

ORDINANCE NO. _____

AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM REVENUE IMPROVEMENT BONDS, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$106,000,000, PURSUANT TO THE DELEGATION PROVISIONS SET FORTH HEREIN; MAKING PROVISIONS FOR THE PAYMENT AND SECURITY THEREOF ON A PARITY WITH CERTAIN CURRENTLY OUTSTANDING UTILITY SYSTEM REVENUE OBLIGATIONS; STIPULATING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF ADDITIONAL REVENUE BONDS ON A PARITY THEREWITH; PRESCRIBING THE FORMS, TERMS, CONDITIONS, AND RESOLVING OTHER MATTERS INCIDENT AND RELATED TO THE ISSUANCE, SALE, AND DELIVERY OF EACH SERIES OF BONDS; INCLUDING THE APPROVAL AND DISTRIBUTION OF ONE OR MORE OFFICIAL STATEMENTS PERTAINING THERETO; AUTHORIZING THE EXECUTION OF ONE OR MORE PAYING AGENT/REGISTRAR AGREEMENTS, AND ONE OR MORE PURCHASE CONTRACTS; COMPLYING WITH THE REQUIREMENTS IMPOSED BY THE LETTER OF REPRESENTATIONS PREVIOUSLY EXECUTED WITH THE DEPOSITORY TRUST COMPANY; ESTABLISHING THE CITY'S INTENTION TO REIMBURSE ITSELF FROM THE PROCEEDS OF ANY SUCH SERIES OF BONDS FOR THE PRIOR LAWFUL EXPENDITURE OF FUNDS TO CONSTRUCT VARIOUS CITY IMPROVEMENTS; DELEGATING THE AUTHORITY TO THE MAYOR AND CERTAIN MEMBERS OF THE CITY STAFF TO EXECUTE CERTAIN DOCUMENTS RELATING TO THE SALE OF EACH SERIES OF 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*) secured 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, in the City ordinances authorizing the issuance of the Previously Issued Priority Bonds, the City reserved the right to issue revenue bonds on a parity with the Previously Issued Priority Bonds; and

WHEREAS, the City Council has heretofore authorized the issuance of revenue bonds (the *Junior Lien Obligations*) secured by 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; and

WHEREAS, in the City ordinances authorizing the issuance of the Junior Lien Obligations, the City reserved the right to issue revenue bonds on a parity with the Junior Lien Obligations from time to time outstanding; and

WHEREAS, the City Council has heretofore entered into a certain Federal Contract (as hereinafter defined) supported by a 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 the Junior Lien Obligations, and the Previously Issued Subordinate Lien Obligations (such Federal Contract, the *Previously Issued Inferior Lien Obligations*); and

WHEREAS, the City deems it appropriate and in its best interest to issue the hereinafter authorized revenue bonds, in one or more series, for the primary purpose of acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the System; and

WHEREAS, the City Council hereby finds and determines that, pursuant to the authority provided by Chapter 1371, as amended, Texas Government Code (*Chapter 1371*), the delegation to each Authorized Official (defined herein) of the authority to execute an Approval Certificate relating to each series of bonds issued hereunder (a form of which certificate is attached hereto as Schedule I) to establish and approve the final terms of sale of any such series of bonds (within the parameters specified herein) is in the best interest of the City; and

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

WHEREAS, prior to the issuance of a series of bonds hereunder, the City may elect to initially utilize other lawfully available funds to enter into various contracts to finance some or all of the capital costs associated with the System improvements for which bonds are to be issued hereunder; and

WHEREAS, the provisions of Section 1201.042, as amended, Texas Government Code (*Section 1201.042*) provide that the proceeds from the sale of obligations issued to finance the acquisition, construction, equipping, or furnishing of any project or facilities, such as the System improvements for which bonds are issued hereunder, may be used to reimburse the City for costs attributable to such project or facilities paid or incurred before the date of issuance of such bonds; and

WHEREAS, the United States Department of Treasury (the *Department*) released Regulation Section 1.150-2 (the *Regulations*) which establishes when the proceeds of obligations are spent and therefore are no longer subject to various federal income tax restrictions contained in the Internal Revenue Code of 1986, as amended (the *Code*); and

WHEREAS, the City intends to reimburse itself, within eighteen months from the later of the date of expenditure or the date the property financed is placed in service (but in no event more than three years after the original expenditures are paid), for the prior lawful capital expenditure of funds from the proceeds of a series of bonds issued hereunder; and

WHEREAS, under the Regulations, to fund such reimbursement with proceeds of bonds issued hereunder, the City must declare its expectation ultimately to make such reimbursement before making the expenditures; and

WHEREAS, the City Council hereby finds and determines that the reimbursement for the prior expenditure of funds of the City is not inconsistent with the City's budgetary and financial circumstances; and

WHEREAS, the City Council hereby finds and determines that the actions authorized hereby and the adoption of this Ordinance are in the best interest of the citizens of the City, now, therefore,

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

SECTION 1: Bonds Authorized. One or more series of revenue bonds of the City shall be and are hereby authorized to be issued, from time to time and in accordance with the limitations described in Section 2, to be designated CITY OF CORPUS CHRISTI, TEXAS UTILITY SYSTEM REVENUE IMPROVEMENT BONDS (as further designated by series and to reflect to the priority of the lien on revenue securing the repayment thereof, pursuant to Section 2) (each such series, the *Bonds*), under and in accordance with the terms of this ordinance (the *Ordinance*), for the purposes of (i) acquiring, purchasing, constructing, improving, repairing, extending, equipping, and renovating the System and (ii) paying the costs of issuance relating thereto. The Bonds shall be payable from and equally and ratably secured by a lien on and pledge of the all or a portion of the Net Revenues (at such level of priority as is determined by an Authorized Representative in accordance with Section 2), which pledge shall be on parity with the lien on and pledge of the City's utility system revenue bonds from time to time outstanding that are payable from a lien on and pledge of Net Revenues at such level of priority. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, including, particularly Chapters 1371 and 1502, as amended, Texas Government Code (together, the *Act*), the City's Home Rule Charter, and this Ordinance.

SECTION 2: Delegation of Authority. As authorized by Chapter 1371, as amended, Texas Government Code (*Chapter 1371*), the Mayor of the City, the City Manager of the City, the Assistant City Manager for General Government and Operations Support, and the City's Director of Financial Services (each of the foregoing, an *Authorized Official*) 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 the:

- (1) Aggregate principal amount of each maturity of the Bonds;
- (2) Rate of interest to be borne on the principal amount of each maturity;
- (3) Interest payment dates;
- (4) Extraordinary, optional, and/or mandatory redemption provisions;

(5) Pricing of each series of Bonds, including use of premium, discount, underwriters' compensation, and costs of issuance;

(6) Underwriting syndicate for each series of Bonds, including the identification of the senior and book running manager and co-managers, respectively, for each such series;

(7) Dated Date (defined herein);

(8) Priority of the pledge of and lien on Net Revenues securing the repayment of the particular series of Bonds (being a pledge of and lien on Net Revenues that is on parity with the lien thereon and pledge thereof that secures the Previously Issued Priority Bonds or the Junior Lien Obligations, respectively); and

(9) Further designation of each series of Bonds by year issued, number of similarly-secured series of bonds issued during the then-current calendar year, and the priority of lien on and pledge of Net Revenues securing such series of Bonds.

Each series of Bonds issued under this Ordinance shall be issued within the following parameters:

(1) The total principal amount of all series of Bonds issued hereunder shall not exceed \$106,000,000;

(2) The maximum maturity for any series of Bonds issued hereunder shall be July 15, 2053;

(3) On a combined basis by series (and not on a per maturity basis within a series), the maximum true interest cost (as determined by federal arbitrage yield) applicable to any series of Bonds issued hereunder shall not exceed a rate greater 7% per annum, calculated in a manner consistent with the provisions of Chapter 1204, as amended, Texas Government Code;

(4) The final series of Bonds issued hereunder must be sold not later than August 27, 2014 (though the closing of a particular series of Bonds sold in accordance with this provision may occur after August 27, 2014, so long as such closing period is determined by an Authorized Representative to be of reasonable duration); and

(5) Each series of Bonds must be sold on a negotiated basis to an underwriting syndicate selected in accordance with this Section 2 (as provided in subpart (6) above).

In addition to the foregoing, each Authorized Representative is authorized to select the bond insurer and/or debt service reserve fund surety 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 Purchasers in accordance with the provisions of Chapter 1371. 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. Upon execution of the Approval Certificate, Bond Counsel is authorized to complete a substantially similar version of this Ordinance, completed (as appropriate) with the information included in the applicable Approval Certificate and by incorporation of the terms of Exhibit A or Exhibit B hereto (as applicable) into Section 9 hereof, to reflect such final terms of the applicable series of Bonds issued hereunder.

SECTION 3: Fully Registered Obligations - Authorized Denominations - Stated Maturities - Interest Rates - Dated Date. The Bonds are issuable in fully registered form only; shall be dated _____, 2013 (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</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amounts (\$)</u>	<u>Interest</u> <u>Rates (%)</u>
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SECTION 4: 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 3, 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 [_____, 20__], 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 D 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 Holders*) 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 5: Redemption.

A. Mandatory Redemption of Bonds. The Bonds stated to mature on July 15, 20[___] and July 15, 20[___], respectively, 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>		<u>Term Bonds Stated to Mature on July 15, 20[___]</u>	
<u>Year</u>	<u>Principal Amount (\$)</u>	<u>Year</u>	<u>Principal Amount (\$)</u>

*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*).

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 6: 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 9A(3), 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 9A(4), 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 7: 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 15 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 8: 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 3 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 9: Provisions Applicable to the Bonds Based on Priority of Lien on and Pledge of Net Revenues. [Insert terms indicated in Exhibit A thereto if the particular series of Bonds are issued as Additional Priority Lien Bonds or the terms indicated in Exhibit B if the particular series of Bonds are issued as Additional Junior Lien Obligations.]

SECTION 10: 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 11: 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.

For the avoidance of doubt, no default with respect to any obligation that is secured by and payable from a lien on and pledge of Net Revenues that is junior and subordinate to the lien thereon and pledge thereof securing the Priority Bonds shall ever be deemed to be a default with respect to the Priority Bonds.

SECTION 12: 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 13: 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 14: 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 15: 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 16: Sale of Bonds - Official Statement Approval – Approval of Purchase Contract – Use of proceeds. 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 _____, 20__ (the *Purchase Contract*) attached hereto as Exhibit C 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 _____.

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 Purchasers 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 Purchasers 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 Purchasers are hereby authorized to use and distribute the final Official Statement, dated _____, 20__, 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 Purchasers, 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 Purchasers.

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

A. The City received a net original reoffering premium from the sale of the Bonds of \$_____, \$_____ of which is hereby allocated by the City to pay certain costs of issuance and the balance allocated by the City in the manner described in Subsection B below.

B. The balance of the proceeds (after paying other costs of issuance and the other deposits referred to in paragraph A above) shall be deposited into the special construction account or accounts created for the projects to be constructed with the Bond proceeds. This special construction account shall be established and maintained at the City's depository bank and shall be invested in accordance with the provisions of Section 9I 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 amounts shall be expended in accordance with Section 9E.

SECTION 17: 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, 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, 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. 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 18: 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 19: 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 System Revenues made 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 17 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 20: 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 21: Printed Opinion. The Purchasers' obligation to accept delivery of the Bonds is subject to their being furnished a final opinion of Fulbright & Jaworski LLP, 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 22: 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 23: Effect of Headings; Definition of Terms. The Section headings herein are for convenience only and shall not affect the construction hereof. Capitalized terms used herein without definition shall have the applicable meaning ascribed thereto in Exhibit C hereto, which is hereby incorporated by reference as though reproduced herein.

SECTION 24: 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 25: 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 26: 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 27: 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 28: 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 29: 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 D and is incorporated by reference to the provisions of this Ordinance.

SECTION 30: 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 31: 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 2013, financial information and operating data with respect to the System of the general type included in the final Official Statement authorized by Section 16 of this Ordinance, being the information described in Exhibit F 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 (i) prepared in accordance with the accounting principles described in Exhibit F 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 financial 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 financial statements 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 32: 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 8) 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 H (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 certificate 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 33: Declaration of Intent to Reimburse for the Prior Expenditure of Certain Expenses. This Ordinance shall serve as a declaration of intent to establish the City's reasonable, official intent under Section 1.150-2 of the Regulations and Section 1201.042 to reimburse itself from certain of the proceeds of the Bonds for any capital expenditures previously incurred (not more than 60 days prior to the date hereof) or to be incurred with respect to the Project from the City's General Fund or other lawfully available funds of the City.

The City intends to issue one or more series of Bonds hereunder and, within 30 days after the date of issuance of a series Bonds, allocated the proceeds therefrom to reimburse the City for prior lawful expenditures with respect to the System improvements for which the Bonds are issued in a manner to comply with the Regulations. Any such reimbursed expenditures will be a type properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principals. The City intends to otherwise comply, in addition to those matters addressed within this Ordinance, with all the requirements contained in the Regulations.

With respect to the proceeds of a series of Bonds allocated to reimburse the City for prior expenditures, the City shall not employ an abusive device under Section 1.148-10 of the Regulations, including using within one year of the reimbursement allocation, the funds corresponding to the proceeds of such series of Bonds in a manner that results in the creation of “replacement proceeds”, as defined in Section 1.148-1 of the Regulations, of the particular series of Bonds or another issue of tax-exempt obligations.

SECTION 34: 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 35: 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 36: 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 37: Automatic Budget Amendments to Reflect Final Debt Service Payments. To the extent that the City Council has adopted an annual budget that includes payment of debt service on any Bonds issued (or to be issued) pursuant to this Ordinance based on the City's reasonable expectations and projections relative to those Bonds, such budget entries shall, upon the issuance of Bonds, be automatically adjusted to reflect actual debt service payments on those Bonds coming due during the period of time covered by such budget. Each Authorized Official, or the designee thereof, is authorized to make such necessary budget entries and/or adjustments to reflect these final debt service amounts.

SECTION 38: 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 39: 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 40: 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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SIGNED AND SEALED THIS 27th DAY OF AUGUST, 2013.

CITY OF CORPUS CHRISTI, TEXAS

Mayor

ATTEST:

City Secretary

(SEAL)

APPROVED THIS ____ DAY OF _____, 2013:

Carlos Valdez, City Attorney

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THE STATE OF TEXAS §
 §
COUNTY OF NUECES §
 §
CITY OF CORPUS CHRISTI §

I, the undersigned, City Secretary of the City of Corpus Christi, Texas, do hereby certify that the above and foregoing is a true, full and correct copy of an Ordinance passed by the City Council of the City of Corpus Christi, Texas (and of the minutes pertaining thereto) on the 27th day of August, 2013, authorizing the issuance of one or more series of the City's Utility System Revenue Improvement Bonds, which ordinance is duly of record in the minutes of said City Council, and said meeting was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Texas Government Code, Chapter 551.

EXECUTED UNDER MY HAND AND SEAL of said City, this the 27th day of August, 2013.

City Secretary

(CITY SEAL)

SCHEDULE I

Form of Approval Certificate

See Tab No. 2

EXHIBIT A

Ordinance Provisions Relating to Priority Bonds

A. Forms.

(1) 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.

(2) 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
REVENUE IMPROVEMENT BOND SERIES 2013

Bond Date: _____, 20__	Interest Rate:	Stated Maturity:	CUSIP No.:
---------------------------	----------------	------------------	------------

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____

The City of Corpus Christi, Texas (the *City*), a body corporate and a municipal corporation 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 Bond Date or from the most recent interest payment date to which interest has been paid or duly provided for until such Principal Amount has become due and payment thereof has been made 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 year of twelve 30-day months; such interest being payable on January 15 and July 15 of each year commencing _____ 15, 20__.

The principal of and interest on this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the designated trust office in Austin, Texas (the *Designated Trust Office*) of _____, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the ordinance authorizing the issuance of this Bond (the *Bond Ordinance*) to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at its address as it appeared on the last business day of the month next preceding each such date (the *Record Date*) on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. Any accrued interest due at maturity or upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the Designated Trust Office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Debt Service Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. While the Bonds are held by the Purchasers, payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the City where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, or the United States Postal Service is not open for business, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, or the United States Postal Service is not open for business; and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of a series of bonds of like tenor and effect except as to number, principal amount, interest rate, maturity, and right of prior redemption, dated as of the Bond Date specified above, aggregating \$_____ (herein sometimes called the *Bonds*), issued for the purposes of (i) acquiring, purchasing, constructing, improving, repairing, extending, equipping,

and renovating the City's combined waterworks system, wastewater disposal system and gas system (collectively, the *System*) and (ii) to pay the costs of issuing the 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 Debt Service 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__

<u>Year</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------

*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 Debt Service 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 City reserves the right to redeem the Bonds stated to mature on and after July 15, 20__, in whole or in part, on July 15, 20__, or on any date thereafter, in such order of stated maturity as the City shall determine and by lot or other customary method within a stated maturity at the redemption price of par plus accrued interest to the date of redemption.

At least thirty (30) days prior to the date any such Bonds are to be redeemed, a notice of redemption, authorized by appropriate resolution passed by the Governing Body, shall be given in the manner set forth below. A written notice of such redemption shall be given to the

registered owner of each Bond or a portion thereof being called for redemption by depositing such notice in the United States mail, first class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books (as hereinafter defined) kept by the Paying Agent/Registrar. By the date fixed for any such redemption, due provision shall be made by the City with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or the portions thereof which are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds, or the portions thereof which are to be so redeemed, thereby automatically shall be redeemed prior to their scheduled maturities, shall not bear interest after the date fixed for their redemption, and shall not be regarded as being Outstanding except for the right of the registered owner to receive the redemption price plus accrued interest to the date fixed for redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such redemptions of principal of the Bonds or any portion thereof. If a portion of any Bonds shall be redeemed, a substitute Bond or Bonds having the same stated maturity date, bearing interest at the same interest rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Ordinance.

All Bonds of this series are issuable solely as fully registered bonds, without interest coupons, in an Authorized Denomination. As provided in the Bond Ordinance, this Bond may, at the request of the registered owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate registered owner, assignee or assignees, as the case may be, having any Authorized Denomination or Denominations as requested in writing by the appropriate registered owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar at its Designated Trust Office for cancellation, all in accordance with the form and procedures set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the registered owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the registered owner. The one requesting such conversion and exchange shall pay the Paying Agent/Registrar's reasonable standard or customary fees and charges for converting and exchanging any Bond or portion thereof. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The foregoing notwithstanding, in the case of the conversion and exchange of an assigned and transferred Bond or Bonds or any portion or portions thereof, such fees and charges of the Paying Agent/Registrar will be paid by the Issuer. The Paying Agent/Registrar shall not

be required (i) to make any such transfer, conversion or exchange during the period beginning at the opening of business 30 days before the day of the first mailing of a notice of redemption and ending at the close of business on the day of such mailing, or (ii) to transfer, convert or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of an unredeemed balance of a Bond called for redemption in part.

Whenever the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

In the event any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, whose qualifications substantially are similar to the previous Paying Agent/Registrar it is replacing, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

By becoming the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Bond Ordinance is duly recorded and available for inspection in the official minutes and records of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Ordinance constitute a contract between each registered owner hereof and the Issuer.

The Bonds are special obligations of the Issuer payable solely from and equally secured, together with the currently Outstanding Previously Issued Priority Bonds, by a first lien on and pledge of the Pledged Revenues of the System. The Issuer has reserved the right, subject to the restrictions stated, and adopted by reference, in the Bond Ordinance, to issue Additional Priority Bonds which also may be made payable from, and secured by a first lien on and pledge of, the aforesaid Pledged Revenues, as well as Subordinated Obligations payable from a junior and inferior lien on and pledge of the Pledged Revenues. For a more complete description and identification of the revenues and funds pledged to the payment of the Bonds, and other obligations of the Issuer secured by and payable from the same source or sources as the Bonds, reference is hereby made to the Bond Ordinance.

The Issuer has reserved the right, subject to the restrictions stated, and adopted by reference, in the Bond Ordinance, to amend the Bond Ordinance; and under some (but not all) circumstances amendments must be approved by the owners of a majority in aggregate principal amount of the Outstanding Priority Bonds.

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

It is hereby certified and covenanted that this Bond has been duly and validly authorized, issued and delivered; and that all acts, conditions and things required or proper to be performed, exist and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed and been done in accordance with law. Capitalized terms used in this Bond without definition shall have the respective means ascribed to them in the Bond Ordinance.

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

CITY OF CORPUS CHRISTI, TEXAS

Mayor

ATTEST:

City Secretary

(SEAL)

[The remainder of this page intentionally left blank.]

(3) Form of Comptroller's Registration Certificate to Appear on Initial Bonds 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)

(4) Form of Registration Certificate of Paying Agent/Registrar.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued and registered under the provisions of the within-mentioned Bond 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

(5) 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:

[The remainder of this page intentionally left blank]

(6) Form of Initial Bond(s).

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

(i) immediately under the name of the Bond, the headings “Interest Rate _____” and “Stated Maturity _____” shall both be completed “as shown below”; and

(ii) the first paragraph shall read as follows:

The City of Corpus Christi, Texas (the *City*), a body corporate and municipal corporation 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>
-------------------------------------	-----------------------------------	-------------------------------

(Information to be inserted from
schedule in Section 3 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 Bond Date, or from the most recent interest payment date to which interest has been paid or duly provided for until the Principal Amount has become due and payment thereof has been made or duly provided for, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on January 15 and July 15 of each year, commencing _____ 15, 20__.

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

B. Pledge.

(1) Pledged Revenues. The Priority Bonds are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues including such revenues within the System Fund and the Funds hereinafter created in this Ordinance; and the Pledged Revenues are further pledged to the establishment and maintenance of the Debt Service Fund and the Reserve Fund as hereinafter provided. The Priority Bonds are and will be secured by and payable only from the 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.

(2) Security Interest. Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by

the City under Subsection B2 of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the Pledged Revenues granted by the City is to be subject to the filing requirements of Chapter 9, as amended, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under

(3) 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 said pledge to occur.

C. System Fund. There has heretofore been created and established and there shall be maintained on the books of the City, and accounted for separate and apart from all other funds of the City, a special fund entitled the "City of Corpus Christi Utility System Fund" (the *System Fund*). All Gross Revenues shall be credited to the System Fund immediately upon receipt. All Operating Expenses shall be paid from such Gross Revenues credited to the System Fund as a first charge against same.

D. Debt Service Fund.

(1) Debt Service Fund Established. For the sole purpose of paying the principal amount of, premium, if any, Amortization Installments, if any, and interest on all Priority Bonds, there has heretofore been created and established and there shall be maintained on the books of the City a separate fund entitled the "City of Corpus Christi Utility System Revenue Improvement Bonds Debt Service Fund" (the *Debt Service Fund*). Money in the Debt Service Fund shall be deposited and maintained in an official depository bank of the City.

(2) Capitalized Interest Account. Within the Debt Service Fund there may hereafter be established a Capitalized Interest Account. The proceeds of Priority Bonds representing capitalized interest may be deposited into the Capitalized Interest Account. On or before the day next preceding any interest payment date of Priority Bonds or other obligations for which any interest has been capitalized, the City shall use the money in the Capitalized Interest Account to pay such interest on such Priority Bonds or other obligations to the extent of the amounts therein representing such capitalized interest.

(3) Mandatory Redemption Account. Within the Debt Service Fund there has heretofore been established the Mandatory Redemption Account. Amortization Installments shall be deposited to the credit of the Mandatory Redemption Account and be used to retire the principal amount of Term Bonds in the manner described in any ordinance, including this Ordinance, authorizing the issuance of Term Bonds.

(4) Surplus Proceeds. Effective at such time as the Previously Issued Priority Bonds are no longer Outstanding, the City may transfer excess amounts held in the Debt Service Fund to any fund or funds established for the payment of or security for the Priority Bonds (including any escrow established for the final payment of any such

obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents bond proceeds, then such amount must remain in the Debt Service Fund.

E. Reserve Fund.

(1) Reserve Fund Established. There has heretofore been created and established and there shall be maintained on the books of the City a separate fund entitled the “City of Corpus Christi Utility System Revenue Improvement Bonds Reserve Fund” (the *Reserve Fund*). There shall be deposited into the Reserve Fund any Reserve Fund Obligations so designated by the City. Reserve Fund Obligations in the Reserve Fund shall be deposited and maintained in an official depository bank of the City. Reserve Fund Obligations in the Reserve Fund shall be used solely for the purpose of retiring the last of any Priority Bonds as they become due or paying principal of and interest on any Priority Bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose. The Reserve Fund shall be maintained in an amount equal to the Average Annual Debt Service Requirements of the Outstanding Priority Bonds after giving consideration as an offset to debt service the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of Priority Bonds irrevocably designated as refundable tax credit bonds pursuant to a prior parity lien ordinance amendment (the *Required Reserve Amount*). The City may, at its option, withdraw and transfer to the System Fund, all surplus in the Reserve Fund over the Required Reserve Amount. Upon the issuance of the Bonds, the Required Reserve Amount shall be \$_____, representing an increase of \$_____ attributable to the issuance of the Bonds. As permitted by Subsection J(1) of this Section, the City will satisfy this increase in the Required Reserve Amount attributable to the issuance of the Bonds by depositing not less than \$_____ to the Reserve Fund not later than the 10th day of each month for 60 consecutive months, commencing _____, 20____.

(2) Credit Facility. The City may replace or substitute a Credit Facility for cash or Eligible Investments on deposit in the Reserve Fund or in substitution for or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or Eligible Investments on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve Amount may be withdrawn by the City, at its option, and transferred to the System Fund; provided, however, that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer; provided further, however, that such transfer to the System Fund shall be spent only in accordance with applicable law including (but not limited to) restrictions on the expenditure of such funds to the extent that the same were originally derived from proceeds of bonds or other evidences of indebtedness.

(3) Withdrawals. If the City is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section, the City shall promptly notify any applicable Credit Facility Provider of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal FIRST from

available money or Eligible Investments then on deposit in the Reserve Fund, and NEXT from a drawing under any Credit Facility to the extent of such deficiency.

(4) Deficiencies. In the event of a deficiency in the Reserve Fund, or in the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve Amount, then the City shall satisfy the Required Reserve Amount by depositing Reserve Fund Obligations into the Reserve Fund in monthly installments of not less than 1/60 of the Required Reserve Amount made on or before the 10th day of each month following such termination or expiration.

(5) Redemption; Defeasance. In the event of the redemption or defeasance of any Priority Bonds, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the City, to the System Fund, as a result of (i) the redemption of any Priority Bonds, or (ii) funds for the payment of any Priority Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in any ordinance authorizing the issuance of Priority Bonds, the result of such deposit being that such Priority Bonds no longer are deemed to be Outstanding under the terms of any such ordinance.

(6) Reimbursement of Credit Provider. In the event there is a draw upon a Credit Facility, the City shall reimburse the Credit Provider for such draw, in accordance with the terms of any agreement pursuant to which the Credit Facility is issued, from Pledged Revenues; provided, however, such reimbursement from Pledged Revenues shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Priority Bonds.

(7) Additional Priority Bonds. Upon the issuance of Additional Priority Bonds the money in the Reserve Fund shall be increased to the newly-established Required Reserve Amount in accordance with the provisions of Subsection I(1) of this Ordinance.

F. Subordinated Obligations Funds and Accounts. The City hereafter may create, establish and maintain on the books of the City separate funds and accounts from which money can be withdrawn to pay the principal of and interest on Subordinated Obligations which hereafter may be issued.

G. Investments. Money in any Fund established pursuant to this Ordinance may, at the option of the City, be placed or invested in Eligible Investments. Money in the Reserve Fund shall not be invested in securities with an average aggregate weighted maturity of greater than seven years. If money in a Fund herein established are permitted to be invested, the value of any such Fund shall be established by adding the money therein to the Value of Investment Securities. The value of each such Fund shall be established annually during the last month of each Year, and in addition thereto and with respect to the Reserve Fund, value shall be established within thirty days prior to the issuance of Priority Bonds and at the time or times withdrawals are made therefrom. Such investments shall be sold promptly when necessary to

prevent any default in connection with the Priority Bonds. Earnings derived from the investment of money on deposit in the various Funds and Accounts created hereunder shall be credited to the Fund or Account from which money used to acquire such investment shall have come.

H. Funds Secured. Money in the System Fund and all Funds created by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law for securing funds of the City.

I. Flow of Funds. All money in the System Fund not required for paying Operating Expenses during each month shall be applied by the City, on or before the 10th day of the following month, commencing during the months and in the order of priority with respect to the Funds and Accounts that such applications are hereinafter set forth in this Section.

(1) Debt Service Fund. To the credit of the Debt Service Fund, in the following order of priority, to-wit:

(a) such amounts, deposited in approximately equal monthly installments, commencing during the month in which the Priority Bonds are delivered, or the month thereafter if delivery is made after the 10th day thereof, as will be sufficient, together with other amounts, if any, in the Debt Service Fund available for such purpose (including specifically money on deposit in the Capitalized Interest Account, if any, dedicated thereto), to pay the interest scheduled to come due on Priority Bonds on the next succeeding interest payment date;

(b) such amounts, deposited in approximately equal monthly installments, commencing during the month which shall be the later to occur of (i) the twelfth month before the first maturity date of Priority Bonds or (ii) the month in which Priority Bonds are delivered, or the month thereafter if delivery is made after the 10th day thereof, as will be sufficient, together with other amounts, if any, in the Debt Service Fund available for such purpose, to pay the principal scheduled to mature on Priority Bonds on the next succeeding principal payment date; and

(c) Amortization Installments, in such amounts and on such dates as set forth in any ordinance authorizing a series of Priority Bonds which contain Term Bonds within such series, to pay scheduled principal amounts of Priority Bonds which constitute Term Bonds to be redeemed in accordance with the terms of said ordinance.

(2) Reserve Fund. To the credit of the Reserve Fund, such amounts, deposited in approximately equal monthly installments, commencing during the month in which the Priority Bonds are delivered, or the month thereafter if delivery is made after the 10th day thereof, equal to not less than 1/60 of the Required Reserve Amount, until such time as such amounts together with other amounts, if any, in the Reserve Fund, equal the Required Reserve Amount. When and so long as the Reserve Fund Obligations in the Reserve Fund are not less than the Required Reserve Amount, no deposits need be

made to the credit of the Reserve Fund. When and if the Reserve Fund at any time contains less than the Required Reserve Amount due to any cause or condition other than the issuance of Additional Priority Bonds then, subject and subordinate to making the required deposits to the credit of the Debt Service Fund, commencing with the month during which such deficiency occurs, such deficiency shall be made up from the next available Pledged Revenues or from any other sources available for such purpose. Reimbursements to a Credit Provider made in accordance with the terms of Subsection 10.F of this Ordinance shall constitute the making up of a deficiency to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Credit Facility. If the Reserve Fund contains less than the Required Reserve Amount due to the issuance of Additional Priority Bonds, deposits shall be made to the Reserve Fund commencing during the month and in the amounts required by Subsection 18.B of this Ordinance, unless a Credit Facility is deposited in the Reserve Fund in an amount necessary to cause the sum of money and the value of Investment Securities and any other Credit Facilities in the Reserve Fund to equal the Required Reserve Amount.

(3) Surplus. The balance of any money remaining in the System Fund following such transfers may be used by the City for payment of other obligations of the System, including, but not limited to, Subordinated Obligations, and for any other lawful purpose; provided, however, that transfers made for purposes other than for payment of obligations of the System shall be made only at the end of the Year.

J. Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues to make the deposits and other applications of money required by Subsection I of this Section with respect to the various Funds as provided therein, any such deficiencies shall be made up (in the order that each such Fund is provided for in Subsection I of this Section) as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose. The foregoing notwithstanding, however, if any deficiency in the Reserve Fund occurs as a result of withdrawals therefrom or decreases in the market value of Eligible Investments on deposit therein, such deficiency will be made up from the next available Pledged Revenues within twelve months from the date of such deficiency is determined, with such deposits to the Reserve Fund to be made in not more than twelve substantially equal monthly payments.

K. Payment of Bonds. On or before the first scheduled Interest Payment Date, and on or before each interest payment date and principal payment date thereafter while any of the Priority Bonds are Outstanding and unpaid, the City shall make available to the paying agent therefor, out of the Debt Service Fund (and the other Funds, if necessary, in the order of priority set forth herein) money sufficient to pay such interest on and such principal amount of the Priority Bonds, as shall become due and mature on such dates, respectively, at maturity or by redemption prior to maturity. The Paying Agent/Registrar, or the bond registrar for each series of Priority Bonds shall destroy all paid Priority Bonds, as applicable, and furnish the City with an appropriate certificate of cancellation or destruction.

L. Issuance of Additional Priority Bonds.

(1) Reservation of Right to Issue Additional Priority Bonds. Subject to the provisions hereinafter appearing as conditions precedent which must first be satisfied, the City reserves the right to issue, from time to time as needed, Additional Priority Bonds for any lawful purpose relating to the System. Such Additional Priority Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the same conditions precedent herein required for the authorization and issuance of Additional Priority Bonds are satisfied.

(2) Debt Service Fund and Reserve Fund; Funding Reserve Fund. The Debt Service Fund and the Reserve Fund confirmed by this Ordinance shall secure and be used to pay all Additional Priority Bonds hereafter issued. Upon the issuance and delivery of Additional Priority Bonds, the additional amount required to be deposited in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of such Additional Priority Bonds, or, at the option of the City, (i) by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in approximately equal monthly installments, made on or before the 10th day of each month following the delivery of such Additional Priority Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above) or (ii) by the deposit of a Credit Facility which, in whole or in combination with deposits described in clause (i) above, is sufficient to satisfy the required additional amount to be on deposit in the Reserve Fund.

(3) Calculations. All calculations of Average Annual Debt Service Requirements made pursuant to this Section shall be made as of and from the date of the Additional Priority Bonds then proposed to be issued.

M. Further Requirements for Additional Priority Bonds.

(1) Conditions Precedent for Issuance of Additional Priority Bonds - General. As a condition precedent to the issuance of any Additional Priority Bonds, 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 Pledged 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 Pledged 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 Priority Bonds, but such certificate shall

not be dated prior to the date an ordinance is passed authorizing the issuance of such Additional Priority Bonds.

(2) Conditions Precedent for Issuance of Additional Priority Bonds - Capital Improvements and for any other Lawful Purpose except for Capital Additions or for Refunding. The City covenants and agrees that Additional Priority Bonds 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 Subsections M(2), (3), (4) or (5) of this Section) unless and until the conditions precedent in Subsection M(2) above have been satisfied and, in addition thereto, the City has secured a certificate or opinion of the Accountant to the effect that, according to the books and records of the City, the Net Earnings (as hereinafter defined) for the preceding Year or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Priority Bonds is adopted are at least equal to 1.25 times the Average Annual Debt Service Requirements for all Outstanding Priority Bonds after giving effect to the Additional Priority Bonds then proposed. The foregoing notwithstanding, the City covenants and agrees that Additional Priority Bonds may not be issued for the purpose of financing Capital Improvements when other Outstanding Priority Bonds which have been issued for the purpose of financing Capital Additions and for which capitalized interest for such other Priority Bonds has been provided for at least the twelve months subsequent to the date of issuance of the Additional Priority Bonds then proposed to be issued, unless the conditions precedent in Subsection M(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 M(2) as set forth above cannot be satisfied, the City has satisfied the conditions precedent in Subsection M(3) 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 certificate or opinion of the Accountant to the effect that, according to the books and records of the City, the Net Earnings for the preceding Year or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Priority Bonds is adopted are at least equal to 1.25 times the Average Annual Debt Service Requirements for all Outstanding Priority Bonds (other than any Priority Bonds 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 Priority Bonds proposed to be issued) after giving effect to the Priority Bonds then proposed.

(3) Conditions Precedent for Issuance of Additional Priority Bonds - Capital Additions: Initial Issue. The City covenants and agrees that Additional Priority Bonds will not be issued for the purpose of financing Capital Additions, unless the same conditions precedent specified in Subsection M(1) above have been satisfied and, in addition thereto, either the relevant conditions precedent specified in Subsection M(2) above are satisfied or, in the alternative, the City shall have obtained: (i) from the Engineer 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 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 to the effect that, based on the Engineering Report prepared for each Capital Addition, the projected Net Earnings for each of the five Years subsequent to the date the Capital Addition becomes commercially operative (as estimated in the Engineering Report) will be equal to at least 1.25 times the Average Annual Debt Service Requirements for Priority Bonds then Outstanding or incurred and all Priority Bonds 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 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 k(3) and (ii) above and the initial Priority Bonds issued therefor are delivered, the City reserves the right to issue Additional Priority Bonds 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 M3(i) and (ii) or Subsection M(2) 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 Pledged Revenues of the System to be Outstanding after the issuance of the Additional Priority Bonds then being issued for the period (the *Forecast Period*) of each ensuing Year through the fifth Year subsequent to the latest estimated date such Capital Addition is expected to be commercially operative; and (ii) the Engineer 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 Pledged Revenues of the System will be adequate to pay all the obligations, payable from the Pledged Revenues of the System to be Outstanding after the issuance of the Additional Priority Bonds then being issued for the Forecast Period and (B) the proceeds from the sale of such Additional Priority Bonds are estimated to be sufficient to complete such acquisition and construction.

(5) Refunding Issues. The City reserves the right to issue refunding bonds to refund all or any part of the Outstanding Priority Bonds (pursuant to any law then available), upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Outstanding Priority Bonds are refunded, the conditions precedent prescribed in

Subsection M(1) and M(2) of this Section shall be satisfied and the Accountant's certificate or opinion required by Subsection M(2) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the Priority Bonds being refunded following their cancellation or provision being made for their payment). In addition, the City reserves the right to refund all or any part of any other obligations of the System, upon such terms and conditions as the Governing Body of the City may deem to be in the best interest of the City and its inhabitants, provided that the conditions prescribed in Subsection A and B of this Section shall be satisfied. No Accountant's certificate otherwise required by Subsection B will be required for refunding bonds, after giving effect to such proposed refunding, if there is no increase in debt service for any Year in which there will be debt service on Priority Bonds Outstanding both before and after such refunding.

(6) Computations; Reports. With reference to Priority Bonds 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 a series of Priority Bonds irrevocably designated as refundable tax credit bonds, which payment shall be treated as an offset to regularly scheduled debt service of the series of Priority Bonds to which it relates. In the preparation of the Engineering Report required in Subsection C(i) above, the Engineer 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 Priority Bonds for Capital Additions, the certificate of the City's Director of Financial Services and Engineer, 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.

(7) Combination Issues. Priority Bonds for Capital Additions may be combined in a single issue with Priority Bonds for Capital Improvements or for any lawful purpose provided the conditions precedent set forth in Subsection M(2) through M(5) are complied with as the same relate to the appropriate purpose.

(8) Subordinated Obligations. The City may, at any time and from time to time, for any lawful purpose, issue Subordinated Obligations, the principal of and redemption premium, if any, and interest on which is payable from and secured by a pledge of and lien on the Pledged Revenues junior and subordinate to the lien and pledge created hereby for the security of the Priority Bonds and the payments required to be made hereunder into the Debt Service Fund and the Reserve Fund; provided, however, that any such pledge and lien securing the Subordinated Obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge of and lien on the Pledged Revenues as security for the Priority Bonds; and provided further that any default with respect to the issuance of Subordinated Obligations will not be deemed a default with respect to the Priority Bonds.

(9) 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, but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(10) Determination of Net Earnings. In making a determination of Net Earnings for any of the purposes described in this Section, the Accountant 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 Accountant’s certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant’s certificate or opinion.

N. General Covenants. The City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(1) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance, and each ordinance authorizing the issuance of Additional Priority Bonds; it will promptly pay or cause to be paid the principal amount of and interest on every Priority Bond, on the dates and in the places and manner prescribed in such ordinances and such Priority Bonds; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the System Fund and the Funds herein created; and any registered owner of any Priority Bond may require the City, its officials and employees to carry out, respect or enforce the covenants and obligations of this Ordinance, or any ordinance authorizing the issuance of Priority Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials and employees.

(2) City’s Legal Authority. It is a duly created and existing home rule city of the State of Texas, and is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(3) Acquisition and Construction; Operation and Maintenance. (1) It shall use its best efforts in accordance with Prudent Utility Practice to acquire and construct, or cause to be acquired and constructed, any Capital Additions or Capital Improvements, in accordance with the plans and specifications therefor, as modified from time to time, with due diligence and in a sound and economical manner; and (2) it shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good

repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacement and renewals so that at all times the operation of the System may be properly and advantageously conducted.

(4) Title. It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the owners of the Priority Bonds, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Priority Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(5) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(6) No Free Service. No free service or service otherwise than in accordance with the established rate schedule shall be furnished, directly or indirectly, by the System to any person, firm, corporation or other entity, other than the City. No part of the salary of any official or employee of the City or his replacement shall be paid from Pledged Revenues unless and only to the extent the duties and performances of such official or employee or his replacement appertain directly to the System. To the extent the City receives the services of the System, such services shall be accounted for according to the established rate schedule.

(7) Further Encumbrance. It will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Priority Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Ordinance; but the right of the City to issue Subordinated Obligations payable in whole or in part from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(8) Sale, Lease or Disposal of Property. No part of the System shall be sold, leased, mortgaged, demolished, removed or otherwise disposed of, except as follows:

(a) To the extent permitted by law, the City may sell or exchange at any time and from time to time any property or facilities constituting part of the System only if (A) it shall determine such property or facilities are not useful in the operation of the System, or (B) the proceeds of such sale are \$250,000 or less, or it shall have received a certificate executed by the Engineer and the City Manager stating, in their opinion, that the fair market value of the property or facilities exchanged is \$250,000 or less, or (C) if such proceeds or fair market value exceeds \$250,000 it shall have received a certificate executed by the Engineer and the City Manager stating (i) that system within the System of which the property or facilities comprises a part thereof and (ii) in their opinion, that the sale or exchange of such property or facilities will not impair the ability of the City to comply during the current or any future Year with the provisions of Subsection M(11) of this Section. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the System shall forthwith, at the option of the City (i) be used to redeem or purchase Priority Bonds, or (ii) otherwise be used to provide for the payment of Priority Bonds. The foregoing notwithstanding, if such property or facilities sold or exchanged constituted property or facilities comprising all or a part of a system within the System, the acquisition, improvement or extension of such system having not been financed by the City in any manner with the proceeds of Priority Bonds, or with the proceeds of obligations which were refunded in whole or in part with the proceeds of Priority Bonds, then the City may utilize the proceeds of such sale or exchange for any lawful purpose; and

(b) To the extent permitted by law, the City may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right (A) does not impede the operation by the City of the System and (B) does not in any manner impair or adversely affect the rights or security of the owners of the Priority Bonds under this Ordinance; and provided, further, that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement or other right is in excess of \$500,000, the City shall have received a certificate executed by the Engineer and the City Manager that the action of the City with respect thereto does not result in a breach of the conditions under this clause (2). Any payments received by the City under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

(9) Books, Records and Accounts. It shall keep proper books, records and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System and the City shall cause said books and accounts to be audited annually as of the close of each Year by the Accountant.

(10) Insurance.

(a) Except as otherwise permitted in clause (b) below, it shall cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the bondholders and their representatives at all reasonable times.

(b) In lieu of obtaining policies for insurance as provided above, the City may self-insure against risks, accidents, claims or casualties described in clause (a) above.

(c) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(11) Rate Covenant. It will fix, establish, maintain and collect such rates, charges and fees for the use and availability of the System at all times as are necessary to produce Gross Revenues and other Pledged Revenues equal to the greater of amounts determined in accordance with clauses (1) or (2) below, to-wit, amounts sufficient: (1) (A) to pay all current Operating Expenses of the System, and (B) to produce Net Revenues for each Year at least equal to 1.25 times the Average Annual Debt Service Requirements of all then Outstanding Priority Bonds; or (2) to pay the sum of (A) all current Operating Expenses, (B) the Average Annual Debt Service Requirements on the then Outstanding Priority Bonds, (C) deposits to the Reserve Fund required for the Priority Bonds, and (D) amounts required to pay all other obligations of the System reasonably anticipated to be paid from Gross Revenues during the current Year. The calculation of Average Annual Debt Service Requirements on all Outstanding Priority Bonds shall be net of (1) capitalized interest for such Priority Bonds only if the money in a Capitalized Interest Account received from proceeds of such Priority Bonds held in cash or are invested in Government Obligations and (2) the receipt or anticipated receipt of a refundable tax credit or similar payment relating to a series of Priority Bonds irrevocably designated as refundable tax credit bonds, which payment shall be treated as one offset to regularly scheduled debt service of the series of Priority Bonds to which it relates.. The foregoing notwithstanding, such rates, charges and fees shall be fixed, established, maintained and collected at a level sufficient to enable the City to pay debt service on Priority Bonds during the current Year.

(12) Audits. After the close of each Year while any Priority Bonds are Outstanding, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by the Accountant. As soon as practicable after the close of each such Year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding year shall be mailed to any holder of the then Outstanding Priority Bonds who shall so request in writing. Such annual audit reports shall be open to the inspection of the registered owners of the Priority Bonds and their agents and representatives at all reasonable times.

(13) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(14) No Competition. To the extent it legally may, it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities, and, to the extent that it legally may, the City will prohibit any such competing facilities.

(15) Rights of Inspection. The Engineer or any registered owner of \$100,000 in aggregate principal amount of the Priority Bonds then Outstanding shall have the right at all reasonable times to inspect the System and all records, accounts and data of the City relating thereto, and upon request the City shall furnish to the Engineer or such registered owner, as the case may be, such financial statements, reports and other information relating to the City and the System as the Engineer or such registered owner may from time to time reasonably request.

* * * *

EXHIBIT B

Ordinance Provisions Relating to Junior Lien Obligations

A. Forms.

(1) 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.

(2) 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 IMPROVEMENT BONDS, SERIES 2013

Dated Date: Interest Rate: Stated Maturity: CUSIP NO:

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 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 _____.

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 and (ii) 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 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:

Term Bonds Stated to
Mature on July 15, 20__

<u>Year</u>	<u>Principal Amount (\$)</u>
-------------	----------------------------------

*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) a 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 Subordinate Lien Obligations and the Inferior Lien Obligations. In the Ordinance, the City reserves and retains the right to issue Additional Priority Bonds, Additional Junior Lien Obligations, Additional Subordinate 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, Additional Subordinate 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.

[The remainder of this page intentionally left blank]

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)

[The remainder of this page intentionally left blank.]

(3) *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 §
 § REGISTER NO. _____
THE STATE OF TEXAS §

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

[The remainder of this page intentionally left blank.]

(4) *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: _____, as Paying Agent/Registrar

By: _____
Authorized Signature

* Bond to Printer: to appear on printed Bonds

[The remainder of this page intentionally left blank.]

(5) 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:

[The remainder of this page intentionally left blank.]

(6) 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:

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

(b) 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>
-------------------------------------	-----------------------------------	-------------------------------

(Information to be inserted from
schedule in Section 3 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 _____.

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 _____ (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.

(7) 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.

B. Pledge of Junior Lien Pledged Revenues.

(1) 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.

(2) 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 any time 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.

C. 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:

(1) 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.

(2) 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;

(3) To produce Net Revenues, together with any other lawfully available funds, equal to at least 1.15 times Average Annual Debt Service Requirements on the then-Outstanding Junior Lien Obligations 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;

(4) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the amounts that may be deposited in the special funds established for the payment of the Subordinate Lien Obligations;

(5) 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

(6) 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.

D. 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:

(1) 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.

(2) 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.

(3) 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 Junior Lien Obligations and any Additional Junior Lien Obligations hereafter issued by the City.

(4) Fourth: 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 Subordinate Lien Obligations and any Additional Subordinate Lien Obligations hereafter issued by the City.

(5) Fifth: 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.

E. 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 Improvement 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 Purchasers. As described further in Subsection 9G 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.

F. Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds equal to 100% 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 Improvement 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 \$_____ (inclusive of the Bonds and the Concurrently Issued Bonds). 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 Subsection 9D, 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 9F, 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 110% of the Average Annual Debt Service Requirements. In the event that the Junior Lien Pledged Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) 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 for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service Requirements.

G. Deficiencies - Excess Junior Lien Pledged Revenues.

(1) 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.

(2) 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, the Subordinate 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 Subsection 9D hereof).

H. Payment of Bonds. While any of the Bonds are Outstanding, an Authorized Official 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.

I. 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.

J. 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.

K. Issuance of Additional Priority Bonds, Additional Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Inferior Lien Obligations. Subsequent to the issuance of the Bonds and the Concurrently Issued Bonds (the issuance of each of which without compliance with the terms of this Subsection are hereby approved), 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:

(1) 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.

(2) 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 Subordinate Lien Obligations and the Inferior Lien Obligations, upon satisfying each of the following conditions precedent:

(a) 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.

(b) 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 K(2)(c) and Subsection 9L this Section, respectively) unless and until the conditions precedent in Subsection K(2)(a) of this Section 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 1.15 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 (a) 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 K(2)(b) as set forth above cannot be satisfied, the City has satisfied the conditions precedent in Subsection K(2)(c)(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 1.15 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.

(c) 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 K(2)(a) above have been satisfied and, in addition thereto, either the relevant conditions precedent specified in Subsection K(2)(a) above are satisfied or, in the alternative, the City shall have obtained: (i) from the Engineer 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 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 1.15 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.

(d) Completion Issues. Once a Capital Addition has been initiated by meeting the conditions precedent specified in Subsection K(2)(c)(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 K(2)(c)(i) and (ii) or Subsection K(2)(a) 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 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.

(e) 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 K(2)(c)(i) above, the Engineer 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, 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.

(f) 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 Subsections K(2)(b) through (d) are complied with as the same relate to the appropriate purpose.

(g) 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 Subsection 9D, but not expenditures which, under standard accounting practice, should be charged to capital expenditures.

(h) 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.

(3) The City may issue Additional Subordinate 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, but senior and superior to the lien there on and pledge thereof securing the repayment of the Inferior Lien Obligations, 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 the Previously Issued Subordinate Lien Obligations.

(4) 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.

L. 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 Subsection 9k of this Ordinance shall be satisfied and the City Managers' certification required in Section 9k 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).

* * * *

EXHIBIT C

Defined Terms

For all purposes of the Ordinance (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Exhibit C have the meanings assigned to them in this Exhibit C, and certain terms used in Sections 17 and 31 of the Ordinance have the meanings assigned to them in Sections 17 and 31 of the Ordinance, and all such terms, include the plural as well as the singular; (ii) all references in the Ordinance to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of the Ordinance as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to the Ordinance as a whole and not to any particular Section or other subdivision.

A. The term *Account* shall mean any account created, established and maintained under the terms of any ordinance authorizing the issuance of Priority Bonds.

B. The term *Accountant* shall mean a nationally recognized independent certified public accountant, or an independent firm of certified public accountants.

C. 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 applicable terms and conditions 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.

D. 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, that is included in Junior Lien Pledged Revenues, or that are or will be pledged to the payment of the Subordinate Lien Obligations, 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.

E. 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 Subordinate Lien Obligations and 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.

F. The term *Additional Subordinate 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, 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 on parity with the lien on and pledge of the Net Revenues securing the payment of the then-Outstanding Subordinate 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.

G. The term *Amortization Installment* shall mean the amount of money which is required to be deposited into the Mandatory Redemption Account for retirement of Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any).

H. The term *Attorney General* shall mean the Office of the Attorney General of the State of Texas.

I. The term *Authorized Denomination* shall have the meaning given such term in Section 3 of this Ordinance.

J. 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 Attorney.

K. The term *Average Annual Debt Service Requirements* shall mean, (i) with respect to the Priority Bonds, that amount equal to the average annual principal and interest requirements (including Amortization Installments) of all Priority Bonds Outstanding. With respect to Priority Bonds that bear interest at a rate which is not established at the time of issuance at a single numerical rate for each maturity of such series, Average Annual Debt Service Requirements shall be calculated by (i) assuming that the interest rate for every 12-month period on such bonds is equal to 9.20% or (ii) using the highest numerical rate borne over the preceding 24 month period by such bonds, whichever is greater; provided, however, that if such bonds have not borne interest at a variable rate for such 24 month period, such rate shall be assumed to be 9.20% until such time as bonds have been Outstanding for a 24 month period (in making such determinations, it shall be assumed that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds); and (ii) with respect to the Junior Lien Obligations, 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 with respect to Junior Lien Obligations 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).

L. The term *Bonds* shall have the meaning given such term in Section 1 of this Ordinance.

M. 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.

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

O. The term *Capitalized Interest Account* shall mean the Account by that name which may be created within the Debt Service Fund.

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

Q. 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.

R. The term *Comptroller of Public Accounts* shall mean the Office of the Comptroller of Public Accounts of the State of Texas.

S. 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.

T. 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.

U. 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.

V. 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.

W. 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.

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

Y. The term *Eligible Investments* shall mean those investments in which the City is authorized by law, including, but not limited to, the Public Funds Investment Act of 1987 (Chapter 2256, as amended, Texas Government Code), to purchase, sell and invest its funds and funds under its control, and with respect to the investment of proceeds of any Priority Bonds, guaranteed investment contracts fully collateralized by Government Obligations.

Z. 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.

AA. 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, and amended on June 16, 1980, with respect to the Nueces River Reclamation Project, 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, the lien thereon and pledge thereof securing the payment of the Junior Lien Obligations, as a result of such Net Revenues being included as Junior Lien Pledged Revenues, and the lien thereon and pledge thereof securing the payment of the Subordinate Lien Obligations.

BB. 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.

CC. 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.

DD. 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.

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

FF. 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.

GG. 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 _____, 20__ , while any of the Bonds remain Outstanding.

HH. The term *Junior Lien Obligations* shall mean (i) upon issuance, the Bonds and the Concurrently Issued 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 Subordinate Lien Obligations and the Inferior Lien Obligations, as determined by the City Council in accordance with applicable law.

II. 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.

JJ. The term *Mandatory Redemption Account* shall mean the Account by that name within the Debt Service Fund and established, if at all, by an ordinance authorizing the issuance of Priority Bonds.

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

LL. 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, Subordinate 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.

MM. The term *Ordinance* shall mean this Ordinance adopted by the City Council on August 27, 2013 authorizing the issuance of the Bonds.

NN. 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, Subordinate 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, Subordinate Lien Obligations, and Inferior Lien Obligations for which payment has been duly provided by the City in accordance with the provisions of Section 19 of this Ordinance; and

(3) those Priority Bonds, Junior Lien Obligations, Subordinate 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 15 of this Ordinance.

OO. The term *Paying Agent/Registrar* shall mean the financial institution specified in Section 3 of this Ordinance, or its herein-permitted successors and assigns.

PP. The term *Pledged Revenues* shall mean

(1) the Net Revenues, 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 to the payment of the Priority Bonds.

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

RR. The term *Previously Issued Junior Lien Bonds* shall mean, as of the Closing Date the Outstanding and unpaid obligations of the City that are payable solely from and equally and ratably secured by a lien on and pledge of the Junior Lien Pledged Revenues, identified as follows:

(1) “City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds, Series 2012”, dated November 15, 2012, in the original principal amount of \$69,085,000; and

(2) “City of Corpus Christi, Texas Utility System Junior Lien Revenue and Refunding Bonds, Series 2012”, dated November 15, 2012, in the original principal amount of \$155,660,000.

SS. The term *Previously Issued Priority Bonds* shall mean, as of the Closing Date 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 and Improvement Bonds, Series 2004”, dated August 15, 2004, in the original principal amount of \$50,000,000;

(3) “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;

(4) “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;

(5) “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;

(6) “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;

(7) “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;

(8) “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;

(9) “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

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

TT. The term *Previously Issued Subordinate Lien Obligations* shall mean the Series 2007 Certificates of Obligation.

UU. 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.

VV. The term *Prudent Utility Practice* shall mean any of the practices, methods and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act at the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. In the case of any facility included in the System which is owned in common with one or more other entities, the term “Prudent Utility Practice”, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

WW. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 16 of this Ordinance.

XX. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Priority Bonds.

YY. The term *Required Reserve Amount* shall have the meaning given such term in Section 9F of this Ordinance.

ZZ. The term *Reserve Fund* shall have the meaning given such term in Section 9F of this Ordinance.

AAA. The term *Reserve Fund Obligations* shall mean cash, Eligible Investments, any Credit Facility, or any combination of the foregoing.

BBB. The term *Series 2007 Certificates of Obligation* shall mean the City’s “Combination Tax and Utility System Revenue Certificates of Obligation, Series 2007”, dated March 1, 2007, in the original principal amount of \$6,985,000, being the only series of Subordinate Lien Obligations currently Outstanding.

CCC. 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.

DDD. 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 3 of this Ordinance.

EEE. The term *Subordinate Lien Obligations* shall mean (i) the Previously Issued Subordinate Lien Obligations, (ii) any Additional Subordinate Lien Obligations, and (iii) any obligations issued to refund the foregoing payable and equally and ratably secured from a lien on and pledge of the Net Revenues that is subordinate and inferior to the lien thereon and pledge thereof securing the payment of the Priority Bonds and the Junior Lien Obligations but superior to the lien thereon and pledge thereof securing the payment of the Inferior Lien Obligations, as determined by the City Council in accordance with any applicable law.

FFF. 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".

GGG. The term *System Fund* shall have the meaning given such term in Section 9D of this Ordinance.

HHH. The term *Value of Investment Securities* and words of like import shall mean the amortized value thereof; provided, however, that all United States of America, United States Treasury Obligations – State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The computations made under this paragraph shall include

accrued interest on the investment securities paid as a part of the purchase price thereof and not collected. For the purposes of this definition, “amortized value”, when used with respect to a security purchased at par, means the purchase price of such security.

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EXHIBIT D

Purchase Contract

See Tab No. 8

EXHIBIT E

Paying Agent/Registrar Agreement

See Tab No. 4

EXHIBIT F

Description of Annual Financial Information

The following information is referred to in Section 31 of this Ordinance.

Annual Financial Statements and Operating Data

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

1. The 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 23 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 G

Form of Reimbursement Agreement

N/A

EXHIBIT H

DTC Letter of Representations

See Tab No. 5