Bonds. This Ordinance shall constitute a contract with the Holders from time to time, binding on the City and its successors and assigns, and it shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 39: Printed Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Fulbright & Jaworski L.L.P., as Bond Counsel, approving certain legal matters as to the Bonds, said opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of said opinion on the reverse side of each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the City's Secretary is hereby approved and authorized.

SECTION 40: 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 said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 41: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 42: Benefits of Ordinance. Nothing in this Ordinance, expressed or implied, is intended or shall be construed to confer upon any person other than the City, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being

intended to be and being for the sole and exclusive benefit of the City, Bond Counsel, Financial Advisors, the Paying Agent/Registrar, and the Holders.

SECTION 43: Inconsistent Provisions. All resolutions and ordinances, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters resolved herein.

SECTION 44: Governing Law. This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 45: Severability. If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 46: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

SECTION 47: Authorization of Paying Agent/Registrar Agreement. The City Council hereby finds and determines that it is in the best interest of the City to authorize the execution of a Paying Agent/Registrar Agreement concerning the payment, exchange, and transferability of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Ordinance.

SECTION 48: Public Meeting. It is officially found, determined, and declared that the meeting at which this Ordinance 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 this Ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 49: Continuing Disclosure of Information.

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

EMMA means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

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 file annually with the MSRB, (1) within six months after the end of each fiscal year of the City ending in or after 2012, financial information and operating data with respect to the System of the general type included in the final Official Statement authorized by Section 31 of this Ordinance, being the information described in Exhibit E hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit E hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall file unaudited financial statements within such period and audited for the applicable fiscal year to the MSRB, when and if the audit report on such statements becomes available.

If the City changes its fiscal year, it will file notice thereof with 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.

C. Notice of Certain Events. The City shall file 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 of 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 such 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 file notice with 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. Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

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 hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE 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 WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the 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 such amendment, as well as such 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 this Ordinance that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City so amends the provisions of this Section, the City shall include with any amended financial information or operating data next provided in accordance with this Section 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.

E. Information Format – Incorporation by Reference. The City information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the United States Securities and Exchange Commission.

SECTION 50: Book-Entry Only System.

The Bonds are initially registered so as to participate in a securities depository system (the *DTC System*) with the Depository Trust Company, New York, New York, or any successor entity thereto (*DTC*), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond(s) described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The City and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit G (the *Representation Letter*).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a *Depository Participant*) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an *Indirect Participant*). Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the Holder, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

In the event that (a) the City determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the City determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the City may determine that the Bonds shall be registered in the name of and deposited

with a successor depository operating a securities depository system, as may be acceptable to the City, or such depository's agent or designee, and if the City and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 51: Further Procedures. The officers and employees of the City are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, the initial sale and delivery of the Bonds, the Agreement, the Paying Agent/Registrar Agreement, and the Purchase Contract. In addition, prior to the initial delivery of the Bonds, each Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the City whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 52: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Ordinance shall be given in such other manner and at such time or times as in the judgment of the City or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Ordinance be deemed to be in compliance with the requirements for publication thereof.

SECTION 53: No Recourse Against City Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Ordinance against any official of the City or any person executing any Bond.

SECTION 54: Covenants of Compliance. The City shall faithfully and punctually perform all duties with reference to the System required by the Act, all other applicable laws of the State of Texas, and the provisions of this Ordinance and that the City shall render no free service to any customers or other persons.

SECTION 55: Construction of Terms. If appropriate in the context of this Ordinance, 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.

SECTION 56: Effective Date. This Ordinance shall be in force and effect from and after its final passage, and it is so resolved.

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PASSED AND ADOPTED on the 26th day of June 2012.

CITY OF CORPUS CHRISTI, TEXAS

Mayor

ATTEST:

City Secretary

(SEAL)

SCHEDULE I – Schedule of Refunded Obligations
SCHEDULE II – Approval Certificate
EXHIBIT A – Paying Agent/Registrar Agreement
EXHIBIT B – Purchase Contract
EXHIBIT C – Escrow and Trust Agreement
EXHIBIT D – Notices of Redemption
EXHIBIT E – Description of Annual Financial Information
EXHIBIT F – Reimbursement Agreement
EXHIBIT G – DTC Letter of Representations

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

SCHEDULE II
APPROVAL CERTIFICATE

EXHIBIT A

PAYING AGENT/REGISTRAR AGREEMENT

See Tab No. __

EXHIBIT B

PURCHASE CONTRACT

See Tab No. __

EXHIBIT C

ESCROW AND TRUST AGREEMENT

See Tab No. __

EXHIBIT D

NOTICES OF REDEMPTION

See Tab No. __

EXHIBIT E

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 49 of this Ordinance.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section for each Year ending in and after 2012 are as specified (and included in the Appendix of the Application referred to below):

1. The City's audited financial statements for the most recently concluded fiscal year or to the extent these audited financial statements are not available, unaudited financial statements of the City for the most recently concluded fiscal year.
2. Tables 1 through ___ contained in the Official Statement; and the Audited Financial Statement of the City, as set forth in Appendix B to the Official Statement.

Accounting Principles

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to above.

EXHIBIT F

REIMBURSEMENT AGREEMENT

N/A

EXHIBIT G

DTC LETTER OF REPRESENTATIONS

N/A