

A RESOLUTION

SIDC-2003-08

AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF APPROXIMATELY \$25,070,000 CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2003 (TAXABLE) (PROJECT STARBRIGHT); APPROVING AND AUTHORIZING THE EXECUTION OF AN INDENTURE OF TRUST RELATING TO THE BONDS, INCLUDING THE FIRST SUPPLEMENTAL INDENTURE OF TRUST; APPROVING A BOND PURCHASE AGREEMENT; RATIFYING A PRELIMINARY OFFICIAL STATEMENT AND APPROVING A FINAL OFFICIAL STATEMENT; APPROVING THE CERTAIN MATTERS RELATING TO CREDIT ENHANCEMENT AND RELATED MATTERS; APPROVING AND AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE AGREEMENT; AUTHORIZING AND RATIFYING OTHER ACTIONS OF THE CORPORATION; MAKING CERTAIN FINDINGS AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT.

* * * * *

WHEREAS, pursuant to the Development Corporation Act of 1979, Article 5190.6, Vernon's Texas Civil Statutes, as amended (the "Act"), the Corporation was created by the City of San Antonio, Texas (the "City") as an industrial development corporation for the purpose of aiding and assisting the City in fulfilling its obligations under the Project Starbright Agreement by and among the Toyota Motor Manufacturing North America, Inc., a Kentucky corporation, the State of Texas, the City of San Antonio, Texas and various other political subdivisions of the State of Texas (the "Starbright Agreement"); and

WHEREAS, pursuant to the laws of the State of Texas, including particularly the Act, the Corporation is authorized and has the power to issue, sell, and deliver revenue bonds, for and on behalf of the Corporation, for the purpose, among others, of financing the construction of, as a portion of Project Starbright (as defined in the Starbright Agreement), the City Project (as defined in the Indenture); and

WHEREAS, the Corporation has entered into an Economic Development Contract by and between the City and the Corporation pursuant to which the Corporation is pledging and assigning such contract to the trustee to secure the Bonds to provide for the financing of the City Project; and

WHEREAS, in order to issue and secure the Bonds, the Corporation shall, pursuant to this resolution (the "Bond Resolution"), approve an Indenture of Trust and First Supplemental Indenture of Trust by and between the Corporation and Wells Fargo Bank, Texas, N.A., as Trustee. The proceeds of such Bonds shall be used to pay for the costs to finance the acquisition of land and related site preparation and costs associated with a job training facility, along with all extensions, additions, enlargements, improvements and modifications to the City Project,

including amounts necessary to provide for capitalized interest, fund the debt service reserve fund and to pay costs of issuance; and

WHEREAS, the Act authorizes the Corporation to issue the Bonds to finance the City Project; and

WHEREAS, the Corporation expects in connection with the delivery of the Bonds to purchase municipal bond insurance as approved pursuant to this Bond Resolution; and

WHEREAS, to effectuate the issuance, sale and delivery of the Bonds, this Resolution shall authorize a bond purchase agreement (the "Bond Purchase Agreement") with Siebert Brandford Shank, L.L.C., as a representative of the group of underwriters therein (the "Underwriters"), relating to and setting forth certain terms and conditions upon which the Underwriters will purchase the Bonds from the Corporation and the Corporation will sell the Bonds to the Underwriters; and

WHEREAS, the form and substance of this Resolution, the Indenture of Trust (the "Indenture"), the First Supplemental Indenture of Trust (the "First Supplemental Indenture;" the Indenture and the First Supplemental Indenture are sometimes collectively referred to as the "Indentures"), including such matters as, without limitation, the aggregate principal amount of the Bonds, maturities of the Bonds, redemption provisions, prices, dates, interest payment dates, interest rates, bond insurer and surety provider, the Bond Purchase Agreement and the Preliminary Official Statement and the final Official Statement, together with such changes thereto as are authorized pursuant hereto and such other documents and instruments as may be executed pursuant to the authority granted herein, including, without limitation, the insurance commitment from the municipal bond or financial guaranty insurance provider and reserve fund surety provider shall be collectively referred to herein as the "Transaction Document(s);" and

WHEREAS, the necessity and convenience of financing the Project are in the best interest of the Corporation and such documents have been described to this Board and fully discussed at this meeting;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION THAT:

ARTICLE I
THE BONDS

Section 1.1 Findings and Determinations. The Corporation hereby finds and declares that:

- (i) the recitals contained in this Resolution are true and correct;
- (ii) the actions, documents, instruments and other matters herein authorized and approved by the Corporation are carried out pursuant to the Constitution and the laws

of the State of Texas, including the Act and Chapter 1201, et. seq., Texas Government Code, as amended.

Section 1.2 Issuance, Execution and Delivery of the Bonds. That the issuance of the Bonds styled "City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series (Starbright Project), Series 2003" in the aggregate of \$24,685,000, maturing in the years and amounts set forth in the Transaction Documents, is hereby authorized under and in accordance with the Transaction Documents, and that, upon execution and delivery of the Transaction Documents, the President and Secretary of the Corporation (or such other board member or officer of the Corporation as the President may authorize in writing) are hereby authorized to execute and attest the Bonds by manual or facsimile signature and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts for registration, and the Trustee for authentication, and thereafter to deliver such Bonds to the Underwriters pursuant to the Bond Purchase Agreement.

Section 1.3 Approval, Execution and Delivery of the Indenture, the First Supplemental Indenture and the Bond Purchase Agreement. That the form and substance of the Indenture, the First Supplemental Indenture and the Bond Purchase Agreement attached hereto, respectively, as Exhibits "A," "B" and "C" is hereby approved, and that the President or Executive Director and Secretary of the Corporation (or such other board member or officer of the Corporation as the President may authorize in writing) are hereby authorized to execute and attest to the Indenture, the First Supplemental Indenture, the Bond Purchase Agreement, and any other related Transaction Documents and to deliver the Indenture, the First Supplemental Indenture, the Bond Purchase Agreement and any other related Transaction Documents to the Trustee, the Underwriter and the City.

Section 1.4 Ratification of Economic Development Contract. That the form and substance of the Economic Development Contract is hereby ratified, confirmed, and authorized.

Section 1.5 Approval, Execution, Use and Distribution of the Official Statement. That the distribution by the Underwriters of the Preliminary Official Statement in accordance with the terms, conditions and limitations contained therein is ratified, confirmed and authorized; that the preparation and distribution by the Underwriters of a final Official Statement (in substantially the same form as the Preliminary Official Statement approved as distributed) together with such additions, deletions and modifications as shall be necessary and desirable or consistent with the terms of this Resolution or as may be approved by the President or Executive Director, is hereby authorized; that the President of the Corporation (or such other board member or officer of the Corporation as the President may authorize in writing) is hereby authorized to execute the Official Statement; and that the use and distribution of the Official Statement by the Underwriters is hereby approved and authorized, subject to the terms, conditions and limitations contained therein and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the President or other board member or officer of the Corporation.

Section 1.6 Approval of DTC Blanket Letter of Representation. The DTC Blanket Letter of Representations attached hereto as Exhibit "D" is hereby approved and the officers of the Corporation are hereby authorized to execute such agreement and deliver the same in conformity therewith.

Section 1.7 Approval of Continuing Disclosure Agreement. The continuing disclosure agreement by and between City Public Service Board of San Antonio, Texas, attached hereto as Exhibit "E" is hereby approved and the officers of the Corporation are hereby authorized to execute such agreement and deliver the same in conformity therewith.

Section 1.8 Approval of Bonds. The sale and delivery of the Bonds shall occur in accordance with the terms of this section of this Resolution and the Bond Purchase Agreement. To the extent the President or the Executive Director shall accept and execute any commitments or related guaranty agreements, certificates and covenants pertaining to municipal bond insurance or reserve fund surety policy to be issued by Ambac Assurance Corporation, such commitments, guaranty agreements, certificates and covenants shall be reviewed by the financial advisor, bond counsel or general counsel to the Corporation to ensure that they are in compliance with applicable law and the terms and conditions of the Transaction Documents approved by this Bond Resolution.

Section 1.9 Distribution of Amounts from Bond Proceeds and Payment of Certain Fees. The Executive Director or the President, or any board member or officer of the Corporation so designated in writing by the President, is hereby authorized to execute a requisition certificate from the Acquisition and Construction Fund, as provided in the Indentures at closing for the Bonds, authorizing disbursement in addition to payments otherwise approved by the Issuer for disbursement for Costs (as defined in the Indenture).

ARTICLE II MISCELLANEOUS PROVISIONS

Section 2.1 Ratifying Other Actions. That all other actions taken by the Board of Directors of the Corporation, the President of the Corporation and the other Corporation officers in connection with the issuance of the Bonds are hereby ratified and confirmed.

Section 2.2 Corporation to Invest Proceeds. That the Corporation officers and its consultants are hereby authorized to invest and reinvest, or direct the Trustee or any depository bank of the Corporation to invest and reinvest, the proceeds of the Bonds and the Trust Estate.

Section 2.3 Execution and Delivery of Other Documents. That the President, any member of the board and the officers of the Corporation are each hereby authorized to execute and attest such other agreements, assignments, bonds, bond insurance, certificates, contracts, documents, licenses, instruments, releases, reserve fund surety policies, financing statements, letters of instruction, notices of acceptance, notices of final payment, written requests and other documents, and to take all actions and to do all things whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Bonds, the Indentures and the Bond Purchase Agreement.

Section 2.4 Exhibits Incorporated Herein. All of the terms and provisions of each of the exhibits to this Bond Resolution shall be and are hereby incorporated into and made a part of this Bond Resolution for all purposes:

Section 2.5 Power to Revise Form of Documents and Execute Additional Documents. That, notwithstanding any other provision of this Resolution, the President or the Executive Director of the Corporation are hereby authorized to make or approve such revisions, additions, deletions and variations in the form of the Transaction Documents attached hereto as exhibits as, in the judgment of the President or the Executive Director, and in the opinion of bond counsel or general counsel to the Corporation, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Indentures, the Bond Purchase Agreement, the Preliminary Official Statement and the final Official Statement; furthermore, the President of the Corporation shall have the power and authority to execute and deliver, and to authorize any other member of the board and officers of the Corporation to execute and deliver, such other instruments, documents, receipts and certificates as he may deem necessary or distribute in order to effectuate the transaction described herein or otherwise appropriate, in the President's discretion, in relation thereto or in supplement thereof; and any and all actions taken by the President (or such other authorized parties) to that end are hereby ratified and confirmed as the acts and deeds of the Corporation.

Section 2.6 Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.7 Confirmation of Fiscal Year. The Corporation hereby adopts October 1 through September 30 as its Fiscal Year, which is the same as the City.

Section 2.8 Open Meeting. It is hereby found, determined and declared that a sufficient written notice of the date, hour, place and subject of the meeting of the Board of Directors of the Corporation at which this Resolution was adopted was posted at a place convenient and readily accessible at all times to the general public at the administrative office of the Corporation and the City of San Antonio for the time required by law preceding this meeting, as required by the Open Meetings Act, Chapter 551, Texas Government Code, and that this meeting has been open to the public as required by law at all times during which this Resolution and the subject matter thereof has been discussed, considered and formally acted upon. The Board of Directors further ratifies, approves and confirms such written notice and the contents and posting thereof.

Section 2.9 Severability. If any section, paragraph, clause, or provisions of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution. In case any obligations of the Corporation authorized or established by this Resolution or the Bonds is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Corporation to the fullest extent permitted by law.

Section 2.10 Corporate Seal. The official corporate seal of the Corporation shall be changed so that it shall have inscribed in the outer circle "Starbright Industrial Development Corporation" and shall have inscribed in the inner circle a star and "City of San Antonio, Texas."

ADOPTED, PASSED AND APPROVED, this 12th day of June, 2003.



President **EDWARD D. GARZA**
City of San Antonio, Texas,
Starbright Industrial Development Corporation



Secretary
City of San Antonio, Texas,
Starbright Industrial Development Corporation

03-24

CERTIFICATE OF RESOLUTION

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

I, the undersigned officer of the Board of Directors of the City of San Antonio, Texas, Starbright Industrial Development Corporation (the "Corporation") do hereby make and execute this Certificate for the benefit of all persons interested in the validity of all actions and proceedings of the Corporation. I do hereby certify as follows:

1. I am the duly chosen, qualified and acting officer of the Corporation for the office shown beneath my signature, and in such capacity I am familiar with the matters contained in this Certificate.

2. The Board of Directors of the Corporation convened its meeting on the 12th day of June, 2003, and the roll was called of the duly constituted officers and members of the Board of Directors, and all were present except the following: _____
Whereupon, among other business, the following was transacted at said meeting: a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF APPROXIMATELY \$25,070,000 CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2003 (TAXABLE) (PROJECT STARBRIGHT); APPROVING AND AUTHORIZING THE EXECUTION OF AN INDENTURE OF TRUST RELATING TO THE BONDS, INCLUDING THE FIRST SUPPLEMENTAL INDENTURE OF TRUST; APPROVING A BOND PURCHASE AGREEMENT; RATIFYING A PRELIMINARY OFFICIAL STATEMENT AND APPROVING A FINAL OFFICIAL STATEMENT; APPROVING THE CERTAIN MATTERS RELATING TO CREDIT ENHANCEMENT AND RELATED MATTERS; APPROVING AND AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE AGREEMENT; AUTHORIZING AND RATIFYING OTHER ACTIONS OF THE CORPORATION; MAKING CERTAIN FINDINGS AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT.

(the "Resolution") was introduced for the consideration of the Board of Directors. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by vote of ___ Ayes, ___ Noes, and ___ Abstentions.

3. The attached and following is a true, correct and complete copy of said Resolution; the original of said Resolution is on file in the official records of the Corporation; and said Resolution has not been amended and is in full force and effect.

4. The members of the Board of Directors were the duly qualified and acting members of the Board of Directors of the Corporation; and each member of the Board of Directors received notice of the meeting of the Corporation as prescribed in the Bylaws of the Corporation in accordance with the requirements of the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

WITNESS MY HAND AND THE OFFICIAL SEAL OF THE CORPORATION, this
_____ day of _____, 2003.

[SEAL]

Secretary

ALAMODOME
ASSET MANAGEMENT
AVIATION
CITY ATTORNEY
MUNICIPAL COURT
REAL ESTATE (FASSNIDGE)
REAL ESTATE (WOOD)
RISK MANAGEMENT
CITY MANAGER
SPECIAL PROJECTS
CITY PUBLIC SERVICE - GENERAL MANAGER
CITY PUBLIC SERVICE - MAPS AND RECORDS
CODE COMPLIANCE
COMMERCIAL RECORDER
COMMUNITY INITIATIVES
CONVENTION AND VISITORS BUREAU
CONVENTION CENTER EXPANSION OFFICE
CONVENTION FACILITIES
COUNCIL OFFICES
CULTURAL AFFAIRS
CUSTOMER SERVICE/311 SYSTEM
DEVELOPMENT SERVICES
HOUSE NUMBERING
LAND DEVELOPMENT SERVICES
TRAFFIC & DRAINAGE PLAN REVIEW
ECONOMIC DEVELOPMENT
ENVIRONMENTAL SERVICES
SOLID WASTE
EXTERNAL RELATIONS
PUBLIC INFORMATION OFFICE
FINANCE - DIRECTOR
FINANCE - ASSESSOR
FINANCE - CONTROLLER
FINANCE - GRANTS
FINANCE - PUBLIC UTILITIES SUPERVISOR
FINANCE- TREASURY
FIRE DEPARTMENT
HOUSING AND COMMUNITY DEVELOPMENT
HUMAN RESOURCES (PERSONNEL)
INFORMATION SERVICES
INTERNAL REVIEW
INTERNATIONAL AFFAIRS
LIBRARY
MANAGEMENT & BUDGET (OFFICE OF) OMB
MAYOR'S OFFICE
METROPOLITAN HEALTH DISTRICT
MUNICIPAL CODE CORPORATION
MUNICIPAL COURT
NEIGHBORHOOD ACTION
PARKS AND RECREATION
MARKET SQUARE
YOUTH INITIATIVES
PLANNING DEPARTMENT -NEIGHBORHOOD PLNG; URBAN DESIGN/HISTORIC PRESERVATION
DISABILITY ACCESS OFFICE
POLICE DEPARTMENT
GROUND TRANSPORTATION
PUBLIC WORKS DIRECTOR
CAPITAL PROJECTS
CENTRAL MAPPING
ENGINEERING
PARKING DIVISION
REAL ESTATE DIVISION
TRAFFIC ENGINEERING
PURCHASING AND GENERAL SERVICES
SAN ANTONIO WATER SYSTEMS (SAWS)
VIA

AGENDA ITEM NUMBER:

3

DATE:

JUN 12 2003

MOTION:

Ref

Haas

ORDINANCE NUMBER:

RESOLUTION NUMBER:

51DC-2003-08

ZONING CASE NUMBER:

TRAVEL AUTHORIZATION:

NAME	ROLL	AYE	NAY
ROGER O. FLORES JR. District 1		✓	
JOEL WILLIAMS District 2		✓	
RON SEGOVIA District 3		✓	
RICHARD PEREZ District 4		✓	
PATTI RADLE District 5		✓	
ENRIQUE M. BARRERA District 6		ABSENT	
JULIAN CASTRO District 7		✓	
ART A. HALL District 8		✓	
CARROLL SCHUBERT District 9		✓	
CHRISTOPHER "CHIP" HAASS District 10		✓	
EDWARD D. GARZA Mayor		✓	

*File: Starbright
Industrial Development
Corp.*

03-24

EXHIBIT A
FORM OF INDENTURE

INDENTURE OF TRUST

By and Between

CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION

and

WELLS FARGO BANK TEXAS, N.A., as Trustee

securing the Corporation's

CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS

relating to the

STARBRIGHT PROJECT

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of June 1, 2003 (the "Indenture"), is made by and between CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION, a not for profit corporation created by the City of San Antonio, Texas and existing under Article 5190.6, Vernon's Texas Civil Statutes, as amended (the "Corporation"), and WELLS FARGO BANK TEXAS, N.A., a national banking association (together with any successor trustee hereunder, the "Trustee").

W I T N E S S E T H:

WHEREAS, pursuant to Act (as defined herein), the Corporation was created by the City of San Antonio, Texas ("City") as an industrial development corporation for the purpose of aiding and assisting the City in fulfilling its obligations under the Project Starbright Agreement by and among the Toyota Motor Manufacturing North America, Inc., a Kentucky corporation ("Toyota"), the State of Texas, the City of San Antonio, Texas, the Corporation and various other political subdivisions of the State of Texas (the "Starbright Agreement"); and

WHEREAS, pursuant to the laws of the State of Texas, including particularly the Act (as defined herein), the Corporation is authorized and has the power to issue, sell, and deliver revenue bonds, for and on behalf of the Corporation, for the purpose, among others, of financing the construction of the City Project (as herein defined); and

WHEREAS, the Corporation has entered into an Economic Development Contract (as defined herein) by and between the City and the Corporation pursuant to which the Corporation is to provide for the financing of the City Project; and

WHEREAS, in order to secure the Bonds and Obligations and pay Expenses (each as defined herein), the Corporation has determined to enter into this Indenture of Trust with the Trustee for the purpose of assigning and pledging to the Trustee the Pledged Revenues (as herein defined), for the purpose of establishing the Funds (as herein defined) and assigning and pledging the Pledged Funds (as herein defined) pursuant hereto and thereby providing the Pledged Revenues and Pledged Funds to be held by the Trustee to secure the payment of principal of and interest on all Bonds and the payment of all Obligations and Expenses.

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective Owners from time to time of the Bonds and Obligations as follows:

[END OF RECITALS]

ARTICLE I
DEFINITIONS, STATUTORY AUTHORITY AND INTERPRETATION

Section 101. Definitions. For all purposes of this Indenture the following terms shall have the meanings set forth below unless the contexts or use clearly indicates otherwise:

“Account” or “Accounts” shall mean any one or more, as the case may be, of the accounts from time to time hereafter created in any of the Funds required to be maintained pursuant to Section 502 or the provisions of any Supplemental Indenture.

“Acquisition and Construction Fund” shall mean the Acquisition and Construction Fund established pursuant to Section 502 and maintained pursuant to Section 503, including any Accounts created therein.

“Act” shall mean, collectively and individually, as appropriate, Development Corporation Act of 1979, Article 5190.6, Vernon’s Texas Civil Statutes, as amended, and Texas Non Profit Corporation Act, Article 1396-1.01, Vernon’s Texas Civil Statutes, as amended.

“Aggregate Debt Service” shall mean for any Fiscal Year or other period, as of the date of calculation, the sum of the amounts of Debt Service for such Fiscal Year or other period with respect to any one or more Series of Bonds and other Obligations then outstanding.

“Authenticating Agent” shall mean an agent appointed by the Trustee to provide the services of an Authenticating Agent as provided herein.

“Authorized Newspaper” shall mean any newspaper, report, or other publication customarily published at least once in each calendar week, printed in the English language in a financial journal or publication of general circulation among tax-exempt securities dealers in the United States of America (such as *The Bond Buyer*) or in the State of Texas (such as *Texas Bond Reporter*).

“Authorized Officer of the Corporation” shall mean the President, Vice President, Executive Director, Treasurer, Secretary or other member of the Board or any other officer of the Corporation authorized to perform specific acts or duties by law or by motion, resolution, order or other manner contemplated by its by-laws duly adopted by the Board of Directors.

“Board of Directors” or “Board” shall mean the Board of Directors of the Corporation which is the governing body of the Corporation.

“Bonds” shall mean the Corporation’s Bonds authorized and issued on a parity basis in one or more Series by this Indenture and any Supplemental Indenture.

“Book Entry Form” or “Book Entry System” shall mean a form or system, as applicable, under which (1) the ownership of beneficial interests in Bonds may be transferred only through a book entry, and (2) physical or note bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Owner, with the physical Bond certificates held in the custody of the Securities Depository.

“Business Day” shall mean a day which is not a banking holiday in New York, New York or San Antonio, Texas, except as may otherwise be provided by Supplemental Indenture.

“City” shall mean the City of San Antonio, Texas, a municipal corporation and Home-Rule City located principally in Bexar County, Texas.

“City Council” shall mean the City Council of the City which is the governing body thereof.

“City Project” shall mean the obligations of the Corporation on behalf of the City contained in Exhibit C to the Starbright Agreement including without limitation those enumerated in Sections 4, 5 and 27 with respect to the acquisition and conveyance to Toyota of the Project Site (or so much thereof as required by the Starbright Agreement) and funding all Costs of the Training Facility (as defined in the Starbright Agreement) and Site Preparation (as defined in the Starbright Agreement) required in the Starbright Agreement including costs of real estate commissions, title insurance, roll back taxes for agricultural use conversion, environmental and archeological studies and remediation and other related actions required for the City to fulfill its obligations under the Starbright Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Corporation” shall have the meaning set forth in the recitals hereof.

“Costs of Issuance” shall mean the items of expense payable or reimbursable directly or indirectly by the Corporation and related to the authorization, sale and issuance of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee, Registrars, Securities Depository, and any Authenticating Agents; initial fees and charges of providers of Credit Agreements, Investment Liquidity Facilities and Reserve Fund Surety Policies or other parties pursuant to remarketing, indexing or similar agreements; discounts; legal fees and charges; consulting fees and charges; auditing fees and expense; credit insurance; financial advisor’s fees and charges; costs of credit ratings; insurance premiums; fees and charges for execution, transportation and safekeeping of Bonds or Obligations; expenses and fees of the Corporation and the City associated with the Bonds or Obligations and initial fees of any arbitrage consultants; and other administrative or other costs of issuing, carrying and repaying such Bonds and Obligations and investing the proceeds thereof.

“Costs” or “Costs of the City Project” shall mean all costs, fees and charges associated with, or to be reimbursed for, the acquisition, construction, and improvement of the City Project, including all losses, costs, damages, expenses and liabilities of whatsoever nature (including, but not limited to, attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) incurred by the Corporation and the Texas Department of Economic Development directly or indirectly resulting from, arising out of or related to the issuance, offering, sale, delivery, or payment of the Bonds, and interest thereon or Obligations, for the design, construction, installation, operation, use, occupancy, maintenance, or ownership of Project Starbright which are required to be paid to the Corporation or the Department as

required by Texas Department of Economic Development Rule No. 180.2(b)(7)(ii) of Title 10, Part 5, Chapter 180 of the Texas Administrative Code. Such Costs include capitalized interest and Costs of Issuance and the repayment of any Interim Notes, including interest accrued thereon.

“Counsel’s Opinion” shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be bond counsel to the Corporation) selected by the Corporation.

“CPS” means the City Public Service Board of San Antonio, Texas, which exercises management and control of the City’s Utility Systems pursuant to Chapter 1502, Texas Government Code, as amended.

“Credit Agreement” shall mean any agreement between the Corporation and a third party financial institution pursuant to which such third party financial institution issues a letter of credit, municipal bond insurance policy, line of credit, standby purchase agreement, Reserve Fund Surety Policy, surety bond, or other guarantee for the purpose of enhancing the creditworthiness or liquidity of any of the Corporation’s obligations pursuant to any Bonds, and shall include, to the extent permitted by applicable law, Investment Liquidity Facilities; and in consideration for which the Corporation may agree to pay certain fees and to reimburse and repay any amounts advanced under such Credit Agreement, together with interest and other stipulated costs and charges.

“Debt Service” shall mean, with respect to any particular Fiscal Year or other twelve (12) month period and any Series of Bonds or other Obligations, an amount equal to the sum of (a) all interest payable on such Bonds during such period, except to the extent that such interest is to be paid from amounts (including any investment earnings thereon) deposited in the Debt Service Fund, Debt Service Reserve Fund, Acquisition and Construction Fund, or elsewhere for the purpose of providing capitalized interest, plus (b) that portion of the principal amount of such Bonds which are due and payable during such period; provided, however, for purposes of satisfying the requirements in Article III (with respect to the issuance of Bonds) and determining the Reserve Fund Requirement, the following rules shall apply in calculating Debt Service.

(A) Interest and principal for any Series of Bonds shall be calculated on the assumption that no Bonds of any Series Outstanding on the date of calculation will cease to be Outstanding except by reason of the scheduled payment of principal on the due date thereof.

(B) Except as provided in (C) below, future Debt Service for any Series of Bonds which bears interest at variable rates or which will at some future date bear interest at a rate or rates to be determined or which will be subject to conversion to an interest rate or interest rate mode such that rates cannot then be ascertained shall be deemed to bear interest at a rate estimated by the Financial Advisor to the Corporation as the rate that would have been borne by a Series of Bonds if (i) they were secured by the same lien on Pledged Revenues, (ii) they were issued (or remarketed as the case may be) at the date of estimation and (iii) they were to bear a fixed rate of interest to their scheduled maturity or maturities.

(C) Interest accruing on Bonds issued as capital appreciation bonds or capital appreciation notes shall be treated as principal payable at maturity of such Bonds.

(D) Interest (other than on capital appreciation bonds) shall be deemed to accrue monthly and principal also shall be deemed to accrue monthly but only during the twelve months immediately preceding any scheduled principal payment (or during such shorter periods as may be appropriate if principal payments are more frequent than every twelve months).

(E) Amounts derived from the investment of money in the Debt Service Reserve Fund during the Fiscal Year or other period of calculation shall reduce Debt Service on Bonds during such Fiscal Year or other period of calculation.

(F) Credit Agreements shall not be deemed to impose any additional Debt Service by reason of the repayment or reimbursement obligations that they impose.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 502 and maintained pursuant to Section 506, including any Accounts created therein.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established pursuant to Section 502 and maintained pursuant to Section 507, including any Accounts created therein.

“Depository” shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking institution or association selected by the City as a depository of moneys and securities held under the provisions of this Indenture and the Act, and may include the commercial banking department of the Trustee or any Paying Agent.

“Economic Development Contract” shall mean that certain contract entitled “Economic Development Contract” between the City and the Corporation, dated as of June 1, 2003.

“Event of Default” shall have the meaning set forth in Section 801 of this Indenture.

“Expenses” shall mean the ongoing fees and expenses of the Corporation relating to its Bonds, including its fees and expenses relating to: (1) the Trustee, Paying Agents, Registrars, Authenticating Agents, Securities Dealers, Securities Depositories, or other Fiduciaries; (2) financial and legal consultants; (3) insurers; (4) remarketing, indexing, or similar agreements; (5) to the extent not included within the definition of Debt Service, Credit Agreements, Investment Liquidity Facility agreements, or Reserve Fund Surety Policies.

“Fiduciary” or “Fiduciaries” shall mean the Trustee or the Paying Agents, or any or all of them, as may be appropriate.

“Financial Advisor to the Corporation” shall mean a financial advisory or investment banking firm or firms of nationally recognized experience in municipal bonds selected by the Corporation which acts as the Financial Advisor to the Corporation.

“First Supplemental Indenture” shall mean the first supplemental indenture relating to the Series 2003 Bonds to finance the City Project.

“Fiscal Year” shall mean a fiscal year as established by the Corporation which is currently the 12-month period ending the last day of September, but which may be changed from time to time.

“Fund” or “Funds” shall mean any one or more, as the case may be, of the separate special funds created and established or required to be maintained pursuant to Article V.

“Indenture” shall mean this Indenture, as the same may be amended, supplemented or restated from time to time by Supplemental Indentures in accordance with the terms hereof.

“Interest Payment Date” shall mean the date on which interest on the Bonds is due and payable.

“Investment Liquidity Facility” shall mean any agreement permitted by Texas law, however denominated, provided by a financial institution which contractually commits to purchase for not less than a stated price any class or amount of Investment Securities held in the Debt Service Reserve Fund or any Account therein created under this Indenture at any time such Investment Securities must be liquidated in order to make cash transfers to the Debt Service Fund.

“Investment Security” or “Investment Securities” shall mean and include any securities authorized for investment of Corporation funds by the laws of the State of Texas, currently the “Texas Public Funds Investment Act,” Chapter 2256, Texas Government Code, as the same may be amended from time to time, except as may be limited under any Supplemental Indenture.

“Letter of Instructions” shall mean a written directive and authorization executed by an Authorized Officer of the Corporation.

“Mayor” shall mean the Mayor of the City or any other official that may serve as Mayor in his/her absence, or any official that may succeed Mayor.

“Obligations” shall mean any and all repayment, reimbursement or other obligations arising pursuant to any Credit Agreement issued or incurred pursuant to this Indenture.

If arising in connection with Reserve Fund Surety Policies or Investment Liquidity Facilities, such Obligations may be payable solely from the Debt Service Reserve Fund and the Pledged Revenues or other revenues of the Trust Estate required to be deposited therein.

“Outstanding” shall mean as of any date, Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

- (i) Bonds canceled by the Trustee or Registrar or delivered to the Trustee or Registrar for cancellation at or prior to such date;

(ii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture;

(iii) Bonds deemed to have been paid or defeased as provided in this Indenture or in any Supplemental Indenture or as provided by law, except this shall not include such Bonds paid by a bond insurer; and

(iv) As otherwise provided in any Supplemental Indenture.

“Owner(s)” shall mean the person in whose name such Bond is registered.

“Paying Agent” shall mean the Trustee or any bank or trust company or national or state banking association designated by the Trustee to make principal payment of and interest on the Bonds of any Series, and its successor or successors, meeting the requirements of this Indenture. Different Series of Bonds may have different Paying Agents.

“Pledged Contract Payments” shall mean all amounts relating to Debt Service on Bonds, Obligations and Expenses payable by the City, all as further defined and set forth in the Economic Development Contract.

“Pledged Funds” shall mean the following:

(a) for Bonds and Obligations, the Debt Service Fund and, to the extent created and pledged in any Supplemental Indenture, the Debt Service Reserve Fund;

(b) all monies deposited in the Debt Service Fund and the Debt Service Reserve Fund, including any investment income derived therefrom;

(c) any Reserve Fund Surety Policies purchased to satisfy the Reserve Requirement for Bonds and Obligations; and

(d) for any Series of Bonds or any Obligation, such additional Funds or Accounts as shall be created and pledged by Supplemental Indenture.

“Pledged Revenues” shall mean:

(a) Pledged Contract Payments; and

(b) any additional revenues hereafter designated as Pledged Revenues.

“Project Site” shall have the meaning set forth in the Starbright Agreement.

“Rebate Fund” shall mean the Rebate Fund established pursuant to Section 502 and maintained pursuant to Section 508, including any Accounts created therein.

“Record Date” as used with respect to any Interest Payment Date shall mean the date designated in any Supplemental Indenture with respect to any Series of Bonds as the record date for the payment of interest on such Series.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more Series, issued for the purpose of refunding a like or different principal amount of Bonds, and any interest thereon, and thereafter authenticated and delivered pursuant to this Indenture or any Supplemental Indenture.

“Register” shall mean the register maintained by the Registrar for each Series of Bonds which shows ownership of Bonds in accordance with Section 308.

“Registrar” shall mean the Trustee or any agent of the Trustee designated to keep a Register or Registers of the Owners of the Bonds of any Series as provided in any Supplemental Indenture, and its successor or successors.

“Regulations” shall mean the Treasury Regulations promulgated pursuant to the Code.

“Reserve Fund Requirement” shall mean, to the extent required in any Supplemental Indenture, not less than the average annual Aggregate Debt Service on the Bonds, as the case may be, nor more than the maximum annual Aggregate Debt Service in the current or any future Fiscal Year based upon calculations of Aggregate Debt Service on the Bonds, as the case may be, for each such Fiscal Year performed as of the date of issuance of each Series, which calculations shall take into account the issuance of the Series of Bonds or Obligations being issued or incurred as of the date of calculation; provided, however, that if any Series of Bonds or Obligations will for any period of time beginning on the date of issuance be fully secured as to the payment of principal or purchase price thereof and interest thereon during such period by the pledge of funds pursuant to a written escrow with the Trustee or any Paying Agent, then the Reserve Fund Requirement with respect to such Series shall not begin to apply until such date as such Series shall no longer be fully secured pursuant to such agreement.

“Reserve Fund Surety Policy” or “Reserve Fund Surety Policies” shall mean any reserve fund surety policy or bond, letter of credit or other instrument, however denominated, provided by a financial institution, pursuant to which the Trustee may draw on such Reserve Fund Surety Policy to enable the Debt Service Reserve Fund to make a required transfer to the Debt Service Fund. Each Reserve Fund Surety Policy shall meet the requirements set forth in the applicable Supplemental Indenture and shall be payable on demand of the Trustee for the benefit of the Owners of the Bonds or other Obligations payable from such Funds.

“Securities Depository” shall mean any securities depository that (i) is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provision of Section 17A of the Securities Exchange Act of 1934, as amended, operating and maintaining, with its participants or otherwise, a Book Entry System of record ownership of beneficial interests in the Bonds, and (ii) effects transfers of the Bonds in Book Entry Form.

“Series” shall mean Bonds identified as a separate series and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to this Indenture or any Supplemental Indenture.

“Starbright Agreement” shall have the meaning set forth in the recitals hereof.

“State” shall mean the State of Texas.

“Supplemental Indenture” shall mean any indenture supplemental to or amendatory of this Indenture, adopted by the Corporation in accordance with Article X.

“Utility Systems” shall mean the gas and electric systems owned by the City and managed, operated, and maintained by CPS in accordance with the ordinances authorizing the issuance of the City’s electric and gas revenue indebtedness.

“Trust Estate” shall have the meaning set forth in Article II of this Indenture.

Section 102. Authority for This Indenture. This Indenture is adopted pursuant to the provisions of the Act, and Chapters 1201 et. seq., Texas Government Code, as amended.

Section 103. Recitals, Table of Contents, Titles and Headings. The terms and phrases used in this Indenture have been included for convenience of reference only and the meaning, construction and interpretation of such words and phrases for purposes of this Indenture shall be determined solely by reference to Section 101 hereof. The table of contents, titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Indenture or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 104. Interpretation. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Indenture.

[END OF ARTICLE I]

ARTICLE II
SECURITY OF THE BONDS AND OBLIGATIONS

Section 201. Granting Clauses. To secure the payment of the principal of, redemption premium, if any, and interest on all Bonds, Obligations and Expenses due and payable whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds and Obligations by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation does hereby GRANT, BARGAIN, CONVEY, ASSIGN, and PLEDGE to the Trustee and its successors in trust hereunder, subject to the provisions of this Indenture, all of the Corporation's right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired:

(a) The Pledged Revenues, including all of the Corporation's right, title and interest in and to the Pledged Contract Payments;

(b) The Pledged Funds, including all moneys deposited or required to be deposited therein, and held by the Trustee as special trust funds derived from insurance proceeds, condemnation awards, payments on contractor's performance or payment bonds or other surety bonds, or any other sources; and

(c) Any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with the Trustee as additional security hereunder by the Corporation, or which pursuant to any of the provisions of this Indenture may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold and apply as specifically set forth in this Indenture (collectively, the "Trust Estate").

TO HAVE AND TO HOLD all of the same, with all rights and privileges appurtenant thereto, unto the Trustee and its successors in trust forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of the Owners from time to time of the Bonds and Obligations secured and to be secured hereunder, or any of them, without preference, priority or distinction as to lien or otherwise of any Bond or Obligation over any other Bond or Obligation, except as otherwise expressly provided in this Indenture.

PROVIDED, HOWEVER, that if the Corporation, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of and interest on the Bonds and all amounts payable on the Obligation at the times and in the manner provided in the Bonds and Obligations, and shall cause the payments to be made into the Funds and Accounts maintained hereunder in the amounts required by this Indenture or shall provide, as permitted hereby, for the payment

thereof by depositing with the Trustee or Paying Agent the entire amount due or to become due thereon, or an amount sufficient to provide for the payment thereof, and shall pay or cause to be paid to the Trustee or Paying Agent all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Indenture and the rights and liens hereby granted shall cease, terminate and be void; otherwise, this Indenture is to be and shall remain in full force and effect.

Section 202. Declaration. It is hereby expressly declared that all revenues, receipts, moneys and other properties hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, covenants, agreements, uses and purposes set forth in this Indenture.

[END OF ARTICLE II]

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS AND OTHER OBLIGATIONS, GENERAL TERMS AND PROVISIONS OF THE BONDS AND OTHER OBLIGATIONS

Section 301. Authorization of Bonds and other Obligations.

(1) This Indenture authorizes the issuance of Bonds and the incurrence of Obligations of the Corporation and creates a continuing pledge of and lien on the Trust Estate, including Pledged Revenues and Pledged Funds, to secure the full and final payment of all amounts due on such Bonds and Obligations and pay Expenses. The aggregate principal amounts of the Bonds which may be executed, authenticated and delivered under this Indenture and the aggregate amounts of any other Obligations are not limited except as may be provided herein or in any Supplemental Indenture.

(2) The Bonds may, if and when authorized by the Corporation pursuant to one or more Supplemental Indentures, be issued in one or more Series, shall be designated "Contract Revenue Bonds," and the designation thereof shall include such appropriate particular designation in the title for the Bonds of any particular Series, as the Corporation may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Section 302. Provisions for Issuance of Bonds. The Corporation has the authority to issue one or more series of Bonds provided that:

(1) All (but not less than all) of the Bonds of each Series shall be executed by the Corporation for issuance under this Indenture and delivered to the Trustee, the Registrar or the Authenticating Agent and thereupon (except as provided in any Supplemental Indenture) shall be authenticated by the Registrar or the Authenticating Agent and delivered to the Owners by the Trustee, the Registrar or the Authenticating Agent, but only upon the receipt of:

(a) Counsel's Opinion to the effect that, as of its date, (i) this Indenture and the Supplemental Indenture authorizing the Bonds of such Series have been duly authorized, executed and delivered by the Corporation, are in full force and effect and constitute legal, valid and binding special obligations of the Corporation; (ii) this Indenture and such Supplemental Indenture create the valid pledge of and lien on the Pledged Revenues and Pledged Funds which they purport to create, subject only to the provisions of this Indenture and such Supplemental Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture and such Supplemental Indenture; and (iii) the Bonds of such Series are valid binding special obligations of the Corporation and entitled to the benefits of this Indenture and such Supplemental Indenture; provided, however, that the Counsel's Opinion may include an exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' rights generally or matters relating to equitable principles;

(b) A Letter of Instructions as to the delivery of such Bonds signed by an Authorized Officer of the Corporation which may contain such other instructions as shall be appropriate to provide for the transfer and deposit of the proceeds of such Series of Bonds in the Funds and Accounts hereinafter provided;

(c) In the case of each Series of Bonds, a copy of the Supplemental Indenture authorizing such Bonds certified by an Authorized Officer of the Corporation, which shall describe the Bonds therein authorized and shall further specify:

(i) The authorized principal amount, designation and Series of such Bonds;

(ii) The purpose or purposes for which such Series of Bonds is being issued;

(iii) The maturity date or dates of the Bonds of such Series;

(iv) The interest rate or rates on the Bonds of such Series which may be fixed, variable or otherwise, and the manner of determining such rate or rates, and the Interest Payment Date or dates therefor;

(v) The authorized denominations of and the manner of dating, numbering and lettering the Bonds of such Series;

(vi) The Paying Agent or Agents for payment of the principal and redemption price, if any, of, and interest on, the Bonds of such Series;

(vii) The Registrar for the Bonds of such Series;

(viii) The redemption price or prices, if any, and, subject to Article IV, the redemption terms for the Bonds of such Series;

(ix) The amount and due date of each mandatory redemption or sinking fund installment, if any, for Bonds of like maturity of such Series;

(x) The increased or changed Reserve Fund Requirement as of the issuance of such Series of Bonds;

(xi) How any increase or change in the Reserve Fund Requirement will be funded, including any special provisions for a Reserve Fund Surety Policy;

(xii) The forms of the Bonds of such Series;

(xiii) The appointment of any Registrar, Authenticating Agent or other agents, if any, for such Series of Bonds; and

(xiv) Any other provisions deemed advisable by the Corporation not in conflict with the provisions of this Indenture.

(d) The opinion of the Attorney General of the State, if required by law, to the effect that the Bonds have been issued in accordance with law, or a judgment of a State district court validating the issuance of such Bonds. The re-approval of the Attorney General of the State shall not be required for any Bond or Bonds that are issued in exchange, substitution or replacement of another Bond or Bonds pursuant to the provisions of this Indenture or any Supplemental Indenture;

(e) A motion, resolution or ordinance of the City approving the issuance of the Bonds;

(f) Any required certificate of registration of the Bonds by the Comptroller of Public Accounts of the State of Texas;

(g) To the extent required by the Act or the administrative rules promulgated thereunder, evidence of approval of such series of Bonds from the Texas Department of Economic Development or its successor agency; and

(h) Such further documents as are required by the provisions of this Indenture or any Supplemental Indenture.

(2) All Refunding Bonds of each Series shall be executed by the Corporation for issuance under this Indenture and delivered to the Trustee or Registrar and thereupon shall be authenticated by the Trustee, Registrar, Authentication Agent and delivered to the Corporation or upon its order, but only upon the receipt by the Trustee or Registrar of the following:

(a) The documents referred to in Subsection 1 of this Section;

(b) If any Bonds to be refunded are to be called for redemption, a Letter of Instructions containing irrevocable instructions to the Trustee or Registrar satisfactory to it requiring that due notice be given of redemption of the Bonds or portions thereof to be refunded on a redemption date specified in such instructions;

(c) If any Bonds are to be refunded other than by exchange and cancellation of the Bonds to be refunded, either (i) moneys in an amount sufficient to effect payment at the applicable redemption price (or the principal amount at maturity) of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption (or maturity) date, which moneys shall be held by the Trustee or any Paying Agent or any one or more escrow agents, in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (ii) Investment Securities or other obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Subsection 2 of Section 1301 and any money required pursuant to said Subsection 2, which Investment Securities or other obligations and money shall be held in trust and used only as provided in said Subsection 2; provided, however, that neither the Trustee nor the Paying Agent shall not be responsible for any calculations necessary for actions taken in connection with this Section; and

(d) If any Bonds are to be refunded, (i) a verification report of an independent nationally recognized certified public accountant reflecting such calculations necessary to show that the Investment Securities comply with Subsection 2 of Section 1301 and (ii) such further documents, opinions and moneys as are required by the provisions of Articles X or XI of this Indenture or of any Supplemental Indenture or any other provision of State or federal law.

(3) Except for Bonds issued pursuant to the First Supplemental Indenture, no additional Series of Bonds shall be issued unless the following requirements are satisfied:

(a) The Economic Development Contract shall provide for the increase or adjustment of Pledged Contract Payments under the Economic Development Contract so that such payments will be sufficient to: (1) pay the principal and interest on said Bonds and make all mandatory redemption or sinking fund installments as required by the Supplemental Indenture authorizing such Bonds, (2) increase and/or maintain the balance in the Debt Service Reserve Fund to the Reserve Fund Requirement required by the Supplemental Indenture authorizing such Bonds, and (3) pay all related Expenses.

(b) A certificate is executed by the Mayor to the effect that the City is not in default as to any material covenant, condition, or obligation prescribed under the Economic Development Contract.

(c) A certificate is executed by the authorized representative of CPS to the effect that CPS is not in default as to any material covenant, condition, or obligation prescribed by any ordinance authorizing the Utility Systems revenue bonds or other obligations payable by a lien on and pledge of net revenues derived from the Utility Systems.

(d) If any obligations to be issued on a parity with Bonds issued pursuant to the First Supplemental Indenture are secured by a debt service reserve fund, then such debt service reserve fund shall be fully funded upon the issuance of such parity obligations, either with cash or by a reserve fund credit instrument acceptable to the provider of the Reserve Fund Surety Policy for the Bonds issued pursuant to the First Supplemental Indenture, provided that such Reserve Fund Surety Policy is then in existence.

(e) If any amounts related to repayment of draws are then past due and owing to the provider of the Reserve Fund Surety Policy for Bonds issued pursuant to the First Supplemental Indenture, then prior written consent for the issuance of additional Bonds must be obtained from such provider of the Reserve Fund Surety Policy.

Section 302A. Reserved.

Section 302B. Special Provisions for Credit Agreements.

(1) At any time and from time to time as provided in any Supplemental Indenture, any designated Bonds may be further secured pursuant to one or more Credit Agreements. Prior to entering into any such Credit Agreement, the Corporation, to the extent required by the Act, shall cause the proceedings authorizing the Credit Agreement and any contracts or reimbursement agreements relating to such Credit Agreement to be submitted to the Attorney General of Texas for his approval.

(2) Credit Agreements relating to Reserve Fund Surety Policies shall be payable from and secured by the Debt Service Fund and Pledged Revenues required to be deposited into such Fund.

(3) It shall be a condition to the Corporation's incurrence of any Obligation (including any reimbursement and/or repayment obligation) pursuant to a Credit Agreement that the Corporation shall deliver evidence that:

(a) the Bonds secured by such Credit Agreement were issued or incurred in compliance with the applicable requirements of Section 302, of this Indenture; and

(b) that all requirements of the Corporation's Articles of Incorporation have been satisfied.

(4) Upon request of the Trustee or such other party relating to the incurrence of an Obligation, general counsel to the Corporation or bond counsel to the Corporation shall provide an opinion stating the that conditions set forth in Section 302B(3) have been satisfied.

(5) The issuer of any Credit Agreement shall be entitled to be subrogated to the rights of the Owners of the Bonds secured by such Credit Agreement.

Section 302C. Reserved.

Section 302D. Reserved.

Section 303. Application of Bond Proceeds. The proceeds, including accrued interest, if any, of the Bonds of each Series together with any other moneys provided by or on behalf of the Corporation, shall be applied with the delivery of such Bonds in the manner provided in the Supplemental Indenture authorizing such Series of Bonds.

Section 304. Medium of Payment; Form and Date; Letters and Numbers.

(1) Except as may be provided by Supplemental Indenture, the Bonds shall be payable, with respect to interest, principal and redemption price, 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. The amount of interest on the Bonds payable on each Interest Payment Date shall be computed as provided in each Supplemental Indenture with respect to the Series of Bonds authorized by that Supplemental Indenture.

(2) The Bonds of each Series may be issued in such form or forms as shall be provided in each Supplemental Indenture with respect to the Series of Bonds authorized by that Supplemental Indenture.

(3) Each Bond shall be lettered and numbered as provided in this Indenture or the Supplemental Indenture authorizing the Series of which such Bond is a part and so as to be distinguished from every other Bond.

(4) Bonds of each Series shall be dated as of, and bear interest from such dates as shall be provided in each Supplemental Indenture with respect to the Series of Bonds authorized by that Supplemental Indenture.

(5) The Corporation may adopt a Book Entry System for the Bonds in the Supplemental Indenture authorizing the Bonds.

(6) Unless a Supplemental Indenture provides otherwise:

(i) Interest on Bonds of any Series other than interest payable at maturity or on a redemption date shall be paid to the person in whose name such Bond is registered on the Register at the close of business on the Record Date for such Interest Payment Date. Payment of interest on Bonds other than interest payable at maturity or on a redemption date shall be made by checks or drafts of the Paying Agent mailed to the registered Owners thereof at their addresses set forth in the Register as of the Record Date, or, at the option and expense of any registered Owner of Bonds in an aggregate principal amount of not less than \$1,000,000, made by federal funds wire transfer to any account located within the United States of America as designated by such registered Owner upon written notice to the Paying Agent given not less than 15 days prior to the applicable Record Date;

(ii) Payment of interest on Bonds at maturity or on a redemption date shall be paid upon presentation and surrender of such Bonds to the Paying Agent for cancellation at the Paying Agent's designated payment office; and

(iii) Payment of the principal or redemption price on Bonds shall be paid upon presentation and surrender of such Bonds to the Paying Agent for cancellation at the Paying Agent's designated payment office.

Section 305. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, the rules of any securities exchange or commission, brokerage board, municipal securities rulemaking board or otherwise, as may be determined by the Corporation prior to the authentication and delivery thereof.

Section 306. Execution, Authentication and Registration.

(1) The Bonds shall be signed in the name of the Corporation by the President of the Board, attested by the Secretary of the Board, by their manual or facsimile signatures. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated and delivered by the Registrar, such Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed on behalf of the Corporation by such persons as at the time of the execution of such Bonds shall be duly authorized or hold the proper office in the Corporation, although at the date borne by the Bonds of such Series such persons may not have been so authorized or have held such office.

(2) Except as provided in this Subsection, and if required by law, the initial Bonds of each Series shall be registered by the Comptroller of Public Accounts of the State of Texas which shall be evidenced by the manual signature of the Comptroller of Public Accounts, or his bond clerk or assistant bond clerk, and the official seal of the Comptroller of Public Accounts shall be impressed or placed in facsimile thereon. Any Bond issued in exchange, transfer, substitution or replacement for any other Bond pursuant to the provisions of this Indenture or any Supplemental Indenture need not be reregistered by the Comptroller of Public Accounts.

(3) Except as provided in Supplemental Indenture, the Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in this Indenture or the Supplemental Indenture authorizing such Bonds dated as of the date of authentication, executed manually by an authorized officer of the Registrar or by a duly authorized officer of the Authenticating Agent. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Indenture and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed. Such certificate of authentication upon any Bond executed on behalf of the Corporation shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Indenture and that the Owner thereof is entitled to the benefits of this Indenture.

Section 307. Exchange of Bonds. Unless otherwise provided in any Supplemental Indenture, Bonds upon surrender thereof at the designated payment office of the Registrar or duly authorized Authenticating Agent for such Series of Bonds, when surrendered with a written instrument of transfer satisfactory to the Registrar or duly authorized Authenticating Agent for such Series of Bonds duly executed by the registered Owner or the registered Owner's duly authorized attorney, may, at the option of the registered Owner thereof, and upon payment by such registered Owner of any charges which any Registrar, any Authenticating Agent or the Corporation may make as provided in Section 309 (if permitted by the Supplemental Indenture authorizing the Bonds of that Series), be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity and in any authorized denomination.

Section 308. Negotiability, Transfer and Register.

(1) Unless otherwise provided in any Supplemental Indenture, Bonds shall be transferable only upon the books of the Register, which shall be kept for that purpose at the

corporate trust or designated payment office of any duly authorized Registrar for such Series of Bonds, by the registered Owner thereof in person or by the registered Owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Owner or the registered Owner's duly authorized attorney.

Any Registrar shall keep, or cause to be kept, for and on behalf of the Corporation at the corporate trust office or designated payment office of the Registrar or such other location or locations as shall be provided in any Supplemental Indenture, a Register or Registers, in which, subject to such reasonable regulations as the Registrar may prescribe, the Registrar shall cause Bonds to be registered and shall transfer Bonds as provided in this Article III. Upon the transfer of any such Bond and payment of any required fees, the Registrar or Authenticating Agent shall issue in the name of the transferee a new fully registered Bond of the same aggregate principal amount and maturity as the surrendered bond.

(2) The Corporation, the Trustee, any Paying Agent, any Registrar, and any Authenticating Agent may deem and treat the person in whose name any Bond shall be registered in the Register as the absolute Owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered Owner or upon the registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the Corporation, the Trustee, any Paying Agent, any Registrar, and any Authenticating Agent shall not be affected by any notice to the contrary.

Section 309. Regulations with Respect to Exchanges and Transfers. Except as otherwise provided in any Supplemental Indenture, in all cases in which the privilege of exchanging or transferring Bonds is exercised, the Corporation shall execute and a Registrar or the duly authorized Authenticating Agent shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All registered Bonds surrendered in any exchanges or transfers shall forthwith be canceled by the Registrar or the duly authorized Authenticating Agent and retained in accordance with its standard document retention policies. For every such transfer of Bonds pursuant to Section 308, whether temporary or definitive, the Corporation, the Trustee, any Registrar, or any Authenticating Agent may make a charge sufficient to reimburse it or them for any expense, tax, fee or other governmental charge required to be paid with respect to such transfer. In addition for every exchange of Bonds (other than the exchange of temporary Bonds for definitive Bonds), the Corporation, the Trustee, the Registrar, or the Authenticating Agent may make reasonable charges to cover the charges and costs of printing Bonds including any Trustee's, Registrar's or Authenticating Agent's charges in connection therewith. The payment of the sum or sums provided in this Section shall be made by the Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Bonds issued in exchange, substitution or replacement of other Bonds may bear a certificate of the Registrar or the Authenticating Agent on behalf of the Registrar, which may be executed in facsimile, to the effect that the Series of Bonds of which the exchanged substituted or replaced Bond is a part was approved by the Attorney General of the State or validated by a State district court and registered by the Comptroller of Public Accounts of the State. Unless otherwise provided in any Supplemental Indenture, the Registrar shall not be

required to transfer or exchange Bonds for a period of fifteen (15) days next preceding the selection of Bonds for redemption or thereafter until the close of business on the day of first issuance of notice of such redemption thereof or to transfer or exchange any Bonds called for redemption.

Section 310. Bonds, Mutilated, Destroyed, Stolen or Lost. In case any Bonds shall become mutilated or be destroyed, stolen or lost, the Corporation shall execute by facsimile signature or otherwise, and thereupon the Registrar or duly authorized Authenticating Agent shall authenticate and deliver, a new Bond of like Series, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, provided that (i) in the case of such mutilated Bond, such Bond appertaining is first surrendered to the Registrar or duly authorized Authenticating Agent, (ii) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the Registrar or duly authorized Authenticating Agent together with indemnity satisfactory to the Registrar or duly authorized Authenticating Agent, (iii) all other reasonable requirements of the Registrar or duly authorized Authenticating Agent are complied with, and (iv) expenses in connection with such transaction are paid by the Owner. Except as provided in Section 309, all Bonds so surrendered to the Registrar or Authenticating Agent shall be canceled by it. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Corporation, whether or not the Bonds alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to the same benefits in the Pledged Revenues under this Indenture.

Section 311. Temporary Bonds.

(1) Until the definitive Bonds of any Series are prepared, the Corporation may execute, in the same manner as is provided in Section 306, and, upon the request of the Corporation, any Registrar or Authenticating Agent on behalf of the Registrar shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to denomination, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in denominations as provided in a Supplemental Indenture authorized by the Corporation, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Corporation at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds, the Registrar or any Authenticating Agent on behalf of the Registrar shall authenticate and, without charge to the Owner thereof, deliver in exchange therefor, definitive Bonds, of the same aggregate principal amount, interest rate and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Indenture.

(2) If the Corporation shall authorize the issuance of temporary Bonds in more than one denomination, the Owner of any temporary Bonds may, at said Owner's option, surrender the same to the Registrar in exchange for other temporary Bonds of like aggregate principal amount, interest rate and maturity of any other authorized denomination or denominations, and thereupon the Corporation shall execute and the Registrar or a duly authorized Authenticating

Agent shall authenticate and, in exchange for the temporary Bonds so surrendered and upon payment of the taxes, fees and charges as provided for in Section 309, shall deliver temporary Bonds of like aggregate principal amount, interest rate and maturity in such other authorized denomination or denominations as shall be requested by such Owner.

(3) All temporary Bonds surrendered in exchange either for other temporary Bonds or for definitive Bonds shall be forthwith canceled by the Registrar or Authenticating Agent.

Section 312. Cancellation and Destruction of Bonds. Except as otherwise provided in this Indenture, all Bonds paid in full, either at or before maturity, or purchased by the Corporation for cancellation, shall be delivered to the Registrar when such payment or purchase is made, and such Bonds shall thereupon be promptly canceled by the Registrar. Bonds so canceled shall be retained by the Registrar in accordance with its standard document retention policies. If such Bonds are destroyed by the Registrar, the Registrar upon request therefor shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and executed certificates shall be filed with the Trustee and the Corporation and another executed certificate shall be retained by the Registrar.

Section 313. Appointment of Agents to Act on Behalf of Trustee. Unless otherwise provided in any Supplemental Indenture, the Trustee may execute any of the trusts or powers granted under this Indenture or perform any duties imposed under this Indenture, including, specifically, its duties with respect to authentication, registration, transfer or exchange of any Bonds, either directly or by or through agents or attorneys empowered to act on behalf of the Trustee in the capacity of Registrar, Paying Agent or Authenticating Agent. For all purposes of this Indenture, the authentication and delivery of Bonds by a duly authorized Registrar or Authenticating Agent pursuant to this Article shall be deemed to be the authentication and delivery of Bonds "by the Trustee."

[END OF ARTICLE III]

ARTICLE IV REDEMPTION OF BONDS

Section 401. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable, upon notice as provided in this Article unless a different notice provision is provided for in a Supplemental Indenture, at such times, at such redemption prices and upon such terms in addition to the terms contained in this Article as may be specified in the Supplemental Indenture authorizing such Series.

Section 402. Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds at the election or direction of the Corporation, the Corporation shall give written notice to the Trustee, the Registrar and any Paying Agent of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts and of the redemption prices of the Bonds of each maturity of such Series to be redeemed (which Series, maturities, principal amounts and redemption prices thereof to be redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto as are contained in Section 404 of this Indenture or any Supplemental Indenture). Such notice shall be given at least forty-five (45) days prior to the redemption date or such shorter period as shall be acceptable to the Registrar. In the event notice of redemption shall have been given as in Section 405, there shall be paid on or before the redemption date to the appropriate Paying Agents an amount which, in addition to other moneys, if any, available therefor held by the Paying Agents, will be sufficient to redeem on the redemption date at the redemption price thereof, plus interest accrued and unpaid to the redemption date, all of the Bonds to be redeemed.

Section 403. Redemption Otherwise Than at Corporation's Election or Direction. Whenever by the terms of this Indenture or any Supplemental Indenture the Trustee or the Registrar (or the Paying Agent on behalf of Registrar) is required or authorized to redeem Bonds otherwise than at the election or direction of the Corporation, the Trustee or the Registrar (or Paying Agent on behalf of the Registrar), shall select the Bonds to be redeemed, give the notice of redemption and pay out moneys available therefor at the redemption price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agents in accordance with the terms of this Indenture and any Supplemental Indenture.

Section 404. Selection of Bonds to be Redeemed. If less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions thereof to be redeemed shall be selected by lot or other random method by the Registrar in such a manner as the Registrar may determine unless otherwise provided by the Supplemental Indenture authorizing that Series.

Section 405. Notice of Redemption. Unless otherwise provided in a Supplemental Indenture authorizing a Series of Bonds, notice of redemption shall be given in accordance with this Section. When the Trustee or Registrar shall receive notice from the Corporation of its election or direction to redeem Bonds pursuant to Section 402, or when such redemption is authorized or required pursuant to Section 403, the Trustee or Registrar on behalf of the Trustee shall give notice, in the name of the Corporation, of such redemption which notice shall specify the Series and maturities to be redeemed, the redemption date and the place or places where amounts due

upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the CUSIP numbers, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof, in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee or Registrar on behalf of the Trustee shall mail a copy of such notice, first class mail postage prepaid, not less than thirty (30) days nor more than sixty (60) days before the redemption date, to the Owners of any registered Bonds or portions thereof which are to be redeemed, at their last addresses, if any, appearing upon the Register. Notice shall also be sent to at least two (2) national information services and to any Securities Depository for the Bonds. The Trustee's or Registrar's obligation to give notice required by this Section may be conditioned upon the prior payment of funds sufficient to pay the redemption price to which such notice relates or interest thereon to the redemption date.

If less than all of the Bonds of any like series and maturity are defeased prior to maturity, the Trustee or Registrar on behalf of the Trustee shall obtain new CUSIP numbers for the defeased Bonds.

Section 406. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 405, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the redemption price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice. If there shall be called for redemption less than all of a Bond, the Corporation shall execute and the Registrar or the Authenticating Agent shall authenticate, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any authorized denomination. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by a Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 407. Appointment of Agents to Act on Behalf of Trustee. Unless otherwise provided in any Supplemental Indenture, the Trustee may execute any of the trusts or powers granted under this Indenture or perform any duties imposed under this Indenture, including, specifically, its duties with respect to the redemption of any Bonds, either directly or by or through the Registrar, Paying Agent or other agents or attorneys empowered to act on behalf of the Trustee. For all purposes of this Indenture, the redemption of Bonds by a duly authorized Registrar, Paying Agent or other agent or attorney empowered to act on behalf of the Trustee pursuant to this Article (including selection of Bonds for redemption, giving notice thereof, paying such

Bonds at redemption or purchasing Bonds in lieu of redemption) shall be deemed to be the redemption of Bonds or "by the Trustee."

[END OF ARTICLE IV]

ARTICLE V
ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501. The Pledge Effected by this Indenture. The Bonds and Obligations are payable from and secured by the Trust Estate, including Pledged Revenues and Pledged Funds. The lien on and pledge of the Trust Estate, including Pledged Revenues and Pledged Funds, shall be effective as of the date of payment and delivery of the first series of Bonds. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues and Pledged Funds granted by the Corporation under this Indenture, 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 and Pledged Funds is to be subject to the filing requirements of Chapter 9, 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 Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 502. Establishment of Funds. The following Funds may be authorized to be established and maintained under any Supplemental Indenture:

- (1) Acquisition and Construction Fund, which may include the proceeds of Bonds previously issued by the Corporation;
- (2) Debt Service Fund;
- (3) Debt Service Reserve Fund; and
- (4) Rebate Fund (collectively, the "Funds").

All Funds and Accounts shall be held by the Trustee. The Funds shall constitute a trust fund which shall be held in trust by the Trustee for the benefit of the Owners. The Corporation reserves the right to establish additional funds and accounts for the receipt and application of grant proceeds of the Economic Development Contract other than Pledged Revenues in connection with the City Project. The Corporation may from time to time establish accounts and subaccounts within each Fund for such purposes as may be provided herein or in any Supplemental Indenture.

Section 503. Acquisition and Construction Fund.

(1) There shall be paid into the Acquisition and Construction Fund the amounts required to pay the Costs of the City Project and Costs of Issuance, in accordance with the provisions of this Indenture and any Supplemental Indenture. There may also be paid into the Acquisition and Construction Fund, at the option of the Corporation, any moneys received by the Corporation from any source unless otherwise required to be applied by this Indenture or any Supplemental Indenture.

(2) Separate, segregated accounts may be created within the Acquisition and Construction Fund and held in the manner provided in any Supplemental Indenture authorizing

such accounts. Money held in such accounts shall be held separately from other moneys in the Acquisition and Construction Fund and shall be disposed of only in the manner provided in the Supplemental Indentures authorizing such accounts. Without in any way limiting the generality of the foregoing, such separate, segregated accounts and all funds, investments thereof and investment income earned thereon may be pledged (and a lien and security interest therein may be granted) to secure for any period of time the payment of principal of and/or the purchase price of any or all of any such Series of Bonds issued pursuant to such Supplemental Indenture or other Obligations incurred pursuant to such Supplemental Indenture and interest thereon to any date, all as may be more fully provided in such Supplemental Indenture.

(3) Amounts in the Acquisition and Construction Fund shall be used as provided in the Supplemental Indenture authorizing the Series of Bonds which provided money to establish the account.

(4) Amounts in the Acquisition and Construction Fund may be transferred to the Debt Service Fund and applied to the payment of interest on or principal or redemption price of the Bonds or payment of other Obligations when due, to the extent provided in a Supplemental Indenture.

Section 504. Flow of Funds. Pledged Revenues shall be used to make or provide for all payments, deposits, and transfers required by this Indenture.

(1) On or before the 30th day of each month, and at such other times as shall be set forth in any Supplemental Indenture, there shall be paid into the Debt Service Fund from the Pledged Revenues, amounts which, when added to other amounts in the Debt Service Fund and available for such purposes, will provide for the accumulation in approximately equal installments of the amount required to pay the Debt Service on all Bonds and Obligations including the following:

(a) any interest to become due and payable on each Series of Outstanding Bonds on the next Interest Payment Date for such Series; and

(b) any principal scheduled to become due and payable on any Series of Bonds within the following twelve months;

(c) unless otherwise provided in any Supplemental Indenture, any amounts due on Obligations;

(d) unless otherwise provided in any Supplemental Indenture, any amounts required to pay all related Expenses.

(2) After the payments and transfers set out in Subsection 1 above, if the Debt Service Reserve Fund contains less than the Reserve Fund Requirement, there shall be paid into the Debt Service Reserve Fund from Pledged Revenues the amount required, if any, by a Supplemental Indenture to attain the Reserve Fund Requirement, which transfers shall continue until the Debt Service Reserve Fund contains the Reserve Fund Requirement; provided, however, that by Supplemental Indenture, the Corporation may provide for other or greater transfers in connection with the purchase or acquisition of any Reserve Fund Surety Policy.

(3) After the payments and transfers in (1) and (2) above, the remaining Pledged Revenues shall be transferred to the Rebate Fund to the extent required to satisfy the Corporation's covenants contained in Section 508 of this Indenture and any similar covenants contained in any Supplemental Indenture.

Section 505. Other Transfers. Notwithstanding anything in this Article to the contrary, if on any Interest Payment Date, or on any principal payment date, or on any other date there are not sufficient Pledged Revenues to make the transfers to the Debt Service Fund or the Debt Service Reserve Fund, to pay when due interest or principal of or any other payments on any Bonds or Obligations, there may be transferred at the Corporation's discretion, from any lawfully available source the amount which will result in the appropriate Fund having the balances required to be on deposit therein; provided that no transfer will be made from proceeds of one issue of Bonds to pay debt service on another issue of Bonds unless authorized by Supplemental Indenture. The Corporation shall be permitted to reimburse itself from Pledged Revenues when they are available.

Section 506. Debt Service Fund.

(1) Unless provision for payment has been made with the Paying Agent, there shall be paid out of the Debt Service Fund on or before each Interest Payment Date for any of the Bonds, the amount required for the interest payment on such date. There shall be paid out of the Debt Service Fund on or before each principal payment date, the amount required for the principal payable on such due date on Bonds. On or before any redemption date for Bonds to be redeemed, there shall also be paid out of the Debt Service Fund the amount required for the payment of the redemption price of and interest on the Bonds then to be redeemed. On or before any other payment date set forth in any Supplemental Indenture, there shall also be paid out of the Debt Service Fund the amounts required to be paid on any Obligations on such payment date.

(2) The Trustee shall, at any time at the direction of the Corporation, apply amounts available in the Debt Service Fund, or from other Pledged Revenues, for the payment of any scheduled mandatory or sinking fund redemptions on Bonds issued as "term bonds" to pay the purchase price (including any brokerage and other charges) for any Bond subject to such mandatory or sinking fund redemption provided that such purchase price shall not exceed the applicable mandatory redemption price of such Bond. Upon any such purchase, the purchased Bonds shall be delivered to the Trustee or Registrar for cancellation and the principal amount of such Bonds purchased shall be credited toward the next mandatory redemption or sinking fund installment.

(3) There shall also be paid out of the Debt Service Fund any amounts required to pay Expenses related to Bonds and Obligations.

(4) At such time all Bonds and Obligations are no longer outstanding, all balances remaining in the Debt Service Fund shall be paid to the City.

Section 507. Debt Service Reserve Fund.

(1) If on any Interest Payment Date, principal payment date, or any other date, after giving effect to all transfers pursuant to Sections 504 and 505, the amount in the Debt Service

Fund shall be less than the amount required to make all payments of interest, principal, and any redemption price, of the Bonds then due and payable or to make any other then required payments on Obligations (to the extent authorized in any Supplemental Indenture), the Trustee shall apply amounts from the Debt Service Reserve Fund (to the extent permissible under law and authorized in any Supplemental Indenture) to the extent necessary to make such payments.

(2) When the amount in the Debt Service Reserve Fund, together with the amounts in the Debt Service Fund, is sufficient to fully pay all Outstanding Bonds and, to the extent applicable, Obligations (to the extent authorized in any Supplemental Indenture) in accordance with their terms (including principal or redemption price and interest thereon), the funds on deposit in the Debt Service Reserve Fund at the direction of the Corporation may be used to pay the principal and redemption price of and interest on all Outstanding Bonds and to pay all other Obligations.

(3) In lieu of cash or Investment Securities, the Reserve Fund Requirement for the Debt Service Reserve Fund may be satisfied in whole or in part with one or more Reserve Fund Surety Policies. Such Reserve Fund Surety Policies may be drawn upon only after all other amounts in the Debt Service Reserve Fund have been used or applied, and other amounts in the Debt Service Reserve Fund may be used to reimburse and repay issuers of Reserve Fund Surety Policies for amounts drawn thereon together with interest thereon and related costs, all as may be more fully provided by Supplemental Indenture.

(4) If the amount in the Debt Service Reserve Fund exceeds the Reserve Fund Requirement and all reimbursement and repayment obligations pursuant to any Reserve Fund Surety Policy have been satisfied, the Corporation may direct the Trustee to transfer such excess to the Debt Service Fund or to any other Fund or Account which shall reduce by such amount the amount otherwise required to be deposited therein, provided that such amount is used for the completion of the City Project or such other costs of City Projects or costs for which the Corporation may issue Bonds. If any money is ever withdrawn from the Debt Service Reserve Fund or amounts are drawn under a Reserve Fund Surety Policy for the purpose of paying the principal of or interest on the Bonds, the Corporation shall deposit into the Debt Service Reserve Fund the amounts necessary to restore the Reserve Fund Requirement (which amounts may be deposited in equal monthly payments for a period not to exceed 12 months), or such larger balance as may be required by a Supplemental Indenture.

(5) The Corporation may provide in the Supplemental Indenture that the Reserve Fund Requirement for the Debt Service Reserve Fund be funded (i) from the proceeds of Bonds, (ii) with a Reserve Fund Surety Policy, (iii) from Pledged Revenues within 12 months from the date of sale of a Series of Bonds, (iv) from any other source or (v) from any combination thereof.

Section 508. Rebate Fund. The Corporation shall deposit into the Rebate Fund those amounts required to be paid to the United States of America under the Code and Regulations. Moneys in the Rebate Fund shall be used to make payments to the United States of America to the extent required pursuant to the requirements of the Code, the Regulations, Section 707 of this Indenture, any Supplemental Indenture. For purposes of satisfying such requirements, amounts in any Funds and Accounts established in this Indenture may be transferred to the Rebate Fund pursuant to a Supplemental Indenture.

[END OF ARTICLE V]

ARTICLE VI
DEPOSITORIES OF MONEYS, SECURITY FOR DEPOSITS
AND INVESTMENT OF FUNDS

Section 601. Depositories. Unless otherwise provided by Supplemental Indenture, all moneys held by the Trustee under the provisions of this Indenture shall be deposited with the Trustee for the benefit of the Owners of the Bonds. All moneys held by the Corporation under this Indenture shall be deposited with one or more Depositories in the name of the Corporation and applied only in accordance with the provisions of this Indenture.

Section 602. Deposits and Transfers.

(1) Unless otherwise provided by Supplemental Indenture, all moneys held by any Depository under this Indenture may be placed on demand or time deposit, if and as directed by the Corporation, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks and drafts on such deposit with the same force and effect as if it were not a Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by the Fiduciary in its banking department on demand or, if and to the extent directed by the Corporation and acceptable to the Fiduciary, on time deposit, provided that such moneys on deposit be available for use at the time when needed. The Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law or contract.

(2) All moneys held under this Indenture by the Trustee or any Depository shall be continuously and fully secured for the benefit of the Corporation and the Owners of the Bonds, in such other manner as may then be required by applicable Federal or State of Texas laws and regulations and applicable state laws and regulations of the state in which the Trustee or such Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this Subsection 2 for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or redemption price of or interest on any Bonds, or for the Paying Agent or any Depository to give security for any moneys (i) to the extent that such moneys are insured by the Federal Deposit Insurance Corporation or (ii) which are represented by Investment Securities purchased as an investment of such moneys.

(3) Unless otherwise provided by Supplemental Indenture, all moneys deposited with the Trustee and each Depository shall be credited to the particular Fund or Account to which such moneys belong.

(4) Unless otherwise provided by Supplemental Indenture, any transfer required to be made from one Fund or Account to another Fund or Account held by the same Fiduciary may be made by a book entry transfer of any moneys or investments or portions of investments without liquidating any investments in order to make such transfer unless the funds required to be transferred are needed to make payments out of the Fund or Account to which such funds were transferred at the time of transfer.

Section 603. Investment of Certain Funds.

(1) Moneys held in the Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund shall be invested and reinvested by the Trustee as promptly as practicable, in accordance with written instructions from the Corporation, and moneys in all other Funds shall be invested and reinvested by the Corporation, in each case to the fullest extent practicable and if permitted by the Act, in Investment Securities the proceeds of which the Corporation estimates will be received not later than such times as shall be necessary to provide moneys when needed for payments to be made from each such Fund or Account. Each instruction regarding the investment of the Funds shall constitute a representation by the Corporation that the securities into which such investment is directed are Investment Securities. Notwithstanding anything herein to the contrary, Investment Securities in all Funds and Accounts shall mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds and Accounts; provided, however, that any Investment Securities for which the Corporation or Trustee shall hold an Investment Liquidity Facility shall be deemed to have a maturity equal to the period of notice of purchase to the issuer of the Investment Liquidity Facility. Investment Securities may be acquired through the Trustee or its affiliate and the Trustee or its affiliate may receive compensation in connection therewith.

(2) Interest earned or profits realized from investing any moneys (i) representing capitalized interest for Bonds deposited in the Debt Service Fund or (ii) in the Acquisition and Construction Fund may be retained in such Funds. Interest earned from the investment of any moneys in any other Fund or Account may be transferred by the Corporation or at the direction of the Corporation into the Debt Service Fund or the Rebate Fund if required by this Indenture or any Supplemental Indenture.

Section 604. Valuation and Sale of Investments.

(1) Investment Securities acquired as an investment of moneys in any Fund or Account created under the provisions of this Indenture shall be at all times a part of such Fund or Account and any profit or loss realized from the liquidation of such investment shall be applied as provided in Subsection 2 of Section 602.

(2) In computing the amount in the Debt Service Reserve Fund, obligations purchased as an investment of moneys therein shall be valued as of the last Business Day of the Corporation's fiscal year in such manner as may be agreed upon by the Trustee and the Corporation.

(3) Except as otherwise provided in this Indenture, the Trustee shall sell at the market value at time of the sale or present for redemption, any Investment Security so purchased as an investment whenever it shall be requested in writing by an Authorized Officer of the Corporation to do so. The Trustee shall not be liable or responsible for making any such investment in the manner provided in this Article or for any loss resulting from any such investment or for any early liquidation penalty.

[END OF ARTICLE VI]

Corporation may, but is not obligated to, create a separate bank account for each subaccount created pursuant to this Indenture.

(3) The Corporation reserves the right to employ, from time to time, any convention or method as it shall determine to be appropriate for the purpose of allocating or tracing any Pledged Revenues, or other amounts, or any proceeds or portions thereof in order to comply with applicable Federal or State laws, generally accepted accounting principles or otherwise, including without limitation for purposes of calculating any portion of revenues, debt service, operating expenses and other costs allocable to the City Project for purposes of complying with any applicable conditions to any grants made to the Corporation for the City Project; provided, however, that no such allocation or calculation shall amend, modify or otherwise adversely impair any of the liens, pledges, trusts or grants of this Indenture.

Section 708. Restriction on Yields; Covenants as to Arbitrage Bonds and Other Tax Covenants.

(1) Except as otherwise provided in any Supplemental Indenture, the Corporation will certify, through an Authorized Officer of the Corporation, that based upon all facts and estimates known or reasonably expected to be in existence on the date any Series of Bonds is delivered and paid for, the Corporation will reasonably expect that the proceeds of the Series will not be used in a manner that would cause the Bonds to be "arbitrage bonds" under the applicable provisions of the Code, as amended, and the regulations prescribed thereunder. Furthermore, any Authorized Officer of the Corporation is authorized and directed to provide certifications of facts, estimates and circumstances which are material to the reasonable expectations of the Corporation as of the date each Series is delivered and paid for regarding the use of Bond proceeds. In particular, any such Authorized Officer is authorized to certify the reasonable expectations of the Corporation on the date a Series is delivered and paid for regarding the amount and use of the proceeds of such Series and the facts and estimates on which such expectations are based. Moreover, the Corporation covenants that it shall make such use of the proceeds of the Bonds, and Pledged Revenues, regulate investments of proceeds of the Bonds and Pledged Revenues, and take such other and further action as may be required so that the Bonds shall not be "arbitrage bonds" (the interest on which is not excludable from gross income for federal income tax purposes) under the applicable provisions of the Code, as amended, and the Regulations prescribed from time to time thereunder. In particular, the Corporation hereby specifically reserves the right to direct the Trustee, Paying Agents and any other Fiduciaries to make specific investments to insure compliance with this Section.

(2) The Corporation reserves the right to regulate and/or restrict the yield or return received on the investment of the moneys in any Fund or Account created under this Indenture or any Supplemental Indenture, if in Counsel's Opinion, such regulation or restriction is necessary in order for the interest earned on the Bonds of any Series to be excluded from gross income of the Owners thereof for Federal income taxation under any statute, regulation, ruling or judicial decision.

(3) The Corporation shall comply with all applicable provisions of the Regulations and the Code relating to the retention of records related to arbitrage profits and rebates.

Section 709. General. The Corporation will at all times maintain its corporate existence or assure the assumption of its obligations under this Indenture by any public body succeeding to its powers under the Act, and it will use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act. The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act, this Indenture and any other law or regulation applicable to the Corporation.

Section 710. Further Assurances. At any and all times the Corporation shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further indentures, Indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, granting, pledging, assigning and confirming the Pledged Revenues, Pledged Funds, Investment Securities held in any Fund or Account hereunder, and the Corporation's right, title and interest in and to the foregoing, and all other moneys, securities, rights, and funds hereby pledged or assigned, or intended so to be, or which the Corporation may become bound to pledge or assign.

[END OF ARTICLE VII]

**ARTICLE VIII
DEFAULT AND REMEDIES**

Section 801. Events of Default. An Event of Default hereunder shall consist of any of the following acts or occurrences:

(1) failure to pay when due principal or interest on any Bonds or Obligations; or

(2) failure to deposit to the Debt Service Fund money sufficient for the payment of any principal or interest payable on any Bonds or Obligations by no later than the date when such principal or interest becomes due and payable (each an "Event of Default").

For purposes of determining whether an Event of Default has occurred under this Section 801, no effect shall be given to payments made under any bond insurance policy.

Section 802. Notices. In order to provide the Corporation with information with respect to its obligations under this Indenture, the Trustee shall provide the Corporation a notice if there are any draws upon the Debt Service Reserve Fund which are required to be transferred to the Debt Service Fund for the payment of principal or interest on any Bonds or Obligations, together with the description of the amount drawn.

Section 803. Notice of Default. The Trustee shall also be required to give prompt notice to the Corporation of the occurrence of any Event of Default hereunder. Additionally, the Trustee shall in an Event of Default under Section 801 promptly give written notice by registered or certified mail to the Texas Department of Economic Development (or its successor agency) at the following address: P.O. Box 12728 Capital Station, Austin, Texas 78711.

Section 804. Remedies in General. If an Event of Default hereunder shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee hereunder, the Trustee, subject to the provisions of this Indenture, may proceed to protect and enforce its rights and the rights of the Owners of Bonds or Obligations by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture or any Supplemental Indenture or in aid of the execution of any power granted in this Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Owners of Bonds or Obligations, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Corporation to make payment of the Pledged Revenues (but only from and to the extent of the sources provided in this Indenture or Supplemental Indenture) or to observe and perform such covenant, obligations or conditions of this Indenture or any Supplemental Indenture.

Section 805. Appointment of Receivers. If an Event of Default hereunder shall occur and be continuing, and upon filing of a bill in equity or commencement of other judicial proceedings to enforce the rights of the Trustee and the Owners hereunder, the Trustee shall be entitled as a matter of right, and to the extent permitted by law, to the appointment of a receiver or receivers

of the Pledged Revenues and the income, rents, profits and use thereof pending such proceedings, with such powers as the court making such appointment shall confer.

Section 806. Trustee May Act Without Possession of Bonds or Obligations. All rights of action under this Indenture or any Supplemental Indenture may be enforced by the Trustee without possession of any of the Bonds or Obligations or the production thereof on any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee for the ratable benefit of the Owners of the Bonds or Obligations, subject to the provisions of this Indenture or any Supplemental Indenture.

Section 807. Trustee as Attorney in Fact. The Trustee is hereby appointed (and the Owners of the Bonds or Obligations, by taking and owning same from time to time, shall be deemed to have so appointed the Trustee) the true and lawful attorney in fact of the Owners to make or file, in the names of the Owners or in behalf of all Owners as a class, any proof of debt, amendment to proof of debt, petition or other document, and to do and perform any and all acts and things for and in the name of the Owners as a class as may be necessary or advisable, in the judgment of the Trustee, in order to have the claims of the Owners against the Corporation approved in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings to which the Corporation shall be a party and to receive payment of or on account of such claims. Any such receiver, assignee, liquidator or trustee is hereby authorized by each of the Owners to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due for compensation and expenses of the Trustee, including counsel fees, incurred up to the date of such distribution, and the Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 808. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or Obligations, or now or hereafter existing at law or in equity or by statute. 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.

Section 809. Limitation on Suits. All rights of action in respect of this Indenture shall be exercised only by the Trustee, and no Owner secured hereunder shall have any right to institute any suit, action or proceeding at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have received written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds or Obligations then Outstanding and shall have been furnished reasonable indemnity and shall have refused or neglected for thirty (30) days thereafter to institute such suit, action or proceedings. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Owner of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any such Owner of any action or cause of action for the appointment of a receiver or for any other remedy hereunder, but the Trustee may, in its discretion, and when duly requested in

writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds or Obligations then Outstanding and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith, take such appropriate action by judicial proceedings or otherwise in respect of any existing default on the part of the Corporation as the Trustee may deem expedient in the interest of the Owners.

Nothing contained in this Article, however, shall affect or impair the right of any Owner, which shall be absolute and unconditional, to enforce the payment of the principal and interest on the Bonds or Obligations of such Owner, but only out of the moneys for such payment as herein provided, or the obligation of the Corporation, which shall also be absolute and unconditional, to make payment of the principal and interest on the Bonds or Obligations issued hereunder, but only out of the funds provided herein for such payment, to the respective Owners thereof at the time and place stated in said Bonds or Obligations.

Section 810. Right of Owners of the Bonds or Obligations to Direct Proceedings. Notwithstanding any provision of this Indenture to the contrary, the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds or Obligations then Outstanding shall have the right, at any time, subject to the provisions of Article IX, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings hereunder; provided, however, that such direction shall not be contrary to law or the provisions of this Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Owners not consenting.

Section 811. Restoration of Rights and Remedies. If the Trustee or any Owner has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Owner, then and in every such case the Corporation, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Section 812. Waiver of Stay or Extension Laws. To the extent that it may lawfully do so, the Corporation covenants that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law whenever or wherever enacted, which may affect the covenants or the performance of this Indenture. The Corporation also covenants that it will not otherwise hinder, delay or impede the execution of any power herein granted to the Trustee.

Section 813. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or remedy accruing upon any Event of Default hereunder shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to

the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners, as the case may be.

[END OF ARTICLE VIII]

**ARTICLE IX
THE TRUSTEE**

Section 901. Acceptance of the Trustee. The Trustee, for itself and its successors, hereby accepts the trusts under this Indenture, but only upon the following terms and conditions set forth in this Article 901:

(a) Prior to an Event of Default hereunder, and after the curing of any such Event of Default, the Trustee undertakes to performs such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

(b) In case of an Event of Default which has not been cured (and of which the Trustee has knowledge as provided herein), the Trustee shall exercise such of the rights and powers vested in it by this Indenture and shall use the same degree of care and skill in its exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(c) The Trustee may execute any of the trusts or powers hereof and perform any duties required of it, by or through attorneys or agents selected by it with reasonable care, and shall be entitled to advice of counsel concerning all matters of trust hereof and its duties hereunder, and may in all cases pay such reasonable compensation as it shall deem proper to all such attorneys and agents as may reasonably be required and employed in connection with the trusts hereof, and the Trustee shall not be responsible for the acts or negligence of such attorneys, agents or counsel, if selected with reasonable care.

(d) The Trustee shall not be responsible for any recitals herein, in this Indenture, any Supplemental Indenture, in the Bonds. The Trustee may require of the Corporation full information and advice as to the performance of the covenants, conditions and agreements contained in this Indenture. The recitals and statements of fact and warranties contained in this Indenture, and in the Bonds shall be taken as statements by the Corporation and shall not be considered as made by or as imposing any obligation or liability upon the Trustee.

(e) The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take action at such person's request, unless such person's name appears as the registered owner of such Bond in the books of registration kept by the Registrar in connection with the Bonds.

(f) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon the truth, completeness and accuracy of the letters of instruction, statements, certificates, opinions, certified resolutions and other certified showings conforming to the requirements of this Indenture. The Trustee, upon receipt of documents furnished to it by or on behalf of the Corporation pursuant to this Indenture, shall examine same to determine whether or not such documents conform to the requirements of this Indenture.

(g) Except as otherwise expressly provided or fairly implied by the provisions of this Indenture, the Trustee shall not be obligated and may not be required to give or furnish any notice, demand, report, request, reply, statement, advice or opinion to any Owner of any Bond or to the Corporation or any other person, and the Trustee shall not incur any liability for its failure or refusal to give or furnish same unless obligated or required to do so by express provision or by fair implication of the provisions hereof.

(h) Nothing herein contained shall relieve the Trustee from liability for its own negligent action or failure to act or its own willful misconduct, except that the Trustee shall not incur any liability (i) for any error of judgment made in good faith by a responsible officer or responsible officers thereof, unless it shall be proved that it was negligent in ascertaining the pertinent facts, or (ii) in respect of any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the percentage of the Bonds specified herein relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under this Indenture.

(i) None of the provisions contained in this Indenture shall require the Trustee to advance, expend or risk its own funds or to otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it by the security afforded to it by the terms of this Indenture.

(j) The Trustee shall have no responsibility for compliance with securities laws in connection with the issuance and sale of the Bonds.

(k) In the event the Trustee shall receive inconsistent or conflicting requests and indemnity from two or more groups of Owners, each representing less than a majority of the aggregate principal amount of the Bonds then outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(l) The Trustee shall not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(m) The Trustee shall be protected in acting upon, and may conclusively rely upon, any notice, request, or other paper or document reasonably believed to be genuine and correct, and reasonably believed to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request, authority, or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and any Bond issued in replacement therefor.

(n) The right of the Trustee to perform any discretionary act enumerated in this Indenture shall not be construed as a duty. The Trustee shall not be answerable for other than its negligence or willful misconduct in the performance of its powers and duties under this indenture.

(o) The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default hereunder, or in any other document or instrument executed in connection with the execution and delivery of the Bonds, except an Event of Default in the payment of the Bonds or unless the Trustee shall be specifically notified in writing of such default or Event of Default by the Corporation, the City or the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding.

Section 902. Reliance by Trustee. To the extent not prohibited by this Article, the Trustee may rely, and shall be protected in acting upon, any letters of instruction, statements, certificates, certified resolutions, opinions, notices, consents, orders, appraisals, reports, policies, bonds or other papers or documents believed by it to be genuine and to have been signed or presented to it by the proper person or persons, and the Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in good faith and in conformity with the opinion of such counsel.

Section 903. Certificate of Corporation as Proof. Whenever in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, then, in the absence of bad faith on the part of the Trustee, and unless other evidence in respect thereof be herein specifically prescribed, and unless an Event of Default hereunder, to the knowledge of the Trustee, shall have occurred and be continuing, such matter may be deemed to be conclusively proved and established by a certificate of the Corporation, executed by the Executive Director of the Corporation and delivered to the President, and such certificate shall be full warranty to the Trustee for any action taken or suffered by it under the provisions of this Indenture in reliance thereon.

Section 904. Trustee May Own Bonds. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds or other certificates or evidences of ownership or pledge thereof issued hereunder, with the same rights it would have if it were not the Trustee.

Section 905. Compensation of Trustee. The Corporation shall pay to the Trustee all reasonable ordinary and extraordinary fees, charges and expenses of the Trustee (including the reasonable fees, charges and expenses of its agents and counsel) for the administration and execution of the trusts hereby created and the performance of its powers and duties hereunder.

Section 906. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Owners of a majority in principal amount of the Bonds then Outstanding and delivered to the Trustee, with notice thereof given to the Corporation. Such removal of the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Section 907. Resignation of Trustee. The Trustee may at any time resign and be discharged from the trusts hereby created by giving written notice to the Corporation and by providing written notice to the Owners of its intended resignation at least sixty (60) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall

be sent by first class mail, postage prepaid to each registered Owner of Bonds. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed as hereinafter provided.

Section 908. Appointment of Successor Trustee. In case the Trustee hereunder shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting hereunder, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the Corporation, or if the Corporation is in default hereunder, the Owners of a majority in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing, signed by such Owners or their duly authorized representatives and delivered to the Trustee, with notice thereof given to the Corporation; provided, however, that in any of the events above mentioned, the Corporation may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the Owners in the manner above provided, and any such temporary Trustee so appointed by the Corporation shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the Owners. The Corporation shall provide written notice to the Owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the preceding Section of this Indenture for providing notice of the resignation of the Trustee.

Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000.

In the event that no appointment of a successor Trustee is made by the Owners or by the Corporation pursuant to the foregoing provisions of this Section at the time a vacancy in the office of the Trustee shall have occurred, the Owner of any Bonds issued hereunder or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

Section 909. Successor Trustee. Each successor trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Corporation, an instrument in writing accepting such appointment hereunder, and thereupon such Trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor, but such predecessor Trustee shall, nevertheless, on the written request of the Corporation, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, trusts, duties and obligations of such predecessor hereunder. Each predecessor Trustee shall immediately deliver all properties, securities and moneys held by it to its successor; provided, however, that before any such delivery is required or made, all proper fees, advances and expenses of the predecessor Trustee shall be paid in full. Should any deed, conveyance or instrument in writing be required from the Corporation by any successor Trustee for properties, rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Trustee, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation. The resignation of any Trustee, appointing a successor Trustee

hereunder, together with all deeds, conveyances and other instruments provided for in this Article shall, at the expense of the Corporation (which may be reimbursed by City under the Economic Development Contract), be properly filed or recorded and a copy thereof shall be filed with such successor Trustee, together with a statement showing such filing or recordation.

Section 910. Merger, Conversion or Consolidation of Trustee. Notwithstanding any provision hereof to the contrary, any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or any corporation or association resulting from any merger, conversion, consolidation or sale to which the Trustee shall be a party, or any corporation which acquires substantially all the corporate trust business of the Trustee shall be the successor Trustee under this Indenture without the execution or filing of any instrument or any other act on the part of any of the parties hereto.

Section 911. Notice to Bond Insurer. Written notice of the resignation or removal of the Trustee and the appointment of any successor thereto, as provided in this Article IX, shall be furnished to any bond insurer then providing a municipal bond insurance policy for any outstanding bonds prior to such resignation or removal.

[END OF ARTICLE IX]

ARTICLE X
SUPPLEMENTAL INDENTURES; AMENDMENTS TO
ECONOMIC DEVELOPMENT CONTRACT

Section 1001. Supplemental Indentures. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture of the Corporation may, without the consent of, or notice to, any of the Owners, enter into or amend an Indenture or Supplemental Indenture for any of the following purposes:

(1) To authorize Bonds and other Obligations and, in connection therewith, to specify and determine the matters and things referred to in Article III hereof and also any other matters and things relative to such Bonds and other Obligations which are not contrary to or inconsistent with this Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Bonds and other Obligations;

(2) To close this Indenture or any Supplemental Indenture against, or provide limitations and restrictions in addition to, the limitations and restrictions contained in this Indenture or any Supplemental Indenture on the delivery of Bonds and other Obligations or the issuance of other evidences or indebtedness;

(3) To add to the covenants and agreements of the Corporation in this Indenture or any Supplemental Indenture, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with this Indenture or the applicable Supplemental Indentures as theretofore in effect;

(4) To add to the limitations and restrictions in this Indenture or any Supplemental Indenture other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with this Indenture or the applicable Supplemental Indenture as theretofore in effect;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture or any Supplemental Indenture, of the Pledged Revenues and Pledged Funds, or to grant to Owners of Bonds additional rights or enhancements on any Bond, Note, or Credit Agreement;

(6) To add or modify the provisions of this Indenture to allow for the issuance of Bonds or obligations that are junior and subordinate to Bonds and Obligations issued under this Indenture;

(7) To modify any of the provisions of this Indenture or any Supplemental Indenture in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Outstanding Bonds and other Obligations of any Series at the date of the adoption of such Indenture or Supplemental Indenture shall cease to be Outstanding Bonds and other Obligations; and (ii) such Supplemental Indenture shall be specifically referred to in the text of such Bonds and other Obligations delivered after the date of the adoption of such Supplemental Indenture and of Bonds and other Obligations issued in exchange therefor or in place thereof;

(8) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of this Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in this Indenture;

(9) To add additional elements or components to the City Project as now or hereafter permitted by law;

(10) To increase the Reserve Fund Requirement for the Debt Service Reserve Fund or to provide for Reserve Fund Surety Policies;

(11) To alter the Indenture to comply with the requirements of a nationally recognized rating agency in order to obtain or maintain a rating on the Bonds in a long-term debt rating category or in a high-quality, short-term or commercial paper rating category or of such rating agency;

(12) To increase the interest rate or rates on the Bonds of any Series;

(13) To designate Paying Agents, Authenticating Agents, Registrars, and other agents for the Bonds of any Series;

(14) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture;

(15) To modify the Indenture to maintain or preserve federal tax exemption relating to the Bonds;

(16) To insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; and

(17) To modify any of the provisions of this Indenture or any Supplemental Indenture in any respect whatsoever, provided that such action shall not adversely affect the interest of the owners of Outstanding Bonds or other Obligations.

Section 1002. Supplemental Indentures Effective With Consent of Owners. Except for Indentures and Supplemental Indentures entered into or amended pursuant to Section 1001, the Corporation may at any time or from time to time adopt in accordance with and subject to the provisions of Article XI, which Supplemental Indenture, shall become fully effective in accordance with its terms as provided in said Article XI.

Section 1003. General Provisions.

(1) The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to provisions of this Article X and Article XI, except that this Indenture may be amended in any manner provided in any Supplemental Indenture with respect to any Bonds or any Series of Bonds issued pursuant to such Supplemental Indenture which, at the time such amendments are made, are fully secured by a pledge of or lien on direct

obligations of, or obligations the principal of and interest on which is guaranteed by, the United States of America certified by an independent certified public accountant to be sufficient to provide for the full and timely payment of principal of or the purchase price or redemption price of the Bonds at the next date on which they are subject to mandatory purchase or redemption, as the case may be, together with all interest to accrue thereon until such date.

(2) Any Supplemental Indenture referred to and permitted or authorized by Section 1001 may be adopted by the Corporation without the consent of any of the Owners.

Section 1004. Amendment to Economic Development Contract Not Requiring Consent of Owners. In addition to any supplemental economic development contracts into which the City and Corporation may enter in the future, the Corporation and the City may amend, change, or modify the Economic Development Contract without the consent of or notice to the Owners, if such amendment, change or modification: (1) is required by the provisions of the Economic Development Contract or this Indenture; (2) cures any ambiguity or formal defect or omission; (3) is necessary to maintain or preserve the federal tax exemption of interest on the Bonds and Obligations or to comply with any state and/or federal law, including, without limitation, any applicable regulation of the Securities and Exchange Commission; (4) to subject to the lien and pledge of this Indenture to additional revenues, properties or collateral; (5) grants to or confers on the Corporation additional rights, remedies, powers, or authority and the consideration given by the Corporation for such amendment, modification or change does not reduce the amount payable under the Economic Development Contract as Pledged Contract Payments, or extend the time of payment of such amounts or in any manner materially impair or adversely affect the rights of the Owners of the Bonds or Obligations; (6) enables the Corporation to issue Bonds or incur Obligations; (7) enables the Corporation to issue subordinate lien Bonds or obligations; and (8) enables such the Corporation to make any change to the Economic Development Contract provided that such change does not diminish, alter or reduce the City's obligation and commitment to pay Pledged Contract Payments.

Section 1005. Amendment to Economic Development Contract Requiring Consent of Owners. Except for the amendments, changes, or modifications provided in Section 1004, neither the Corporation nor the City shall consent to any amendment, change or modification of the Economic Development Contract without publication of notice and written approval or consent of the Owners of not less than 51% in aggregate principal amount of the Bonds at the time Outstanding given, procured and established as provided in Article XII hereof relating to the amendment of this Indenture. It is specifically provided, however, that no amendment, modification or change in the Economic Development Contract shall in any way reduce the City's obligation to pay Pledged Contract Payments below an amount equal to the amount necessary to: (1) pay Debt Service on the Bonds and Obligations as it becomes payable; and (2) establish and maintain all of the Funds and Accounts and the balances therein as required by this Indenture.

[END OF ARTICLE X]

ARTICLE XI AMENDMENTS

Section 1101. Mailing and Publication. Any provision in this Article for the mailing of a notice or other documents to Owners shall be fully complied with if it is mailed first class mail, postage prepaid, to each Owner of Bonds at his address, if any, appearing upon the Register to the Owners of any other Obligations on file with the Registrar, and to each Registrar, Paying Agent and Authenticating Agent.

Section 1102. Powers of Amendment. Any modification or amendment of this Indenture described in Section 1002, or the Economic Development Contract described in Section 1005, of the rights and obligations of the Corporation, the City, or of the Owners of the Bonds and other Obligations thereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 1103 of the Owners of at least 51% in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds of those Series so affected and outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any sinking fund installment, of the Owners of at least 51% in principal amount of the Bonds of the particular Series and maturity entitled to such sinking fund installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect as long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or other Obligation or of any installment of interest thereon or a reduction in the principal amount or the redemption price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, Note or other Obligation, or shall reduce the percentages or otherwise affect the classes of Bonds of which the consent of the Owners is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this Indenture if the same materially adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Corporation may in its discretion determine whether or not (and may rely on Counsel's Opinion to make such discretionary determination), in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of this Indenture and any such determination shall be binding and conclusive on the Corporation and all Owners of Bonds and other Obligations.

Section 1103. Consent of Owners. The Corporation may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 1102, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request to Owners for their consent thereto, shall be mailed by the Corporation to Owners of Bonds and other Obligations. Such Supplemental Indenture shall not be effective unless and until: (i) there shall have been filed with the Corporation (a) the written consents of Owners (or such other Persons as provided in Section

1107 below) of the percentages specified in Section 1102 and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the Corporation, enforceable in accordance with its terms and is in accordance with this Indenture; provided, however, that such Counsel's Opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and principles of equity; and (ii) a notice shall have been published and mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds or other Obligations with respect to which such consent is given, which proof shall be such as is permitted by Section 1302. A certificate or certificates by the Corporation that it has examined such proof and that such proof is sufficient in accordance with Section 1302 shall be conclusive that the consents have been given by the Owners described in such certificate or certificates. Any such consent shall be binding upon the Owner of the Bonds giving such consent and, anything in Section 1302 to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing with the Corporation, prior to the time when the written statement of the Corporation hereinafter in this Section provided for is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1302. The fact that a consent has not been revoked may likewise be proved by a certificate of the Corporation to the effect that no revocation thereof is on file with the Corporation. At any time after the Owners of the required percentages shall have filed their consents to the Supplemental Indenture, the Corporation shall make a written statement that the Owners of such required percentages have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages and will be effective as provided in this Section, may be given to Owners by the Corporation by mailing such notice to Owners after the Owners of the required percentages shall have filed their consents to the Supplemental Indenture. The Corporation shall maintain proof of mailing such notice. A record, consisting of the papers required or permitted by this Section, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, the Fiduciaries and the Owners.

Section 1104. Modifications by Unanimous Consent.

(1) The terms and provisions of this Indenture, the Economic Development Contract, and the rights and obligations of the Corporation, the City, and of the Owners of the Bonds or other Obligations thereunder may be modified or amended in any respect upon the adoption and filing by the Corporation of a Supplemental Indenture and the consent of the Owners of all the Bonds or other Obligations Outstanding or, in the case of a Supplemental Indenture, the Owners of all Bonds and other Obligations issued or incurred pursuant to such Supplemental Indenture, such consent to be given as provided in Section 1103, except that no notice by mailing or publication shall be required; provided, however, that no such modification or amendment shall

change or modify any of the rights or obligations of any Fiduciaries without the written assent thereto of the Fiduciary in addition to the consent of the Owners.

(2) The terms and provisions of this Indenture and the rights and obligations of the Corporation, the City, and the Owners thereunder may be modified or amended with respect to a particular Series upon the adoption and filing by the Corporation of a Supplemental Indenture and the consent of the Owners of all Bonds of the particular Series, such consent to be given by written notice to the Trustee, and no notice to Owners by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of a Fiduciary without the written assent thereto of the Fiduciary in addition to the consent of the Owners.

Section 1105. Exclusion. Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided in this Article. At the time of any consent or other action taken under this Article, the Corporation shall furnish the Registrar a certificate of an Authorized Officer of the Corporation, upon which the Registrar may rely, describing all Bonds so to be excluded.

Section 1106. Notation. Bonds authenticated and delivered after the effective date of any action taken as in Article X or this Article XI provided may, and shall bear a notation by endorsement or otherwise in form approved by the Corporation as to such action, and in that case upon demand of the Owner of any Bonds Outstanding at such effective date and presentation of his Bond for the purpose at the principal office of the appropriate Registrar or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Registrar as to any such action. If the Corporation shall so determine, new Bonds so modified as directed by the Corporation to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Bond Outstanding shall be exchanged, without cost to such Owner, for Bonds Outstanding, upon presentation and surrender of such Bonds, for Bonds of the same Series and maturity then Outstanding.

Section 1107. Special Provisions for Issuers of Credit Agreements. Any Supplemental Indenture may provide that the issuer of any Credit Agreement guaranteeing payment of the principal of and interest on any Bonds may exercise the rights of such Owners of the guaranteed Bonds with respect to consent to any amendments provided in this Article except any change in the terms of redemption, maturity or principal amount of such Bond or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon.

[END OF ARTICLE XI]

**ARTICLE XII
RESERVED**

**ARTICLE XIII
MISCELLANEOUS**

Section 1301. Defeasance.

(1) If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture and all amounts due on other Obligations are paid, as therein provided, then the pledge of the Pledged Revenues and Pledged Funds under this Indenture and all covenants, agreements and other obligations of the Corporation to the Owners thereof shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the request of the Corporation, the Fiduciaries shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to this Indenture which are not required for the payment of principal or redemption price, if applicable, on Bonds not theretofore surrendered for such payment, or redemption. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series, the principal or redemption price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of the Corporation to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(2) Bonds and other Obligations or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or a Paying Agent (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in Subsection 1 of this Section. All Outstanding Bonds and other Obligations which have been redeemed or paid pursuant to this Subsection 2 shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Subsection 1 of this Section if (i) in case any of said Bonds and other Obligations are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee or a Paying Agent effected in form satisfactory to it a Letter of Instructions containing irrevocable instructions to give notice of redemption of such Bonds and other Obligations on said date as provided in Article IV, (ii) there shall have been deposited with the Trustee or appropriate Paying Agent either money in an amount which shall be sufficient, or Investment Securities the principal of and interest on which without any reinvestment thereof when due will provide money which, together with the money, if any, deposited with the Trustee or appropriate Paying Agent at the same time, shall be sufficient, to pay when due the principal or redemption price, if applicable, and interest due and to become due on said Bonds and other Obligations on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the case of Bonds only, in the event said Bonds are not to be redeemed within the next succeeding sixty (60) days, the Corporation shall have given the

Trustee or the appropriate Paying Agent in form satisfactory to it a Letter of Instructions containing irrevocable instructions to mail, as soon as practicable, a notice to such Owners of such Bonds and mailing notice to such Owners that the deposit required by (ii) above has been made with the Trustee or Paying Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which money is to be made available for the payment of the principal or redemption price, if applicable, on said Bonds. Neither Investment Securities nor money deposited with the Trustee or a Paying Agent pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price, if applicable, and interest on said Bonds and other Obligations; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee or Paying Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Corporation, or to its order, as received by the Trustee or Paying Agent, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds and other Obligations or otherwise existing under this Indenture, if all Bonds and other Obligations have been redeemed or discharged, otherwise such cash shall be deposited as Pledged Revenues and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds and other Obligations, on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received, or to its order, by the Trustee or appropriate Paying Agent, free and clear of any trust, lien or pledge, if all Bonds and other Obligations have been redeemed or discharged, otherwise such cash shall be deposited as Pledged Revenues.

For the purposes of this Subsection 2, Investment Securities shall mean and include only to the following: (i) direct obligations of (or obligations the principal of and interest on which is unconditionally guaranteed by) the United States of America, and such securities shall not be subject to redemption prior to their maturity; (ii) noncallable obligations of any 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; and (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.

Section 1302. Evidence of Signatures of Owners and Ownership of Bonds and other Obligations.

(1) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Indenture

(except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the appropriate Registrar, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

(2) The fact and date of the execution by any Owner or his attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(3) The amount of Bonds or other Obligations transferable by delivery held by any person executing any instrument as a Owner, the date of his holding, and the numbers and other identification thereof, may be proved by a certificate, which need not be acknowledged or verified, in form satisfactory to the appropriate Registrar, executed by the appropriate Registrar or by a member of a financial firm or by an officer of a bank, trust company, insurance company, or financial corporation or other depository wherever situated, showing at the date mentioned that such person exhibited to such member or officer or had on deposit with such depository the Bonds or other Obligations described in such certificate. Such certificate may be given by a member of a financial firm or by an officer of any bank, trust company, insurance company or financial corporation or depository with respect to Bonds or other Obligations owned by it, if acceptable to the Registrar. In addition to the foregoing provisions, the Corporation may from time to time make such reasonable regulations as it may deem advisable permitting other proof of holding of Bonds transferable by delivery.

Section 1303. Money Held for Particular Bonds or Other Obligations. Subject to the provisions of Section 1305 the amounts held by any Paying Agent for the payment of the interest or principal due on any date with respect to particular Bond or other Obligation shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bond or other Obligation entitled thereto.

Section 1304. Preservation and Inspection of Documents or Other Obligations. A copy of all documents relating to the Bonds shall be retained in the possession of the Corporation and shall be subject at all reasonable times upon reasonable notice to the inspection of any Owner and their agents and their representatives, any of whom may make copies thereof at the expense of the party so requesting.

Section 1305. Failure to Present. Subject to applicable escheat laws, anything in this Indenture to the contrary notwithstanding, any money held by a Fiduciary in trust for the payment and discharge of any of the Bonds or other Obligations which remains unclaimed for a period of two years after the date when such Bonds or other Obligations have become due and payable, either at their dated maturity dates or by call for earlier redemption, that the Owner thereof shall no longer be able to enforce the payment thereof, the Fiduciary shall at the written request of the Corporation pay such money to the Corporation as its absolute property and free from trust, and

the Fiduciary shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Corporation for the payment thereof; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be mailed to the Owners of the Bonds or other Obligations registered as to principal entitled to such money, a notice that such money remains unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Corporation.

Section 1306. List of Owners. To the extent that such information shall be made known to the Corporation under the terms of this Indenture, it will keep on file at the office of the appropriate Registrar a list of names and addresses of the last known Owners of the Bonds or other Obligations payable to bearer. Each Registrar shall add to such list the names and addresses of the Owners which from time to time may be registered on the registration books kept by the Registrar.

Section 1307. Filing of Security Instruments. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues and Pledged Funds granted by the Corporation under this Indenture, 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 and Pledged Funds is to be subject to the filing requirements of Chapter 9, 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 Corporation agrees and covenants that it will cause to be filed all documents, security instruments and financing statements, including without limitation continuation statements under the Business and Commerce Code of the State, in such manner and in such places as may be required by law in order to perfect and to protect and maintain in force the lien and pledge of, and the security interests created by, this Indenture. The Corporation may rely on a Counsel's Opinion with respect to the necessity of any filing.

Section 1308. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Corporation, the City, the Trustee, the Fiduciaries and the Owners of the Bonds and other Obligations, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the City, the Trustee, the Fiduciaries, and the Owners of the Bonds and other Obligations thereunto appertaining.

Section 1309. No Recourse on the Bonds and other Obligations. No recourse shall be had for the payment of the principal of or interest on the Bonds and other Obligations or for any claim based thereon or on this Indenture against any officer or employee of the Corporation or any person executing the Bonds and other Obligations.

Section 1310. No Individual Liability. No covenant or agreement contained in the Bonds and other Obligations or in this Indenture shall be deemed to be the covenant or agreement of any member of the Board of Directors of the Corporation or any directors of any Fiduciary or any

officer, agent, employee or representative of the Corporation, CPS or the City or any Fiduciary in their individual capacity, and neither the directors, officers, agents, employees or representatives of the Corporation, CPS, the City or Fiduciaries nor any person executing the Bonds and other Obligations shall be personally liable thereon or be subject to any personal liability or accountability by reason of the issuance thereof, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds and other Obligations.

Section 1311. Indenture to Constitute a Contract. In consideration of the purchase and acceptance of any and all of the Bonds and other Obligations authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract between the Corporation and the Owners of the Bonds and other Obligations; and the pledge made in this Indenture and the covenants and agreements therein set forth to be performed by or on behalf of the Corporation shall be for the benefit, protection and security of the Owners of any and all of the Bonds and other Obligations all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds and other Obligations over any other thereof except as expressly provided in or permitted by this Indenture.

Section 1312. Notice. Any notice, demand, direction, request, or other instrument authorized or required by this Indenture to be given to or filed with the Corporation or any Fiduciary shall be deemed to have been given only upon receipt. Any notice shall be sent by personal delivery or by registered or certified mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing:

Corporation: City of San Antonio, Texas, Starbright
Industrial Development Corporation
506 Dolorosa, First Floor
San Antonio, Texas 78205
Attention: Milo Nitschke

Trustee: Wells Fargo Bank Texas, N.A.
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Attention: Kathy Wagner

Section 1313. Governing Law. This Indenture shall be governed in all respects, including validity, interpretation and effect, by, and shall be enforceable in accordance with, the laws of the State.

Section 1314. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Corporation or the Fiduciary to be performed shall be contrary to law, then such covenant or covenants or agreement or agreements

shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Indenture.

Section 1315. Successors. Whenever in this Indenture the Corporation is named or referred to, it shall be deemed to include the board, body, commission, authority, county, department or instrumentality of the State succeeding to the principal functions and powers of the Corporation, and all the covenants and agreements in this Indenture contained by or on behalf of the Corporation shall bind and inure to the benefit of said successor whether so expressed or not.

Section 1316. Holidays. Except as may be provided in a Supplemental Indenture, if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in San Antonio, Texas or New York, New York are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are not authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Indenture and no interest shall accrue for the period after such nominal date.

[END OF ARTICLE XIII]

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this Indenture to be signed and attested on their behalf by their duly authorized representatives, all as of the date first stated above.

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT
CORPORATION

By: _____
President
Board of Directors

ATTEST:

By: _____
Secretary
Board of Directors

WELLS FARGO BANK TEXAS, N.A.,
as Trustee

By: _____
Title: _____

EXHIBIT B
FORM OF FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION

and

WELLS FARGO BANK TEXAS, N.A.,
as Trustee

AUTHORIZING

\$24,685,000 CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

Dated as of June 1, 2003

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

AUTHORIZING

\$24,685,000 CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST, dated as of June 1, 2003 (the "*First Supplemental Indenture*"), is made by and between **CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION** (the "*Corporation*"), a public nonprofit local government corporation, and **WELLS FARGO BANK TEXAS, N.A.**, in its capacity as trustee (together with any successor trustee hereunder, the "*Trustee*"), a national banking association.

WITNESSETH:

WHEREAS, pursuant to Act (as defined herein), the Corporation was created by the City of San Antonio, Texas as an industrial development corporation for the purpose of aiding and assisting the City in fulfilling its obligations under the Project Starbright Agreement by and among the Toyota Motor Manufacturing North America, Inc., a Kentucky corporation ("Toyota"), the State of Texas, the City of San Antonio, Texas, the Corporation and various other political subdivisions of the State of Texas (the "Starbright Agreement"); and

WHEREAS, pursuant to the laws of the State of Texas, including particularly the Act (as defined in the Indenture), the Corporation is authorized and has the power to issue, sell, and deliver revenue bonds, for and on behalf of the Corporation, for the purpose, among others, of financing the construction of the City Project (as defined in the Indenture); and

WHEREAS, the Corporation has entered into an Economic Development Contract (as defined in the Indenture) by and between the City and the Corporation pursuant to which the Corporation is to provide for the financing for the City Project; and

WHEREAS, in order to secure the Bonds and Obligations and pay Expenses (each as defined in the Indenture), the Corporation has determined to enter into an Indenture of Trust, as supplemented with the Trustee for the purpose of assigning and pledging to the Trustee the Pledged Revenues (as defined in the Indenture).

WHEREAS, the Corporation has determined to issue the Series 2003 Bonds (as defined herein) under said Indenture of Trust and this First Supplemental Indenture to pay for the Costs of the City Project, including amounts necessary to provide for capitalized interest on the Series 2003 Bonds, to fund the Debt Service Reserve Fund in an amount not less than Reserve Fund Requirement and to pay Costs of Issuance;

WHEREAS, the Corporation desires to enter into this First Supplemental Indenture for such purposes; and

WHEREAS, the Corporation also desires to define certain terms relating to the Series 2003 Bonds to be issued; and

WHEREAS, the Corporation in connection with the delivery of the Series 2003 Bonds has purchased municipal bond insurance and in order to induce the bond insurer to insure the Series 2003 Bonds, the Corporation has agreed to certain covenants for the benefit of the bond insurer as hereinafter provided in this First Supplemental Indenture; and

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Series 2003 Bonds by the owners thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective owners from time to time of the Series 2003 Bonds, as follows:

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Authority. This First Supplemental Indenture is supplemental to, and is adopted in accordance with Articles III and IX of the Indenture.

SECTION 102. Definitions.

A. Except as provided in subsection B of this Section, all defined terms contained in the Indenture shall have the same meanings in this First Supplemental Indenture as such defined terms are given in Section 101 of the Indenture, unless the context shall otherwise require.

B. As used in this First Supplemental Indenture, the following terms shall have the following respective meanings but only for the purposes of the Series 2003 Bonds and this First Supplemental Indenture.

“Bond Insurer” shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company or any successor thereto.

“Credit Agreement” shall have the meaning as set forth in the Indenture, and specifically with respect to the Series 2003 Bonds, shall mean the surety bond issued by the Bond Insurer guaranteeing certain payments into the Debt Service Reserve Fund.

“Date of Delivery” shall mean June 26, 2003.

“Dated Date” shall mean June 1, 2003.

“Financial Guaranty Insurance Policy” shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of principal of and interest on the Series 2003 Bonds.

“First Supplemental Indenture” shall mean this First Supplemental Indenture of Trust, dated as of June 1, 2003 authorizing the Series 2003 Bonds.

“Indenture” shall mean the Indenture of Trust, dated as of June 1, 2003, between the Corporation and the Trustee, as from time to time supplemented and amended, including by this First Supplemental Indenture.

“Interest Payment Date” shall mean August 15 or February 15 of each year as applicable commencing August 15, 2003.

“Investment Security” or “Investment Securities” shall have the meaning set forth in the Indenture, and, with respect to the Series 2003 Bonds, securities permitted by the Bond Insurer as set forth in Exhibit C to this Supplemental Indenture.

“Issuance Date” shall mean the date of delivery of the Series 2003 Bonds to the initial purchaser or purchasers thereof against payment therefor.

“Series 2003 Bonds” shall mean the Bonds authorized by this First Supplemental Indenture in the aggregate principal amount of \$24,685,000 and designated City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project).

“Underwriters” shall mean Siebert Brandford Shank & Co., LLC, as representative of the Underwriters designated in the bond purchase agreement relating to the Series 2003 Bonds.

C. Articles and sections referred to by number shall mean the articles and sections of this First Supplemental Indenture.

SECTION 103. Interpretations. All terms defined herein and all pronouns used in this First Supplemental Indenture shall be deemed to apply equally to the singular and plural and to all genders. The headings of the Sections in this First Supplemental Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This First Supplemental Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Series 2003 Bonds and the validity of the pledge and assignment of the Trust Estate to the Trustee to secure the payment of the Series 2003 Bonds.

ARTICLE II
AUTHORIZATION AND TERMS OF SERIES 2003 BONDS

SECTION 201. Authorization, Principal Amount, Designation and Series. There is hereby authorized to be issued and shall be issued under and secured by the Indenture a Series of Bonds to be designated “City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)” in the aggregate principal amount of \$24,685,000.

SECTION 202. Purposes. The Series 2003 Bonds are being issued to be applied, together with other lawfully available funds, to pay for Costs of the City Project, to provide for capitalized interest relating to the Series 2003 Bonds, to fund Debt Service Reserve Fund in an amount not less than the Reserve Fund Requirement and to pay Costs of Issuance.

SECTION 203. Initial Bond, Numbers, Date and Denomination of the Series 2003 Bonds. The Series 2003 Bonds shall initially be issued in the principal amounts, and bearing interest at the rates set forth below, as more fully described in Exhibit A attached hereto. The Series 2003 Bonds shall mature, subject to prior redemption in accordance with this First Supplemental Indenture, on August 15 in each of the years and in the amounts set out in the following schedule. The initial Bond shall be numbered I-1 and all other Bonds shall be numbered in sequence beginning with R-1. The Bonds shall be dated as of the Date of Delivery except for the Initial Bond, which shall be dated the Dated Date. Bonds delivered on transfer of or in exchange for other Series 2003 Bonds shall be numbered in the order of their authentication by the Trustee, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Series 2003 Bond or Series 2003 Bonds in lieu of which they are delivered.

SECTION 204. Interest Payment Dates, Interest Rates and Maturity of the Series 2003 Bonds. The Bonds shall be issued, shall bear interest from the Date of Delivery at the rate or rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months and payable each Interest Payment Date until maturity or prior redemption, and shall mature and become payable on the dates and in the respective principal amounts as set forth below.

<u>Maturity</u> <u>(August 15)</u>	<u>Principal</u> <u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(August 15)</u>	<u>Principal</u> <u>Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
2007	\$ 525,000	2.180%	2016	\$ 705,000	4.260%
2008	535,000	2.570	2017	735,000	4.410
2009	550,000	2.980	2018	770,000	4.510
2010	565,000	3.290	2019	800,000	4.610
2011	585,000	3.560%	2020	840,000	4.660%
2012	605,000	3.770	2021	880,000	4.710
2013	625,000	3.910	2022	920,000	4.760
2014	650,000	4.010	2023	965,000	4.750
2015	675,000	4.110	2033	12,755,000	5.110

SECTION 205. Manner of Payment of Series 2003 Bonds. Interest on the Series 2003 Bonds shall be paid as provided in the form of Series 2003 Bonds attached as Exhibit A hereto.

SECTION 206. Form of Series 2003 Bonds, Comptroller's Registration Certificate and Trustee's Authentication Certificate. Subject to the provisions of the Indenture and this First Supplemental Indenture, the form of the Series 2003 Bonds, the authentication certificate (which shall be affixed to Series 2003 Bonds other than the initial Bond), and the registration certificate of the Comptroller of Public Accounts of the State of Texas (which shall be affixed to the initial Series 2003 Bonds only), and other matters to be printed on the Series 2003 Bonds shall be as shown on Exhibit A.

The approving legal opinion of co-bond counsel may be printed on the Series 2003 Bonds over the certification of the Trustee, which may be executed in facsimile. CUSIP numbers and any Bond Insurance legend also may be printed on the Series 2003 Bonds. However, errors or omissions in the printing of the opinion or the CUSIP numbers shall have no effect on the validity of the Series 2003 Bonds.

On the Issuance Date, the initial Bond, being a single bond representing the entire principal amount of the Series 2003 Bonds, payable in stated installments to the Underwriter or their designee, executed by manual or facsimile signature of the President and Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, shall be delivered to the Underwriter or their designee. Upon payment for the initial Bond, the Trustee shall cancel the initial Bond and deliver Series 2003 Bonds to DTC in accordance with Section 210 hereof.

SECTION 207. Provision For Issuance of Series 2003 Bonds. The Series 2003 Bonds shall be executed by the Corporation and, except for the initial bonds which shall be registered by the Comptroller of Public Accounts of the State of Texas, shall be delivered to the Trustee. Thereupon, the Series 2003 Bonds (except the initial bonds registered by the Comptroller of Public Accounts of the State of Texas) shall be authenticated by the Trustee and delivered to the Underwriter or upon its order, but only upon receipt by the Trustee of the documents required under the Indenture. After issuance and authentication of such Series 2003 Bonds, all subsequent Series 2003 Bonds issued in exchange therefor shall be authenticated and delivered by and at the designated corporate trust office of the Trustee.

SECTION 208. Optional and Mandatory Redemption Prior to Maturity. The Series 2003 Bonds are subject to redemption prior to maturity as set forth in the form Series 2003 Bonds in Exhibit A.

SECTION 209. Appointment of Trustee as Paying Agent/Registrar. The Trustee is hereby appointed as the paying agent/registrar for the Series 2003 Bonds, and shall maintain books of registration for the Series 2003 Bonds in the State of Texas at the Paying Agent/Registrar's office, a copy which shall be kept by the current by the Trustee.

SECTION 210. Book Entry Only System.

A. There may be appointed a qualified financial institution to be a clearing agency and securities depository for the Series 2003 Bonds (the "*Securities Depository*") in accordance with the provisions of this Section. Any Securities Depository will accept and hold the Series 2003 Bonds as the registered Owner thereof and will maintain a book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Series 2003 Bonds. Any Securities Depository so appointed shall be qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, capable of properly discharging its duties in such capacity and acceptable to the Trustee and the Corporation.

B. Pursuant to the Corporation's approval of the Blanket Letter of Representation, The Depository Trust Company, New York, New York ("*DTC*") is hereby appointed to act as the initial Securities Depository for the Series 2003 Bonds. The Underwriter, or the Corporation on behalf of the Underwriter, shall register the Series 2003 Bonds in the name of the nominee of the initial Securities Depository, initially Cede & Co., and deposit the Series 2003 Bond with the initial Securities Depository in the form of a single initial fully registered Series 2003 Bond for each maturity.

With respect to Series 2003 Bonds registered in the name of the Securities Depository or its nominee, the Corporation and the Trustee shall be entitled to treat the person in whose name any Series 2003 Bond is registered in the Register as the absolute owner of such Series 2003 Bond for all purposes, and neither the Corporation nor the Trustee shall have any responsibility or obligation to any person who holds a beneficial interest in the Series 2003 Bonds. Without limiting the immediately preceding sentence, neither the Corporation nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any other person with respect to any ownership interest in the Series 2003 Bonds, (ii) the delivery to any person, other than an Owner as shown on the Register, of any notice with respect to the Series 2003 Bonds, or (iii) the payment to any person, other than an Owner as shown in the Register, of any amount with respect to the principal of or interest on the Series 2003 Bonds.

Notwithstanding any other provision of the Indenture or this First Supplemental Indenture to the contrary, so long as DTC or a successor Securities Depository is acting in such capacity with respect to the Series 2003 Bonds, all payments of principal of and interest on the Series 2003 Bonds, and all notices with respect to such Series 2003 Bonds, shall be made and given, respectively, in accordance with the written agreement between the Corporation and the Securities Depository.

C. If DTC or any successor Securities Depository appointed by the Corporation determines to discontinue acting as Securities Depository for the Series 2003 Bonds and the Corporation desires to continue the book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Series 2003 Bonds, the Corporation shall appoint a successor Securities Depository for the Series 2003 Bonds. Upon acceptance by the successor Securities Depository of its appointment and its duties and responsibilities in such capacity, the Corporation shall, upon receipt from the preceding Securities Depository of a certified copy of its records of ownership of beneficial interests in the Series 2003 Bonds,

provide a copy of such records to the successor Securities Depository and cause the Trustee to authenticate and deliver exchange Series 2003 Bonds, to the successor Securities Depository, registered in the name of the nominee of such successor Securities Depository.

D. If the Corporation shall have appointed a Securities Depository with respect to the Series 2003 Bonds and if any of the events specified below shall occur, the Trustee shall authenticate and deliver, in accordance with the Indenture and this First Supplemental Indenture, to each person who appears on the records of the Securities Depository as an owner of a beneficial interest in such Series 2003 Bonds, an exchange Series 2003 Bond(s), in any authorized denomination, of the same type, maturity and interest rate and in the same aggregate principal amount as the Series 2003 Bonds beneficially owned by such person or entity, as set forth in such record:

- (a) If the Securities Depository determines not to continue to act as Securities Depository for the Series 2003 Bonds and the Corporation is unable to locate a qualified successor Securities Depository;
- (b) If the Corporation determines that the Securities Depository is incapable of properly discharging its duties as Securities Depository for the Series 2003 Bonds and is unable to locate a qualified successor Securities Depository;
- (c) If the Corporation determines that it is in the best interest of the Corporation to discontinue the book-entry system of registration of ownership of beneficial interest in the Series 2003 Bonds provided by the Securities Depository; or
- (d) If the Corporation determines that the continuance of the book-entry system of registration of ownership of beneficial interest in the Series 2003 Bonds provided by the Securities Depository might adversely affect the interests of the owners of such beneficial interest in the Series 2003 Bonds.

Upon the occurrence of any of the foregoing events, the Corporation shall provide written notice of such event to the Securities Depository.

ARTICLE III SOURCES OF PAYMENT; SPECIAL ACCOUNTS AND OTHER MATTERS RELATING TO SERIES 2003 BONDS

SECTION 301. Source of Payment for Series 2003 Bonds. The Series 2003 Bonds are payable solely from, and secured by a lien on and pledge of, the Trust Estate. The Series 2003 Bonds shall not be an obligation, either special, general, moral or otherwise, of the State, the City or any political subdivisions or entities of the State. The Owners of Series 2003 Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation or to have any claim against any property or revenues of the City or the Corporation except for

Pledged Revenues and Pledged Funds described in the Indenture. The Corporation does not have the power to levy or collect taxes.

SECTION 302. Confirmation of Funds and Establishment of Special Accounts.
Pursuant to the terms of the Indenture, the existence of the following Funds is hereby confirmed:

- A. Acquisition and Construction Fund;
- B. Debt Service Fund; and
- C. Debt Service Reserve Fund.

For the purpose of maintaining a separate accounting of amounts allocable to Series 2003 Bonds, within certain of the Funds confirmed above, the following Accounts are hereby established:

- A. Series 2003 Acquisition and Construction Account; and
- B. Series 2003 Debt Service Fund Capitalized Interest Account.

Complete books and records shall be maintained with respect to the allocable amounts attributable to such Series 2003 Bonds maintained in each such account or subaccount. In addition, in order to facilitate compliance with the covenant set forth in Article IV hereof, the Corporation reserves the right to request the Trustee to establish additional rebate accounts with respect to any or all of such accounts to account for excess arbitrage profits and interest thereon that must be accounted for or rebated to the United States of America. In establishing and maintaining the foregoing accounts, maintaining all books and records relating thereto and making disbursements therefrom, particularly to the United States of America, the Trustee and the Corporation may rely from time to time upon opinions issued by nationally-recognized bond counsel to the effect that any action by the Trustee and/or the Corporation in reliance upon any interpretation of the Code or Regulations contained in such opinions will not cause interest on the Series 2003 Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 303. Series 2003 Acquisition and Construction Account. (a) The Series 2003 Acquisition and Construction Account, including the Series 2003 Cost of Issuance Subaccount, shall be maintained by the Trustee. The Corporation shall deposit or cause to be deposited to the credit of the applicable Acquisition and Construction Account proceeds of the Series 2003 Bonds in the amount set forth in Section 305 of this Article III. Proceeds on deposit in the Acquisition and Construction Fund shall be used to pay all Costs associated with the City Project and Costs of Issuance, and shall be disbursed as provided in this Article III.

(b) Promptly after the delivery of the Series 2003 Bonds, the Trustee, at the direction of the Corporation in accordance with subsection (c) below, shall make disbursements to pay all Costs of Issuance, all as set forth in one or more Requisition Certificates. After payment of the costs described in subsection (a) above, proceeds of the Series 2003 Bonds on deposit in the Acquisition and Construction Fund shall be applied to the acquisition of the City Project and other Costs relating to same.

(c) The Trustee shall disburse amounts from the Acquisition and Construction Fund upon receipt of a Requisition Certificate, substantially in the form of Exhibit B, executed by an Authorized Representative of the Corporation. Each Requisition Certificate submitted to the Trustee shall specify the Costs to which the Requisition Certificate relates. Upon delivery of any Requisition Certificate to the Trustee, a copy of same shall be provided by the Corporation to the City.

(d) The Corporation hereby covenants to invest the proceeds held in such funds as required by the Indenture and the Texas Public Funds Investment Act. Pursuant to Section 503(4) of the Indenture, moneys in such accounts may be transferred to the Debt Service Fund for purposes of paying Debt Service or redemption premium, if any, associated with the Series 2003 Bonds.

SECTION 304. Establishment of Series 2003 Reserve Fund Requirement and Disposition of Surplus. Upon the issuance of the Series 2003 Bonds, the amount of the Reserve Fund Requirement is hereby established and stipulated to be \$1,606,770.74 ("*Series 2003 Reserve Fund Requirement*"), which is not less than the average annual Aggregate Debt Service nor more than the maximum annual Aggregate Debt Service, in accordance with the requirements of the Indenture. The Reserve Fund Requirement will be satisfied by a Reserve Fund Surety Policy provided by the Bond Insurer in the amount not less than the Reserve Fund Requirement, which shall be evidenced by a reimbursement agreement between the Corporation and the Bond Insurer. If the Reserve Fund Requirement is at any time to be satisfied, in lieu of cash, by a Reserve Fund Surety Policy or other credit instrument which is not issued by the Bond Insurer, then such credit provider is subject to the consent of the Bond Insurer based on conformance with guidelines provided by the Bond Insurer.

SECTION 305. Application of Net Proceeds. After payment of certain Costs of Issuance relating to the Bond Insurer at the closing, net proceeds of the sale of the Series 2003 Bonds shall be applied as follows:

A. To the Series 2003 Debt Service Fund Capitalized Interest Account within the Debt Service Fund, \$3,000,179.14 which represents capitalized interest for the Series 2003 Bonds, which shall be spent during the period of three years after issuance of the Series 2003 Bonds; and

B. The balance of the proceeds to the 2003 Acquisition and Construction Account to pay costs associated with the City Project.

SECTION 306. Additional Provisions Related to Debt Service Reserve Fund Surety Policy. For so long as the Bond Insurer is the provider of the Reserve Fund Surety Policy, the Trustee must provide notice to the Bond Insurer of any anticipated draws on such Reserve Fund Surety Policy at least two business days prior to the next Interest Payment Date.

ARTICLE IV
RESERVED

ARTICLE V
CONTINUING DISCLOSURE OF INFORMATION

SECTION 501. Continuing Disclosure of Information. The Corporation shall provide, or cause the City and CPS to provide, annually to each NRMSIR and any SID, within six months after the end of the City's fiscal year ending in or after September 30, 2003 and within six months after the end of CPS' fiscal year ending on or after January 1, 2004, financial information and operating data of the general type included in the final Official Statement for the Series 2003 Bonds, being the information described in Table 2 to the Official Statement and Appendix E to the Official Statement with respect to the City, and being the financing information and operating data of the general type included in Appendix D of the Official Statement under the headings "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Customer Base"; "TEN-YEAR ELECTRIC CUSTOMER STATISTICS"; FIVE-YEAR ELECTRIC AND GAS SALES BY CUSTOMER CATEGORY"; "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE"; "DESCRIPTION OF PHYSICAL PROPERTY – ELECTRIC SYSTEM – Generating Capability, and – Five-Year South Texas Project Capacity Factor"; "DESCRIPTION OF PHYSICAL PROPERTY – OTHER ELECTRIC AND GAS SYSTEMS STATISTICS." Pursuant to the Economic Development Contract, the City has covenanted provide annually to each NRMSIR and any SID, within six months after the end of its fiscal year financial information and operating data with respect to the City, including the annual audited financial statements of the City, and the unaudited financial statements of the City but only in the event audited financial statements are not completed within six months after the end of any of its fiscal years. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in the City's financial statement included as an Appendix E to the Official Statement and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Corporation shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if audited financial statements become available.

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

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

SECTION 502. Material Event Notices. The Corporation and the City shall notify any SID and either NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Series 2003 Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;

- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or event affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Series 2003 Bonds;
- H. Series 2003 Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Series 2003 Bonds; and
- K. Rating changes.

The Corporation, the City and CPS (as limited by CPS' obligations under the Continuing Disclosure Agreement between the Corporation and CPS) shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Corporation, the City or CPS to provide financial information or operating data in accordance with this Article by the time required by this Article.

SECTION 503. Limitations, Disclaimers and Amendments. The Corporation shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Corporation remains an "obligated person" with respect to the Series 2003 Bonds within the meaning of the Rule, except that the Corporation in any event will give the notice required by this Article of any Series 2003 Bond calls and defeasance that cause the Corporation to be no longer such an "obligated person."

The provisions of this Article are for the sole benefit of the Owners of the Series 2003 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2003 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE OWNER OF ANY SERIES 2003 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Article may be amended by the Corporation from time to time to adapt the 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 Corporation, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Series 2003 Bonds in the primary offering of the Series 2003 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the Outstanding Series 2003 Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and Beneficial Owners of the Series 2003 Bonds. If the Corporation so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with this Article 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. The Corporation may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Article 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 prevent an underwriter from lawfully purchasing or selling Series 2003 Bonds in the primary offering of the Series 2003 Bonds.

SECTION 504. Definitions. As used in this Article, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board.

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

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

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

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

ARTICLE VI BOND INSURANCE PROVISIONS

SECTION 601. Purpose. The purpose of this Article is to provide certain rights, remedies and assurances to Bond Insurer in consideration for its issuance of the Bond Insurance Policy.

SECTION 602. Special Provisions for Bond Insurer. In consideration for its issuance of the Bond Insurance Policy, Bond Insurer is hereby made the beneficiary of the following special provisions:

A. Notice to the Insurer. Whenever any notices are required to be given under the Indentures with respect to the Series 2003 Bonds, a copy of such notice shall be given to Bond Insurer.

B. Default and Remedies.

- (a) The Bond Insurer shall be entitled to exercise all of the rights of Owners of the Series 2003 Bonds with respect to any right or remedy set forth in Article VIII of the Indenture (relating to default and remedies).
- (b) Any acceleration of the Series 2003 Bonds or any annulment thereof shall be subject to the prior written consent of the Bond Insurer, provided that such Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy
- (c) Notwithstanding Subsection A of this Section 602, the Trustee or the Corporation must provide the Bond Insurer with: (i) immediate notice of any Event of Default consisting of the failure to pay principal or interest when due on the Series 2003 Bonds, and (ii) notice of any other Event of Default related to the Series 2003 Bonds known to the Trustee or the Corporation respectively within thirty (30) days of the Trustee’s or Corporation’s knowledge thereof.
- (d) For all purposes of Article VIII of the Indenture (relating to defaults and remedies), except any required giving of notice of default to Owners of the Series 2003 Bonds, the Bond Insurer shall be deemed to be the sole holder of the Series 2003 Bonds it has

issued, provided that the Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy.

- (e) For purposes of Article VIII of the Indenture (relating to defaults and remedies), the Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Corporation, the Trustee, or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Series 2003 Bonds or the security therefor. The Trustee or receiver shall be required to accept such notice of default from the Bond Insurer.

C. Special Provisions for Bond Insurer. To the extent permitted by the Indenture, as the same may be amended from time to time, the Bond Insurer shall be authorized to exercise the rights of the Owners of the Series 2003 Bonds that they insure with respect to consent to any amendments provided in Article XI of the Indenture, as the same may be amended from time to time, except any change in the terms of redemption, maturity or principal amount of the Series 2003 Bonds or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon. Any rating agency then rating the Series 2003 Bonds shall be given written notice of any amendments to this First Supplemental Indenture and a copy thereof at least fifteen days in advance of its execution or adoption. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

SECTION 603. Notices. Any notice that is required to be given to a holder of the Series 2003 Bond or to the Paying Agent pursuant to the Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under the Indenture shall be in writing and shall be sent by personal delivery or registered or certified mail addressed to:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: Surveillance Department

with a copy to:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: General Counsel Office

SECTION 604. Additional Notice Requirements. The Bond Insurer shall also be given notice of the following events:

- 1) Any deficiency, whether due or market fluctuations or draw, relating to the Series 2003 Debt Service Reserve Fund;

- 2) Notice of redemption, other than mandatory sinking fund redemption, of the Series 2003 Bonds, or any advance refunding of the Series 2003 Bonds, including the principal amount, maturities and CUSIP numbers;
- 3) Any material event notices described in Article V hereof;
- 4) The issuance of an additional indebtedness under the Indenture;
- 5) Other items that the Bond Insurer may reasonably request.

SECTION 605. Benefit of Article. This Article has been adopted solely for the benefit of Bond Insurer and may be modified or amended at any time with the consent of, or may be waived in whole or in part by, Bond Insurer, and may not be enforced or relied upon in any way by any owners of the Series 2003 Bonds or any other Owners.

ARTICLE VII COVENANTS AND MISCELLANEOUS PROVISIONS

SECTION 701. Notice. Subject to the requirements of Section 603, any notice, demand, direction, request, or other instrument authorized or required by this Indenture to be given to or filed with the Corporation, the Trustee, the Paying Agent, the Registrar, and the Authenticating Agent shall be deemed to have been given only upon receipt. Any notice shall be sent by personal deliver or first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the parties:

Corporation: City of San Antonio, Texas, Starbright
Industrial Development Corporation
506 Dolorosa, First Floor
San Antonio, Texas 78205
Attention: Milo Nitschke, Treasurer

Trustee: Wells Fargo Bank Texas, N.A.
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Attention: Kathy Wagner

SECTION 702. Defeasance of Series 2003 Bonds. The Series 2003 Bonds may be defeased in the manner provided in the Indenture; provided, however, that no Investment Security or Investment Securities may be utilized to accomplish a defeasance of the Series 2003 Bonds unless the use of such security or securities for such purposes is permitted by applicable law in effect at the time of such defeasance. Notwithstanding anything herein to the contrary, in the event that the principal, premium, if any, and interest due on the Series 2003 Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Series 2003 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not considered paid by the Corporation, and the pledge of the Pledged Revenues and Pledged Funds to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the Owners.

SECTION 703. Unclaimed Funds. Any money held by any Fiduciary in trust for the payment and discharge of any of the Series 2003 Bonds shall be treated and handled in the manner provided in the Indenture; unless it is determined that any of such money is unclaimed property subject to Title 6 of the Texas Property Code, and then such money in question shall be treated as property subject to such Code.

SECTION 704. Execution in Several Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this First Supplemental Indenture to be signed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.

**CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION**

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

**WELLS FARGO BANK TEXAS, N.A.,
as Trustee**

By: _____
Title _____

EXHIBIT A
FORM OF BOND

EXHIBIT A

The form of the Series 2003 Bonds, including the form of the Trustee's Authentication Certificate, the Form of Assignment, and the form of the Comptroller's Registration Certificate for the Series 2003 Bonds to be initially issued, shall be substantially as follows, with such additions, deletions and variations, as may be necessary or desirable and not prohibited by this First Supplemental Indenture, including any legend regarding bond insurance if such insurance is obtained by the Underwriter:

- (a) Form of Series 2003 Bond

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

NUMBER				DENOMINATION
R-				\$
REGISTERED				REGISTERED
<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>		<u>CUSIP:</u>

Registered Owner:

Principal Amount: Dollars

CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION, an industrial development corporation existing under Article 5190.6, Vernon Texas Civil Statutes (herein the "Corporation"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, unless redeemed prior thereto as provided in this bond, upon presentation and surrender of this bond at the designated corporate trust office of Wells Fargo Bank Texas, N.A., as Trustee under the hereinafter described Indentures, the Principal Amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) in lawful money of the United States of America, without charge for Trustee services, and to pay at the Interest Rate per annum identified above on each August 15 and February 15, commencing August 15, 2003 (each an "Interest Payment Date"), interest on the unpaid principal balance of this bond from the date of series indicated above or the most recent Interest Payment Date to which interest has been paid

or duly provided for, calculated on the basis of a 360-day year composed of twelve 30 day months, until the maturity or redemption date of this bond, or until the Corporation's obligation with respect to the payment of this bond has been satisfied. All interest on this bond shall be payable by check or draft mailed by the Trustee to the Registered Owner of this bond at its address as it appears on the registration books required to be maintained for the bonds of this series by the Trustee, or in such other manner as may be mutually acceptable to the Trustee and the Owner of this bond. Interest on this bond payable on any Interest Payment Date shall be paid to the Registered Owner of this bond as of the last business day of the calendar month immediately prior to the Interest Payment Date (the "*Record Date*").

THIS BOND IS ONE OF A SERIES OF BONDS designated "City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)" (the "*Series 2003 Bonds*" or "*Bonds*") issued in the aggregate principal amount of \$24,685,000. The Series 2003 Bonds pay interest on each Interest Payment Date until maturity or prior redemption.

THE SERIES 2003 BONDS ARE ISSUED under and pursuant to an Indenture of Trust dated June 1, 2003 (the "*Indenture*"), between the Corporation and Wells Fargo Bank Texas, N.A., as trustee (together with any successor, the "*Trustee*"), and a First Supplemental Indenture of Trust dated June 1, 2003, between the Corporation and the Trustee (the "*First Supplemental Indenture*" and together with the Indenture called the "*Indentures*") Article 5190.6, Vernon's Texas civil Statutes, Chapter 1201, et seq. Texas Government Code, as amended, to provide for the construction and acquisition of the City Project, and to pay the Costs of Issuance of the Series 2003 Bonds.

THIS BOND SHALL NOT BE VALID OR OBLIGATORY for any purpose or be entitled to any benefit of the Indentures unless this bond is registered by the Comptroller of Public Accounts of the State of Texas or is authenticated by the Trustee by due execution and dating of the authentication certificate endorsed hereon.

THE SERIES 2003 BONDS ARE PAYABLE FROM AND SECURED BY a lien on and pledge of the Trust Estate as defined in the Indenture. Owners of the Bonds shall never have the right to demand payment of the Bonds or interest thereon out of any funds raised or to be raised by taxation or to have any claim against any property or revenues of the City or the Corporation except for the Pledged Revenues and Pledged Funds described in the Indenture. The Bonds do not constitute an obligation, either special, general or moral of the City or any political subdivisions or entities of the State. The Corporation does not have the power to levy or collect taxes.

NEITHER THE STATE, THE CITY, BEXAR COUNTY, TEXAS, NOR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND THAT NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON SUCH BONDS.

THE INDENTURE ALSO PERMITS THE CORPORATION TO ISSUE OR INCUR Credit Agreements as defined in the Indenture, which is and may be secured by a lien on and pledge of the Trust Estate.

REFERENCE IS HEREBY MADE TO THE INDENTURE, a copy of which are filed with the Trustee, for the full provisions thereof (including, among others, those with respect to the nature and extent of the rights, duties and obligations of the Corporation, the Trustee and the Owners of the Series 2003 Bonds, the rights of the Corporation to issue other bonds, notes and obligations, the terms upon which the Series 2003 Bonds are issued and secured and the modification or amendment of the Indentures), to all of which the Owners of the Series 2003 Bonds assent by the acceptance of the Series 2003 Bonds.

ON AUGUST 15, 2013, OR ON ANY DATE THEREAFTER, the Corporation shall have the option of calling the Series 2003 Bonds maturing in the year 2014 and thereafter for redemption prior to maturity, in whole or in part in integral multiples of \$5,000 (but if less than all the Series 2003 Bonds of a single maturity are to be redeemed, those to be redeemed shall be selected by the Trustee by lot), for an amount equal to the principal amount redeemed plus accrued interest thereon to the date fixed for redemption.

THE SERIES 2003 BONDS ISSUED AS A TERM BOND maturing in the year 2033 is subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates (each a “Mandatory Redemption Date”), at a price equal to the principal amount redeemed plus accrued interest to the Mandatory Redemption Date, subject to the conditions set forth below:

\$12,755,000 TERM BOND MATURING IN 2033

<u>Mandatory Redemption Date (August 15)</u>	<u>Mandatory Redemption Amount</u>
2024	\$1,010,000
2025	1,060,000
2026	1,115,000
2027	1,170,000
2028	1,230,000
2029	1,295,000
2030	1,360,000
2031	1,430,000
2032	1,505,000
2033	1,580,000

ON OR BEFORE 30 days prior to each Mandatory Redemption Date set forth above, the Trustee shall (i) determine the principal amount of such Series 2003 Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Series 2003 Bonds or portions of Series 2003 Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give

ARTICLE VII
PARTICULAR COVENANTS OF THE CORPORATION

The Corporation represents, covenants and agrees with the Owners of all Bonds and other Obligations as follows:

Section 701. Payment. The Corporation shall duly and punctually pay or cause to be paid, but solely from the Pledged Revenues and Pledged Funds, the principal or redemption price of every Bond and Note and the interest thereon and all other amounts due under Obligations, at the dates and places and in the manner, provided, therein, according to the true intent and meaning thereof.

Section 702. Maintenance of Office or Agency. The Corporation will maintain, for each Series of Bonds, and in the manner provided in each Supplemental Indenture, one or more offices or agencies where Bonds may be presented or surrendered for payment, where Bonds may be surrendered for registration of transfer and for exchange for other Bonds, and where notices and demands to or upon the Corporation in respect of the Bonds and this Indenture may be served. Such offices or agencies may be located at any corporate trust office or designated payment office of the Trustee, Registrar or designated payment office of the Paying Agent and/or at such other institutions in such other cities as may be provided in any Supplemental Indenture.

The Corporation will cause each such office or agency to give prompt written notice to the Trustee, any Registrar or Paying Agent of its location, and of any change in its location. If at any time the Corporation shall fail to maintain any office or agency required to be maintained pursuant to this Section, or shall fail to furnish the Trustee, any Registrar or Paying Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the corporate trust office or designated payment office of the Trustee, any Registrar or Paying Agent, and the Corporation hereby appoints the Trustee, any Registrar or Paying Agent its agent to receive all such presentations, surrenders, notices and demands.

Section 703. Money for Payments to be Held for Benefit of Owners of Bonds. When the Corporation shall have one or more Paying Agents, it will, prior to each payment date of the principal and redemption price, or interest on, any Bonds, deposit with or cause to be made available to each Paying Agent from Pledged Revenues a sum sufficient to pay the principal and redemption price, or interest, so becoming due, such sum to be held in trust for the benefit of the Owners of the Bonds entitled to such principal, redemption price or interest.

The Corporation may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or direct any Paying Agent to pay, to the Trustee all sums held in trust by the Corporation or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Corporation or such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Section 704. Power to Adopt Indenture, Issue Bonds and other Obligations, and Pledge the Pledged Revenues. The Corporation is duly authorized under all applicable laws to create and issue the Bonds, to incur Obligations, to adopt this Indenture, and to pledge the Pledged Revenues and Pledged Funds purported to be pledged by this Indenture in the manner and to the

extent provided in this Indenture and no other authorization or consent is required therefor. The Pledged Revenues and Pledged Funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto except the pledge granted by this Indenture to the extent provided in this Indenture and all corporate and other action on the part of the Corporation to that end has been and will be duly and validly taken. This Indenture has been duly and lawfully adopted by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms. The Bonds and other Obligations and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Indenture subject only to the laws relating to bankruptcy, creditors' rights and principles of equity. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect its title to the Pledged Revenues and Pledged Funds, the pledge of the Pledged Revenues and Pledged Funds under this Indenture and all the rights of the Owners of Bonds and other Obligations under this Indenture against all claims and demands of all persons whomsoever.

Section 705. Maintenance of Economic Development Contract. So long as the Bonds or Obligations remain Outstanding and unpaid, either as to principal or interest, the Corporation will maintain the Economic Development Contract in full force and effect and will use reasonable diligence to require the City to perform and discharge each and all of the duties and obligations imposed upon the City by the Economic Development Contract. If the City fails to make Pledged Contract Payments as required by the Economic Development Contract and if it should appear that enforcement of the Economic Development Contract has become ineffective or will be ineffective to the extent that a default in payment of principal or interest on the Bonds or Obligations occurs or is threatened, the Corporation will take all necessary action to preserve and protect the rights of the Owners of the Bonds and Obligations and to assure payment of the principal and redemption price of the Bonds and Obligations and the interest thereon.

Section 706. Reserved.

Section 707. Accounts and Reports.

(1) The Corporation shall keep proper books of records and accounts in which complete and correct entries shall be made of its transactions in accordance with Generally Accepted Accounting Principles. The Funds and Accounts established by this Indenture, such books, and all other books and papers of the Corporation, shall, to the extent permitted by law, at all times be subject to the inspection of the Owners of an aggregate of not less than 5% in principal amount of the Outstanding Bonds or their representatives duly authorized in writing. The Corporation will permit such Owners of Bonds, and their agents, auditors, attorneys and counsel, at all reasonable times, to take copies and extracts from the books of record and account, all as may be reasonably necessary for the purpose of determining performance or observance by the Corporation of the covenants, conditions and obligations contained in this Indenture.

(2) The Corporation reserves the right to create accounts and subaccounts within any Fund or Account created by this Indenture or any Supplemental Indenture when in the judgment of the Corporation the creation of such accounts or subaccounts will enable the Corporation to better administer City Project or regulate investments or limit returns on such investments. The

notice of such redemption as provided below. The principal amount of any Series 2003 Bonds to be mandatorily redeemed on a Mandatory Redemption Date shall be reduced by the principal amount of such Series 2003 Bonds which, by the 45th day prior to such Mandatory Redemption Date, either have been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Corporation to the Trustee or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence. In addition, if in the exercise of its right of optional redemption, the Corporation has redeemed part but not all of the Series 2003 Bonds of a particular maturity, the principal amount to be mandatorily redeemed on the next mandatory redemption date or dates following the date of such optional redemption shall be reduced by the principal amount optionally redeemed and which has not previously been made the basis for a reduction under this sentence.

THE SERIES 2003 BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Series 2003 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2003 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2003 Bonds for redemption, the Trustee shall treat each Series 2003 Bond as representing that number of Series 2003 Bonds of \$5,000 denomination which is obtained by dividing the principal or maturity amount of such Series 2003 Bond by \$5,000. Upon surrender of any Series 2003 Bond for redemption in part, the Trustee, in accordance with the provisions of the Indentures, shall authenticate and deliver in exchange therefor a Series 2003 Bond or Series 2003 Bonds of like maturity and interest rate in an aggregate principal or maturity amount equal to the unredeemed portion of the Series 2003 Bond so surrendered.

NOTICE OF ANY REDEMPTION identifying the Series 2003 Bonds to be redeemed in whole or in part shall be given by the Trustee at least 30 days prior to the date fixed for redemption by sending written notice by United States mail, first class postage paid, to the registered owner of each Series 2003 Bond to be redeemed in whole or in part at the address shown on the Register. The notice shall also be given by the Trustee at least 30 days prior to the date fixed for redemption by United States certified mail, return receipt requested, to each registered securities depository. Such notice shall identify the Series 2003 Bonds or portions thereof to be redeemed by stating the CUSIP number, certificate number, date of issuance, interest rate and maturity date of such Series 2003 Bonds or portions thereof to be redeemed, and shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, and the place at which Series 2003 Bonds are to be surrendered for payment. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. By the date fixed for redemption, due provision shall be made with the Trustee for the payment of the redemption price of the Series 2003 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Series 2003 Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Series 2003 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on any Series 2003 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

THIS BOND IS TRANSFERABLE, as provided in the Indentures, only upon the books of registration of the Corporation kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by the Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney, and, upon payment of any tax or governmental charges required to be paid with respect to such transfer or exchange, a new bond or bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indentures. The Trustee is required to accept any bond for transfer or exchange during a period of 15 days preceding the selection of bonds for redemption or after this bond has been called for redemption. The Corporation and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this bond and the Series 2003 Bonds is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of this bond and of the Series 2003 Bonds have been properly done, have happened and have been performed in regular and due time, form and manner, as required by law; the Corporation has granted a lien on and pledge of the Trust Estate to the Series 2003 Bonds as provided in the Indenture.

IN WITNESS WHEREOF, the Corporation has caused this bond to be signed by the President attested by the Secretary by their manual or facsimile signatures.

**CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION**

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(b) Form of Authentication Certificate

AUTHENTICATION CERTIFICATE

This bond is one of the bonds referred to in the within mentioned Indentures; and that, except as to the bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WELLS FARGO BANK TEXAS, N.A.,
as Trustee

By: _____
Authorized Signature

(c) Form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas which is to be Affixed to each of the Initially Issued Series 2003 Bonds

CERTIFICATE OF REGISTRATION OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE, _____, 2003.

Comptroller of Public Accounts
of the State of Texas

(d) Form of Assignment to be Printed on Each of the Series 2003 Bonds

ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner of this bond, or duly authorized representative or attorney thereto, hereby assigns this bond to

/ _____
(Assignee's social security or taxpayer
identification number)

/ _____
(print or typewrite Assignee's name and
address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this bond on the Register, with full power of substitution in the premises.

DATED: _____

Registered Owner

NOTICE: The signature must correspond with the name of the Registered Owner appearing on the face of this bond.

Signature Guaranteed:

NOTICE: This signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. rule 17A-15.

- (e) Form of Bond Insurance.

LEGEND

Financial Guaranty Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this Series 2003 Bond has been issued by Ambac Assurance Corporation ("Bond Insurer"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Series 2003 Bond acknowledges and consents to the subrogation rights of Bond Insurer as more fully set forth in the policy.

(f) The initial Bond shall be in the form set forth in paragraphs (a), (c), (d) and (e) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(ii) in the first paragraph of the Series 2003 Bond, the words "on the Maturity Date specified above" and "at the Interest Rate per annum identified above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on August 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

<u>Maturity</u> (August 15)	<u>Principal Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
	\$	%

- (iii) the initial Bond shall be numbered I-1.
- (iv) the initial Bond shall be registered in the name of the Underwriter.

EXHIBIT B
FORM OF REQUISITION

EXHIBIT B
ACQUISITION AND CONSTRUCTION FUND
CERTIFICATE AND REQUISITION

Capitalized terms used herein but not defined are to be defined as in the Indenture or the First Supplemental Indenture of Trust.

Date: _____

Requisition No. _____

Wells Fargo Bank Texas, N.A.,
as trustee
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Attention: Kathy Wagner

Re: City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable)(Starbright Project)

To the Addressee:

This is a requisition in the total amount of \$ _____ with respect to the captioned financing. The names of the persons, firms or corporations to whom payment is due, a brief description of the services performed and/or materials provided by each and the amount due each are listed as follows:

(a) Payment is due to the following persons, firms, or corporations set forth below in the amounts set forth below:

<u>Person, Firm, or Corporation and Address</u>	<u>Description of Services Performed/Materials Provided</u>	<u>Amount</u>	<u>Method of Payment</u>
---	---	---------------	--------------------------

(b) There exists no Event of Default, or event, omission, or failure of condition which would constitute such an Event of Default after notice or lapse of time, or both.

(c) In connection with the aforementioned requisition, the undersigned Corporation representative hereby certifies as follows:

(1) There has been received no written notice of any lien, right to lien or attachment upon, or claim affecting the right of any payee to receive payment of, any of the moneys payable under such requisition to any of the persons, firms, or corporation named therein.

(2) This requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate.

(3) The moneys requested hereby shall be used solely to pay the Costs of the Project and do not violate any provisions of the Indenture or the Act.

(4) No Event of Default under the Indenture or event which after notice or lapse of time or both would constitute an Event of Default under the Indenture has occurred and not been waived or cured.

(5) The Corporation has complied with all conditions precedent to a disbursement as required by Section 303 of the First Supplemental Indenture.

(h) _____ (Check for last requisition) This requisition is the final requisition from the Acquisition and Construction Fund.

Dated _____.

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT C
PERMITTED INVESTMENTS OF BOND INSURER

EXHIBIT B

FORM OF FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE OF TRUST

BETWEEN

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION

and

WELLS FARGO BANK TEXAS, N.A.,
as Trustee

AUTHORIZING

\$24,685,000 CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

Dated as of June 1, 2003

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FIRST SUPPLEMENTAL INDENTURE OF TRUST

AUTHORIZING

\$24,685,000 CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST, dated as of June 1, 2003 (the "*First Supplemental Indenture*"), is made by and between **CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION** (the "*Corporation*"), a public nonprofit local government corporation, and **WELLS FARGO BANK TEXAS, N.A.**, in its capacity as trustee (together with any successor trustee hereunder, the "*Trustee*"), a national banking association.

WITNESSETH:

WHEREAS, pursuant to Act (as defined herein), the Corporation was created by the City of San Antonio, Texas as an industrial development corporation for the purpose of aiding and assisting the City in fulfilling its obligations under the Project Starbright Agreement by and among the Toyota Motor Manufacturing North America, Inc., a Kentucky corporation ("Toyota"), the State of Texas, the City of San Antonio, Texas, the Corporation and various other political subdivisions of the State of Texas (the "Starbright Agreement"); and

WHEREAS, pursuant to the laws of the State of Texas, including particularly the Act (as defined in the Indenture), the Corporation is authorized and has the power to issue, sell, and deliver revenue bonds, for and on behalf of the Corporation, for the purpose, among others, of financing the construction of the City Project (as defined in the Indenture); and

WHEREAS, the Corporation has entered into an Economic Development Contract (as defined in the Indenture) by and between the City and the Corporation pursuant to which the Corporation is to provide for the financing for the City Project; and

WHEREAS, in order to secure the Bonds and Obligations and pay Expenses (each as defined in the Indenture), the Corporation has determined to enter into an Indenture of Trust, as supplemented with the Trustee for the purpose of assigning and pledging to the Trustee the Pledged Revenues (as defined in the Indenture).

WHEREAS, the Corporation has determined to issue the Series 2003 Bonds (as defined herein) under said Indenture of Trust and this First Supplemental Indenture to pay for the Costs of the City Project, including amounts necessary to provide for capitalized interest on the Series 2003 Bonds, to fund the Debt Service Reserve Fund in an amount not less than Reserve Fund Requirement and to pay Costs of Issuance;

WHEREAS, the Corporation desires to enter into this First Supplemental Indenture for such purposes; and

WHEREAS, the Corporation also desires to define certain terms relating to the Series 2003 Bonds to be issued; and

WHEREAS, the Corporation in connection with the delivery of the Series 2003 Bonds has purchased municipal bond insurance and in order to induce the bond insurer to insure the Series 2003 Bonds, the Corporation has agreed to certain covenants for the benefit of the bond insurer as hereinafter provided in this First Supplemental Indenture; and

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Series 2003 Bonds by the owners thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective owners from time to time of the Series 2003 Bonds, as follows:

ARTICLE I
DEFINITIONS AND STATUTORY AUTHORITY

SECTION 101. Authority. This First Supplemental Indenture is supplemental to, and is adopted in accordance with Articles III and IX of the Indenture.

SECTION 102. Definitions.

A. Except as provided in subsection B of this Section, all defined terms contained in the Indenture shall have the same meanings in this First Supplemental Indenture as such defined terms are given in Section 101 of the Indenture, unless the context shall otherwise require.

B. As used in this First Supplemental Indenture, the following terms shall have the following respective meanings but only for the purposes of the Series 2003 Bonds and this First Supplemental Indenture.

“Bond Insurer” shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company or any successor thereto.

“Credit Agreement” shall have the meaning as set forth in the Indenture, and specifically with respect to the Series 2003 Bonds, shall mean the surety bond issued by the Bond Insurer guaranteeing certain payments into the Debt Service Reserve Fund.

“Date of Delivery” shall mean June 26, 2003.

“Dated Date” shall mean June 1, 2003.

“Financial Guaranty Insurance Policy” shall mean the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of principal of and interest on the Series 2003 Bonds.

“First Supplemental Indenture” shall mean this First Supplemental Indenture of Trust, dated as of June 1, 2003 authorizing the Series 2003 Bonds.

“Indenture” shall mean the Indenture of Trust, dated as of June 1, 2003, between the Corporation and the Trustee, as from time to time supplemented and amended, including by this First Supplemental Indenture.

“Interest Payment Date” shall mean August 15 or February 15 of each year as applicable commencing August 15, 2003.

“Investment Security” or “Investment Securities” shall have the meaning set forth in the Indenture, and, with respect to the Series 2003 Bonds, securities permitted by the Bond Insurer as set forth in Exhibit C to this Supplemental Indenture.

“Issuance Date” shall mean the date of delivery of the Series 2003 Bonds to the initial purchaser or purchasers thereof against payment therefor.

“Series 2003 Bonds” shall mean the Bonds authorized by this First Supplemental Indenture in the aggregate principal amount of \$24,685,000 and designated City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project).

“Underwriters” shall mean Siebert Brandford Shank & Co., LLC, as representative of the Underwriters designated in the bond purchase agreement relating to the Series 2003 Bonds.

C. Articles and sections referred to by number shall mean the articles and sections of this First Supplemental Indenture.

SECTION 103. Interpretations. All terms defined herein and all pronouns used in this First Supplemental Indenture shall be deemed to apply equally to the singular and plural and to all genders. The headings of the Sections in this First Supplemental Indenture have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This First Supplemental Indenture and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Series 2003 Bonds and the validity of the pledge and assignment of the Trust Estate to the Trustee to secure the payment of the Series 2003 Bonds.

ARTICLE II
AUTHORIZATION AND TERMS OF SERIES 2003 BONDS

SECTION 201. Authorization, Principal Amount, Designation and Series. There is hereby authorized to be issued and shall be issued under and secured by the Indenture a Series of Bonds to be designated “City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)” in the aggregate principal amount of \$24,685,000.

SECTION 202. Purposes. The Series 2003 Bonds are being issued to be applied, together with other lawfully available funds, to pay for Costs of the City Project, to provide for capitalized interest relating to the Series 2003 Bonds, to fund Debt Service Reserve Fund in an amount not less than the Reserve Fund Requirement and to pay Costs of Issuance.

SECTION 203. Initial Bond, Numbers, Date and Denomination of the Series 2003 Bonds. The Series 2003 Bonds shall initially be issued in the principal amounts, and bearing interest at the rates set forth below, as more fully described in Exhibit A attached hereto. The Series 2003 Bonds shall mature, subject to prior redemption in accordance with this First Supplemental Indenture, on August 15 in each of the years and in the amounts set out in the following schedule. The initial Bond shall be numbered I-1 and all other Bonds shall be numbered in sequence beginning with R-1. The Bonds shall be dated as of the Date of Delivery except for the Initial Bond, which shall be dated the Dated Date. Bonds delivered on transfer of or in exchange for other Series 2003 Bonds shall be numbered in the order of their authentication by the Trustee, shall be in the denomination of \$5,000 or integral multiples thereof, and shall mature on the same date and bear interest at the same rate as the Series 2003 Bond or Series 2003 Bonds in lieu of which they are delivered.

SECTION 204. Interest Payment Dates, Interest Rates and Maturity of the Series 2003 Bonds. The Bonds shall be issued, shall bear interest from the Date of Delivery at the rate or rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months and payable each Interest Payment Date until maturity or prior redemption, and shall mature and become payable on the dates and in the respective principal amounts as set forth below.

<u>Maturity (August 15)</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>	<u>Maturity (August 15)</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
2007	\$ 525,000	2.180%	2011	\$ 585,000	3.560%
2008	535,000	2.570	2012	605,000	3.770
2009	550,000	2.980	2013	625,000	3.910
2010	565,000	3.290	2014	650,000	4.010
2015	\$ 675,000	4.110%	2020	\$ 840,000	4.660%
2016	705,000	4.260	2021	880,000	4.710
2017	735,000	4.410	2022	920,000	4.760
2018	770,000	4.510	2023	965,000	4.750
2019	800,000	4.610	2033	12,755,000	5.110

SECTION 205. Manner of Payment of Series 2003 Bonds. Interest on the Series 2003 Bonds shall be paid as provided in the form of Series 2003 Bonds attached as Exhibit A hereto.

SECTION 206. Form of Series 2003 Bonds, Comptroller's Registration Certificate and Trustee's Authentication Certificate. Subject to the provisions of the Indenture and this First Supplemental Indenture, the form of the Series 2003 Bonds, the authentication certificate (which shall be affixed to Series 2003 Bonds other than the initial Bond), and the registration certificate of the Comptroller of Public Accounts of the State of Texas (which shall be affixed to the initial Series 2003 Bonds only), and other matters to be printed on the Series 2003 Bonds shall be as shown on Exhibit A.

The approving legal opinion of co-bond counsel may be printed on the Series 2003 Bonds over the certification of the Trustee, which may be executed in facsimile. CUSIP numbers and any Bond Insurance legend also may be printed on the Series 2003 Bonds. However, errors or omissions in the printing of the opinion or the CUSIP numbers shall have no effect on the validity of the Series 2003 Bonds.

On the Issuance Date, the initial Bond, being a single bond representing the entire principal amount of the Series 2003 Bonds, payable in stated installments to the Underwriter or their designee, executed by manual or facsimile signature of the President and Secretary of the Board, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, shall be delivered to the Underwriter or their designee. Upon payment for the initial Bond, the Trustee shall cancel the initial Bond and deliver Series 2003 Bonds to DTC in accordance with Section 210 hereof.

SECTION 207. Provision For Issuance of Series 2003 Bonds. The Series 2003 Bonds shall be executed by the Corporation and, except for the initial bonds which shall be registered by the Comptroller of Public Accounts of the State of Texas, shall be delivered to the Trustee. Thereupon, the Series 2003 Bonds (except the initial bonds registered by the Comptroller of Public Accounts of the State of Texas) shall be authenticated by the Trustee and delivered to the Underwriter or upon its order, but only upon receipt by the Trustee of the documents required under the Indenture. After issuance and authentication of such Series 2003 Bonds, all subsequent Series 2003 Bonds issued in exchange therefor shall be authenticated and delivered by and at the designated corporate trust office of the Trustee.

SECTION 208. Optional and Mandatory Redemption Prior to Maturity. The Series 2003 Bonds are subject to redemption prior to maturity as set forth in the form Series 2003 Bonds in Exhibit A.

SECTION 209. Appointment of Trustee as Paying Agent/Registrar. The Trustee is hereby appointed as the paying agent/registrar for the Series 2003 Bonds, and shall maintain books of registration for the Series 2003 Bonds in the State of Texas at the Paying Agent/Registrar's office, a copy which shall be kept by the current by the Trustee.

SECTION 210. Book Entry Only System.

A. There may be appointed a qualified financial institution to be a clearing agency and securities depository for the Series 2003 Bonds (the "*Securities Depository*") in accordance with the provisions of this Section. Any Securities Depository will accept and hold the Series 2003 Bonds as the registered Owner thereof and will maintain a book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Series 2003 Bonds. Any Securities Depository so appointed shall be qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended, capable of properly discharging its duties in such capacity and acceptable to the Trustee and the Corporation.

B. Pursuant to the Corporation's approval of the Blanket Letter of Representation, The Depository Trust Company, New York, New York ("*DTC*") is hereby appointed to act as the initial Securities Depository for the Series 2003 Bonds. The Underwriter, or the Corporation on behalf of the Underwriter, shall register the Series 2003 Bonds in the name of the nominee of the initial Securities Depository, initially Cede & Co., and deposit the Series 2003 Bond with the initial Securities Depository in the form of a single initial fully registered Series 2003 Bond for each maturity.

With respect to Series 2003 Bonds registered in the name of the Securities Depository or its nominee, the Corporation and the Trustee shall be entitled to treat the person in whose name any Series 2003 Bond is registered in the Register as the absolute owner of such Series 2003 Bond for all purposes, and neither the Corporation nor the Trustee shall have any responsibility or obligation to any person who holds a beneficial interest in the Series 2003 Bonds. Without limiting the immediately preceding sentence, neither the Corporation nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository, its nominee, or any other person with respect to any ownership interest in the Series 2003 Bonds, (ii) the delivery to any person, other than an Owner as shown on the Register, of any notice with respect to the Series 2003 Bonds, or (iii) the payment to any person, other than an Owner as shown in the Register, of any amount with respect to the principal of or interest on the Series 2003 Bonds.

Notwithstanding any other provision of the Indenture or this First Supplemental Indenture to the contrary, so long as DTC or a successor Securities Depository is acting in such capacity with respect to the Series 2003 Bonds, all payments of principal of and interest on the Series 2003 Bonds, and all notices with respect to such Series 2003 Bonds, shall be made and given, respectively, in accordance with the written agreement between the Corporation and the Securities Depository.

C. If DTC or any successor Securities Depository appointed by the Corporation determines to discontinue acting as Securities Depository for the Series 2003 Bonds and the Corporation desires to continue the book-entry-only system of recording the ownership and transfer of ownership of beneficial interests in the Series 2003 Bonds, the Corporation shall appoint a successor Securities Depository for the Series 2003 Bonds. Upon acceptance by the successor Securities Depository of its appointment and its duties and responsibilities in such capacity, the Corporation shall, upon receipt from the preceding Securities Depository of a certified copy of its records of ownership of beneficial interests in the Series 2003 Bonds,

provide a copy of such records to the successor Securities Depository and cause the Trustee to authenticate and deliver exchange Series 2003 Bonds, to the successor Securities Depository, registered in the name of the nominee of such successor Securities Depository.

D. If the Corporation shall have appointed a Securities Depository with respect to the Series 2003 Bonds and if any of the events specified below shall occur, the Trustee shall authenticate and deliver, in accordance with the Indenture and this First Supplemental Indenture, to each person who appears on the records of the Securities Depository as an owner of a beneficial interest in such Series 2003 Bonds, an exchange Series 2003 Bond(s), in any authorized denomination, of the same type, maturity and interest rate and in the same aggregate principal amount as the Series 2003 Bonds beneficially owned by such person or entity, as set forth in such record:

- (a) If the Securities Depository determines not to continue to act as Securities Depository for the Series 2003 Bonds and the Corporation is unable to locate a qualified successor Securities Depository;
- (b) If the Corporation determines that the Securities Depository is incapable of properly discharging its duties as Securities Depository for the Series 2003 Bonds and is unable to locate a qualified successor Securities Depository;
- (c) If the Corporation determines that it is in the best interest of the Corporation to discontinue the book-entry system of registration of ownership of beneficial interest in the Series 2003 Bonds provided by the Securities Depository; or
- (d) If the Corporation determines that the continuance of the book-entry system of registration of ownership of beneficial interest in the Series 2003 Bonds provided by the Securities Depository might adversely affect the interests of the owners of such beneficial interest in the Series 2003 Bonds.

Upon the occurrence of any of the foregoing events, the Corporation shall provide written notice of such event to the Securities Depository.

ARTICLE III SOURCES OF PAYMENT; SPECIAL ACCOUNTS AND OTHER MATTERS RELATING TO SERIES 2003 BONDS

SECTION 301. Source of Payment for Series 2003 Bonds. The Series 2003 Bonds are payable solely from, and secured by a lien on and pledge of, the Trust Estate. The Series 2003 Bonds shall not be an obligation, either special, general, moral or otherwise, of the State, the City or any political subdivisions or entities of the State. The Owners of Series 2003 Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation or to have any claim against any property or revenues of the City or the Corporation except for

Pledged Revenues and Pledged Funds described in the Indenture. The Corporation does not have the power to levy or collect taxes.

SECTION 302. Confirmation of Funds and Establishment of Special Accounts.

Pursuant to the terms of the Indenture, the existence of the following Funds is hereby confirmed:

- A. Acquisition and Construction Fund;
- B. Debt Service Fund; and
- C. Debt Service Reserve Fund.

For the purpose of maintaining a separate accounting of amounts allocable to Series 2003 Bonds, within certain of the Funds confirmed above, the following Accounts are hereby established:

- A. Series 2003 Acquisition and Construction Account; and
- B. Series 2003 Debt Service Fund Capitalized Interest Account.

Complete books and records shall be maintained with respect to the allocable amounts attributable to such Series 2003 Bonds maintained in each such account or subaccount. In addition, in order to facilitate compliance with the covenant set forth in Article IV hereof, the Corporation reserves the right to request the Trustee to establish additional rebate accounts with respect to any or all of such accounts to account for excess arbitrage profits and interest thereon that must be accounted for or rebated to the United States of America. In establishing and maintaining the foregoing accounts, maintaining all books and records relating thereto and making disbursements therefrom, particularly to the United States of America, the Trustee and the Corporation may rely from time to time upon opinions issued by nationally-recognized bond counsel to the effect that any action by the Trustee and/or the Corporation in reliance upon any interpretation of the Code or Regulations contained in such opinions will not cause interest on the Series 2003 Bonds to be includable in gross income for federal income tax purposes under existing law.

SECTION 303. Series 2003 Acquisition and Construction Account.

(a) The Series 2003 Acquisition and Construction Account, including the Series 2003 Cost of Issuance Subaccount, shall be maintained by the Trustee. The Corporation shall deposit or cause to be deposited to the credit of the applicable Acquisition and Construction Account proceeds of the Series 2003 Bonds in the amount set forth in Section 305 of this Article III. Proceeds on deposit in the Acquisition and Construction Fund shall be used to pay all Costs associated with the City Project and Costs of Issuance, and shall be disbursed as provided in this Article III.

(b) Promptly after the delivery of the Series 2003 Bonds, the Trustee, at the direction of the Corporation in accordance with subsection (c) below, shall make disbursements to pay all Costs of Issuance, all as set forth in one or more Requisition Certificates. After payment of the costs described in subsection (a) above, proceeds of the Series 2003 Bonds on deposit in the Acquisition and Construction Fund shall be applied to the acquisition of the City Project and other Costs relating to same.

(c) The Trustee shall disburse amounts from the Acquisition and Construction Fund upon receipt of a Requisition Certificate, substantially in the form of Exhibit B, executed by an Authorized Representative of the Corporation. Each Requisition Certificate submitted to the Trustee shall specify the Costs to which the Requisition Certificate relates. Upon delivery of any Requisition Certificate to the Trustee, a copy of same shall be provided by the Corporation to the City.

(d) The Corporation hereby covenants to invest the proceeds held in such funds as required by the Indenture and the Texas Public Funds Investment Act. Pursuant to Section 503(4) of the Indenture, moneys in such accounts may be transferred to the Debt Service Fund for purposes of paying Debt Service or redemption premium, if any, associated with the Series 2003 Bonds.

SECTION 304. Establishment of Series 2003 Reserve Fund Requirement and Disposition of Surplus. Upon the issuance of the Series 2003 Bonds, the amount of the Reserve Fund Requirement is hereby established and stipulated to be \$1,561,994.25 ("*Series 2003 Reserve Fund Requirement*"), which is not less than the average annual Aggregate Debt Service nor more than the maximum annual Aggregate Debt Service, in accordance with the requirements of the Indenture. The Reserve Fund Requirement will be satisfied by a Reserve Fund Surety Policy provided by the Bond Insurer in the amount not less than the Reserve Fund Requirement, which shall be evidenced by a reimbursement agreement between the Corporation and the Bond Insurer. If the Reserve Fund Requirement is at any time to be satisfied, in lieu of cash, by a Reserve Fund Surety Policy or other credit instrument which is not issued by the Bond Insurer, then such credit provider is subject to the consent of the Bond Insurer based on conformance with guidelines provided by the Bond Insurer.

SECTION 305. Application of Net Proceeds. After payment of certain Costs of Issuance relating to the Bond Insurer at the closing, net proceeds of the sale of the Series 2003 Bonds shall be applied as follows:

A. To the Series 2003 Debt Service Fund Capitalized Interest Account within the Debt Service Fund, \$3,000,179.14 which represents capitalized interest for the Series 2003 Bonds, which shall be spent during the period of three years after issuance of the Series 2003 Bonds; and

B. The balance of the proceeds to the 2003 Acquisition and Construction Account to pay costs associated with the City Project.

SECTION 306. Additional Provisions Related to Debt Service Reserve Fund Surety Policy. For so long as the Bond Insurer is the provider of the Reserve Fund Surety Policy, the Trustee must provide notice to the Bond Insurer of any anticipated draws on such Reserve Fund Surety Policy at least two business days prior to the next Interest Payment Date.

ARTICLE IV
RESERVED

ARTICLE V
CONTINUING DISCLOSURE OF INFORMATION

SECTION 501. Continuing Disclosure of Information. The Corporation shall provide, or cause the City and CPS to provide, annually to each NRMSIR and any SID, within six months after the end of the City's fiscal year ending in or after September 30, 2003 and within six months after the end of CPS' fiscal year ending on or after January 1, 2004, financial information and operating data of the general type included in the final Official Statement for the Series 2003 Bonds, being the information described in Table 2 to the Official Statement and Appendix E to the Official Statement with respect to the City, and being the financing information and operating data of the general type included in Appendix D of the Official Statement under the headings "SAN ANTONIO ELECTRIC AND GAS SYSTEMS – Customer Base"; "TEN-YEAR ELECTRIC CUSTOMER STATISTICS"; FIVE-YEAR ELECTRIC AND GAS SALES BY CUSTOMER CATEGORY"; "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE"; "DESCRIPTION OF PHYSICAL PROPERTY – ELECTRIC SYSTEM – Generating Capability, and – Five-Year South Texas Project Capacity Factor"; "DESCRIPTION OF PHYSICAL PROPERTY – OTHER ELECTRIC AND GAS SYSTEMS STATISTICS." Pursuant to the Economic Development Contract, the City has covenanted provide annually to each NRMSIR and any SID, within six months after the end of its fiscal year financial information and operating data with respect to the City, including the annual audited financial statements of the City, and the unaudited financial statements of the City but only in the event audited financial statements are not completed within six months after the end of any of its fiscal years. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in the City's financial statement included as an Appendix E to the Official Statement and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Corporation shall provide audited financial statements for the applicable fiscal year to each NRMSIR and any SID, when and if audited financial statements become available.

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

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

SECTION 502. Material Event Notices. The Corporation and the City shall notify any SID and either NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Series 2003 Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;

- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or event affecting the tax-exempt status of the Bonds;
- G. Modifications to rights of holders of the Series 2003 Bonds;
- H. Series 2003 Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Series 2003 Bonds; and
- K. Rating changes.

The Corporation, the City and CPS (as limited by CPS' obligations under the Continuing Disclosure Agreement between the Corporation and CPS) shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Corporation, the City or CPS to provide financial information or operating data in accordance with this Article by the time required by this Article.

SECTION 503. Limitations, Disclaimers and Amendments. The Corporation shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Corporation remains an "obligated person" with respect to the Series 2003 Bonds within the meaning of the Rule, except that the Corporation in any event will give the notice required by this Article of any Series 2003 Bond calls and defeasance that cause the Corporation to be no longer such an "obligated person."

The provisions of this Article are for the sole benefit of the Owners of the Series 2003 Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Series 2003 Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE OWNER OF ANY SERIES 2003 BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Article may be amended by the Corporation from time to time to adapt the 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 Corporation, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell the Series 2003 Bonds in the primary offering of the Series 2003 Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the Outstanding Series 2003 Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and Beneficial Owners of the Series 2003 Bonds. If the Corporation so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with this Article 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. The Corporation may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Article 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 prevent an underwriter from lawfully purchasing or selling Series 2003 Bonds in the primary offering of the Series 2003 Bonds.

SECTION 504. Definitions. As used in this Article, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board.

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

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

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

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

ARTICLE VI BOND INSURANCE PROVISIONS

SECTION 601. Purpose. The purpose of this Article is to provide certain rights, remedies and assurances to Bond Insurer in consideration for its issuance of the Bond Insurance Policy.

SECTION 602. Special Provisions for Bond Insurer. In consideration for its issuance of the Bond Insurance Policy, Bond Insurer is hereby made the beneficiary of the following special provisions:

A. Notice to the Insurer. Whenever any notices are required to be given under the Indentures with respect to the Series 2003 Bonds, a copy of such notice shall be given to Bond Insurer.

B. Default and Remedies.

- (a) The Bond Insurer shall be entitled to exercise all of the rights of Owners of the Series 2003 Bonds with respect to any right or remedy set forth in Article VIII of the Indenture (relating to default and remedies).
- (b) Any acceleration of the Series 2003 Bonds or any annulment thereof shall be subject to the prior written consent of the Bond Insurer, provided that such Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy
- (c) Notwithstanding Subsection A of this Section 602, the Trustee or the Corporation must provide the Bond Insurer with: (i) immediate notice of any Event of Default consisting of the failure to pay principal or interest when due on the Series 2003 Bonds, and (ii) notice of any other Event of Default related to the Series 2003 Bonds known to the Trustee or the Corporation respectively within thirty (30) days of the Trustee’s or Corporation’s knowledge thereof.
- (d) For all purposes of Article VIII of the Indenture (relating to defaults and remedies), except any required giving of notice of default to Owners of the Series 2003 Bonds, the Bond Insurer shall be deemed to be the sole holder of the Series 2003 Bonds it has

issued, provided that the Bond Insurer has not failed to comply with its payment obligations under the Bond Insurance Policy.

- (e) For purposes of Article VIII of the Indenture (relating to defaults and remedies), the Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Corporation, the Trustee, or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Series 2003 Bonds or the security therefor. The Trustee or receiver shall be required to accept such notice of default from the Bond Insurer.

C. Special Provisions for Bond Insurer. To the extent permitted by the Indenture, as the same may be amended from time to time, the Bond Insurer shall be authorized to exercise the rights of the Owners of the Series 2003 Bonds that they insure with respect to consent to any amendments provided in Article XI of the Indenture, as the same may be amended from time to time, except any change in the terms of redemption, maturity or principal amount of the Series 2003 Bonds or any installment of interest thereon or any reduction in the principal amount or redemption price thereof or the rate of interest thereon. Any rating agency then rating the Series 2003 Bonds shall be given written notice of any amendments to this First Supplemental Indenture and a copy thereof at least fifteen days in advance of its execution or adoption. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment.

SECTION 603. Notices. Any notice that is required to be given to a holder of the Series 2003 Bond or to the Paying Agent pursuant to the Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under the Indenture shall be in writing and shall be sent by personal delivery or registered or certified mail addressed to:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: Surveillance Department

with a copy to:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: General Counsel Office

SECTION 604. Additional Notice Requirements. The Bond Insurer shall also be given notice of the following events:

- 1) Any deficiency, whether due or market fluctuations or draw, relating to the Series 2003 Debt Service Reserve Fund;

- 2) Notice of redemption, other than mandatory sinking fund redemption, of the Series 2003 Bonds, or any advance refunding of the Series 2003 Bonds, including the principal amount, maturities and CUSIP numbers;
- 3) Any material event notices described in Article V hereof;
- 4) The issuance of an additional indebtedness under the Indenture;
- 5) Other items that the Bond Insurer may reasonably request.

SECTION 605. Benefit of Article. This Article has been adopted solely for the benefit of Bond Insurer and may be modified or amended at any time with the consent of, or may be waived in whole or in part by, Bond Insurer, and may not be enforced or relied upon in any way by any owners of the Series 2003 Bonds or any other Owners.

ARTICLE VII
COVENANTS AND MISCELLANEOUS PROVISIONS

SECTION 701. Notice. Subject to the requirements of Section 603, any notice, demand, direction, request, or other instrument authorized or required by this Indenture to be given to or filed with the Corporation, the Trustee, the Paying Agent, the Registrar, and the Authenticating Agent shall be deemed to have been given only upon receipt. Any notice shall be sent by personal deliver or first class mail, postage prepaid, to the address specified below or, to such other address as may be designated in writing by the parties:

Corporation: City of San Antonio, Texas, Starbright
Industrial Development Corporation
506 Dolorosa, First Floor
San Antonio, Texas 78205
Attention: Milo Nitschke, Treasurer

Trustee: Wells Fargo Bank Texas, N.A.
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Attention: Kathy Wagner

SECTION 702. Defeasance of Series 2003 Bonds. The Series 2003 Bonds may be defeased in the manner provided in the Indenture; provided, however, that no Investment Security or Investment Securities may be utilized to accomplish a defeasance of the Series 2003 Bonds unless the use of such security or securities for such purposes is permitted by applicable law in effect at the time of such defeasance. Notwithstanding anything herein to the contrary, in the event that the principal, premium, if any, and interest due on the Series 2003 Bonds shall be paid by the Bond Insurer pursuant to the Financial Guaranty Insurance Policy, the Series 2003 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not considered paid by the Corporation, and the pledge of the Pledged Revenues and Pledged Funds to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of the Owners.

SECTION 703. Unclaimed Funds. Any money held by any Fiduciary in trust for the payment and discharge of any of the Series 2003 Bonds shall be treated and handled in the manner provided in the Indenture; unless it is determined that any of such money is unclaimed property subject to Title 6 of the Texas Property Code, and then such money in question shall be treated as property subject to such Code.

SECTION 704. Execution in Several Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this First Supplemental Indenture to be signed and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.

**CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION**

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

**WELLS FARGO BANK TEXAS, N.A.,
as Trustee**

By: _____
Title _____

EXHIBIT A
FORM OF BOND

EXHIBIT A

The form of the Series 2003 Bonds, including the form of the Trustee's Authentication Certificate, the Form of Assignment, and the form of the Comptroller's Registration Certificate for the Series 2003 Bonds to be initially issued, shall be substantially as follows, with such additions, deletions and variations, as may be necessary or desirable and not prohibited by this First Supplemental Indenture, including any legend regarding bond insurance if such insurance is obtained by the Underwriter:

- (a) Form of Series 2003 Bond

UNITED STATES OF AMERICA
STATE OF TEXAS

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)

NUMBER				DENOMINATION
R-				\$
REGISTERED				REGISTERED
<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP:</u>	

Registered Owner:

Principal Amount: Dollars

CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION, an industrial development corporation existing under Article 5190.6, Vernon Texas Civil Statutes (herein the "Corporation"), FOR VALUE RECEIVED hereby acknowledges itself indebted to and PROMISES TO PAY to the Registered Owner identified above, or registered assigns, on the Maturity Date specified above, unless redeemed prior thereto as provided in this bond, upon presentation and surrender of this bond at the designated corporate trust office of Wells Fargo Bank Texas, N.A., as Trustee under the hereinafter described Indentures, the Principal Amount identified above (or so much thereof as shall not have been paid or deemed to have been paid upon prior redemption) in lawful money of the United States of America, without charge for Trustee services, and to pay at the Interest Rate per annum identified above on each August 15 and February 15, commencing August 15, 2003 (each an "Interest Payment Date"), interest on the unpaid principal balance of this bond from the date of series indicated above or the most recent Interest Payment Date to which interest has been paid

or duly provided for, calculated on the basis of a 360-day year composed of twelve 30 day months, until the maturity or redemption date of this bond, or until the Corporation's obligation with respect to the payment of this bond has been satisfied. All interest on this bond shall be payable by check or draft mailed by the Trustee to the Registered Owner of this bond at its address as it appears on the registration books required to be maintained for the bonds of this series by the Trustee, or in such other manner as may be mutually acceptable to the Trustee and the Owner of this bond. Interest on this bond payable on any Interest Payment Date shall be paid to the Registered Owner of this bond as of the last business day of the calendar month immediately prior to the Interest Payment Date (the "Record Date").

THIS BOND IS ONE OF A SERIES OF BONDS designated "City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)" (the "Series 2003 Bonds" or "Bonds") issued in the aggregate principal amount of \$24,685,000. The Series 2003 Bonds pay interest on each Interest Payment Date until maturity or prior redemption.

THE SERIES 2003 BONDS ARE ISSUED under and pursuant to an Indenture of Trust dated June 1, 2003 (the "Indenture"), between the Corporation and Wells Fargo Bank Texas, N.A., as trustee (together with any successor, the "Trustee"), and a First Supplemental Indenture of Trust dated June 1, 2003, between the Corporation and the Trustee (the "First Supplemental Indenture" and together with the Indenture called the "Indentures") Article 5190.6, Vernon's Texas civil Statutes, Chapter 1201, et seq. Texas Government Code, as amended, to provide for the construction and acquisition of the City Project, and to pay the Costs of Issuance of the Series 2003 Bonds.

THIS BOND SHALL NOT BE VALID OR OBLIGATORY for any purpose or be entitled to any benefit of the Indentures unless this bond is registered by the Comptroller of Public Accounts of the State of Texas or is authenticated by the Trustee by due execution and dating of the authentication certificate endorsed hereon.

THE SERIES 2003 BONDS ARE PAYABLE FROM AND SECURED BY a lien on and pledge of the Trust Estate as defined in the Indenture. Owners of the Bonds shall never have the right to demand payment of the Bonds or interest thereon out of any funds raised or to be raised by taxation or to have any claim against any property or revenues of the City or the Corporation except for the Pledged Revenues and Pledged Funds described in the Indenture. The Bonds do not constitute an obligation, either special, general or moral of the City or any political subdivisions or entities of the State. The Corporation does not have the power to levy or collect taxes.

NEITHER THE STATE, THE CITY, BEXAR COUNTY, TEXAS, NOR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE SHALL BE OBLIGATED TO PAY THE SAME OR THE INTEREST THEREON AND THAT NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON SUCH BONDS.

THE INDENTURE ALSO PERMITS THE CORPORATION TO ISSUE OR INCUR Credit Agreements as defined in the Indenture, which is and may be secured by a lien on and pledge of the Trust Estate.

REFERENCE IS HEREBY MADE TO THE INDENTURE, a copy of which are filed with the Trustee, for the full provisions thereof (including, among others, those with respect to the nature and extent of the rights, duties and obligations of the Corporation, the Trustee and the Owners of the Series 2003 Bonds, the rights of the Corporation to issue other bonds, notes and obligations, the terms upon which the Series 2003 Bonds are issued and secured and the modification or amendment of the Indentures), to all of which the Owners of the Series 2003 Bonds assent by the acceptance of the Series 2003 Bonds.

ON AUGUST 15, 2013, OR ON ANY DATE THEREAFTER, the Corporation shall have the option of calling the Series 2003 Bonds maturing in the year 2014 and thereafter for redemption prior to maturity, in whole or in part in integral multiples of \$5,000 (but if less than all the Series 2003 Bonds of a single maturity are to be redeemed, those to be redeemed shall be selected by the Trustee by lot), for an amount equal to the principal amount redeemed plus accrued interest thereon to the date fixed for redemption.

THE SERIES 2003 BONDS ISSUED AS A TERM BOND maturing in the year 2033 is subject to mandatory redemption prior to maturity in the following amounts (subject to reduction as hereinafter provided), on the following dates (each a "Mandatory Redemption Date"), at a price equal to the principal amount redeemed plus accrued interest to the Mandatory Redemption Date, subject to the conditions set forth below:

\$12,755,000 TERM BOND MATURING IN 2033

<u>Mandatory Redemption Date (August 15)</u>	<u>Mandatory Redemption Amount</u>
2024	\$1,010,000
2025	1,060,000
2026	1,115,000
2027	1,170,000
2028	1,230,000
2029	1,295,000
2030	1,360,000
2031	1,430,000
2032	1,505,000
2033	1,580,000

ON OR BEFORE 30 days prior to each Mandatory Redemption Date set forth above, the Trustee shall (i) determine the principal amount of such Series 2003 Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Series 2003 Bonds or portions of Series 2003 Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give

notice of such redemption as provided below. The principal amount of any Series 2003 Bonds to be mandatorily redeemed on a Mandatory Redemption Date shall be reduced by the principal amount of such Series 2003 Bonds which, by the 45th day prior to such Mandatory Redemption Date, either have been purchased in the open market and delivered or tendered for cancellation by or on behalf of the Corporation to the Trustee or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence. In addition, if in the exercise of its right of optional redemption, the Corporation has redeemed part but not all of the Series 2003 Bonds of a particular maturity, the principal amount to be mandatorily redeemed on the next mandatory redemption date or dates following the date of such optional redemption shall be reduced by the principal amount optionally redeemed and which has not previously been made the basis for a reduction under this sentence.

THE SERIES 2003 BONDS MAY BE REDEEMED IN PART only in integral multiples of \$5,000. If a Series 2003 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2003 Bond may be redeemed, but only in integral multiples of \$5,000. In selecting portions of Series 2003 Bonds for redemption, the Trustee shall treat each Series 2003 Bond as representing that number of Series 2003 Bonds of \$5,000 denomination which is obtained by dividing the principal or maturity amount of such Series 2003 Bond by \$5,000. Upon surrender of any Series 2003 Bond for redemption in part, the Trustee, in accordance with the provisions of the Indentures, shall authenticate and deliver in exchange therefor a Series 2003 Bond or Series 2003 Bonds of like maturity and interest rate in an aggregate principal or maturity amount equal to the unredeemed portion of the Series 2003 Bond so surrendered.

NOTICE OF ANY REDEMPTION identifying the Series 2003 Bonds to be redeemed in whole or in part shall be given by the Trustee at least 30 days prior to the date fixed for redemption by sending written notice by United States mail, first class postage paid, to the registered owner of each Series 2003 Bond to be redeemed in whole or in part at the address shown on the Register. The notice shall also be given by the Trustee at least 30 days prior to the date fixed for redemption by United States certified mail, return receipt requested, to each registered securities depository. Such notice shall identify the Series 2003 Bonds or portions thereof to be redeemed by stating the CUSIP number, certificate number, date of issuance, interest rate and maturity date of such Series 2003 Bonds or portions thereof to be redeemed, and shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, and the place at which Series 2003 Bonds are to be surrendered for payment. Any notice given as provided in this paragraph shall be conclusively presumed to have been duly given, whether or not the owner receives such notice. By the date fixed for redemption, due provision shall be made with the Trustee for the payment of the redemption price of the Series 2003 Bonds to be redeemed, plus accrued interest to the date fixed for redemption. When the Series 2003 Bonds have been called for redemption in whole or in part and due provision has been made to redeem same as herein provided, the Series 2003 Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the owners to collect interest which would otherwise accrue after the redemption date on any Series 2003 Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

THIS BOND IS TRANSFERABLE, as provided in the Indentures, only upon the books of registration of the Corporation kept for that purpose at the office of the Trustee, by the Owner hereof in person, or by the Owner's attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney, and, upon payment of any tax or governmental charges required to be paid with respect to such transfer or exchange, a new bond or bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Indentures. The Trustee is required to accept any bond for transfer or exchange during a period of 15 days preceding the selection of bonds for redemption or after this bond has been called for redemption. The Corporation and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this bond and the Series 2003 Bonds is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of this bond and of the Series 2003 Bonds have been properly done, have happened and have been performed in regular and due time, form and manner, as required by law; the Corporation has granted a lien on and pledge of the Trust Estate to the Series 2003 Bonds as provided in the Indenture.

IN WITNESS WHEREOF, the Corporation has caused this bond to be signed by the President attested by the Secretary by their manual or facsimile signatures.

**CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION**

By: _____
President, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

(b) Form of Authentication Certificate

AUTHENTICATION CERTIFICATE

This bond is one of the bonds referred to in the within mentioned Indentures; and that, except as to the bonds initially delivered, this bond has been issued in conversion of and exchange for or replacement of a bond, bonds or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

WELLS FARGO BANK TEXAS, N.A.,
as Trustee

By: _____
Authorized Signature

(c) Form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas which is to be Affixed to each of the Initially Issued Series 2003 Bonds

CERTIFICATE OF REGISTRATION OF COMPTROLLER OF PUBLIC ACCOUNTS
OFFICE OF THE COMPTROLLER

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and it is a valid and binding obligation of CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION and said Bond has this day been registered by me.

WITNESS MY HAND AND SEAL OF OFFICE, _____, 2003.

Comptroller of Public Accounts
of the State of Texas

(d) Form of Assignment to be Printed on Each of the Series 2003 Bonds

ASSIGNMENT

FOR VALUE RECEIVED the undersigned registered owner of this bond, or duly authorized representative or attorney thereto, hereby assigns this bond to

(Assignee's social security or taxpayer identification number)

(print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this bond on the Register, with full power of substitution in the premises.

DATED: _____

Registered Owner

NOTICE: The signature must correspond with the name of the Registered Owner appearing on the face of this bond.

Signature Guaranteed:

NOTICE: This signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to S.E.C. rule 17A-15.

- (e) Form of Bond Insurance.

LEGEND

Financial Guaranty Insurance Policy No. ____ (the "Policy") with respect to payments due for principal of and interest on this Series 2003 Bond has been issued by Ambac Assurance Corporation ("Bond Insurer"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Series 2003 Bond acknowledges and consents to the subrogation rights of Bond Insurer as more fully set forth in the policy.

(f) The initial Bond shall be in the form set forth in paragraphs (a), (c), (d) and (e) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the word "CUSIP" deleted;

(ii) in the first paragraph of the Series 2003 Bond, the words "on the Maturity Date specified above" and "at the Interest Rate per annum identified above" shall be deleted and the following shall be inserted at the end of the first sentence "..., with such principal to be paid in installments on August 15 in each of the years and in the principal amounts identified in the following schedule and with such installments bearing interest at the per annum rates set forth in the following schedule:

<u>Maturity</u> <u>(August 15)</u>	<u>Principal Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
	\$	%

(iii) the initial Bond shall be numbered I-1.

(iv) the initial Bond shall be registered in the name of the Underwriter.

EXHIBIT B
FORM OF REQUISITION

EXHIBIT B
ACQUISITION AND CONSTRUCTION FUND
CERTIFICATE AND REQUISITION

Capitalized terms used herein but not defined are to be defined as in the Indenture or the First Supplemental Indenture of Trust.

Date: _____

Requisition No. _____

Wells Fargo Bank Texas, N.A.,
as trustee
1445 Ross Avenue, 2nd Floor
Dallas, Texas 75202
Attention: Kathy Wagner

Re: City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable)(Starbright Project)

To the Addressee:

This is a requisition in the total amount of \$_____ with respect to the captioned financing. The names of the persons, firms or corporations to whom payment is due, a brief description of the services performed and/or materials provided by each and the amount due each are listed as follows:

(a) Payment is due to the following persons, firms, or corporations set forth below in the amounts set forth below:

Person, Firm, or Corporation and <u>Address</u>	<u>Description of Services Performed/Materials Provided</u>	<u>Amount</u>	<u>Method of Payment</u>
---	---	---------------	------------------------------

(b) There exists no Event of Default, or event, omission, or failure of condition which would constitute such an Event of Default after notice or lapse of time, or both.

(c) In connection with the aforementioned requisition, the undersigned Corporation representative hereby certifies as follows:

(1) There has been received no written notice of any lien, right to lien or attachment upon, or claim affecting the right of any payee to receive payment of, any of the moneys payable under such requisition to any of the persons, firms, or corporation named therein.

(2) This requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate.

(3) The moneys requested hereby shall be used solely to pay the Costs of the Project and do not violate any provisions of the Indenture or the Act.

(4) No Event of Default under the Indenture or event which after notice or lapse of time or both would constitute an Event of Default under the Indenture has occurred and not been waived or cured.

(5) The Corporation has complied with all conditions precedent to a disbursement as required by Section 303 of the First Supplemental Indenture.

(h) _____ (Check for last requisition) This requisition is the final requisition from the Acquisition and Construction Fund.

Dated _____.

CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT C
PERMITTED INVESTMENTS OF BOND INSURER

EXHIBIT C

FORM OF BOND PURCHASE AGREEMENT

PURCHASE CONTRACT

RELATING TO

\$24,685,000

**CITY OF SAN ANTONIO, TEXAS,
STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION
CONTRACT REVENUE BONDS, SERIES 2003
(TAXABLE) (STARBRIGHT PROJECT)**

June 12, 2003

City of San Antonio, Texas,
Starbright Industrial Development Corporation
100 Military Plaza
San Antonio City Hall, 4th Floor
San Antonio, Texas 78205

Ladies and Gentlemen:

Siebert Brandford Shank & Co., LLC, as representative (the "Representative") of the underwriters identified herein (collectively, the "Underwriter"), offers to enter into the following agreement with the **CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION** (the "Issuer") which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Central Time, on June 12, 2003, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Contract shall have the same meanings set forth in the Indenture (as defined herein) or in the Official Statement (as defined herein).

1. **Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of an aggregate of \$24,685,000 in principal amount of the Issuer's *Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)* (the "Bonds"). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the Issuer, but rather is acting solely in its individual capacity as an Underwriter for its own account.

The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of (i) an Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust, each dated as if June 1, 2003, and each by between the Issuer and Wells Fargo Bank Texas, N.A., as Trustee (collectively, the Indenture), and (ii) a resolution adopted by the Issuer on June 12, 2003 (the "Resolution") which approved the Indenture and the issuance of the Bonds. Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee the Pledged Revenues for the purpose of securing the payment of principal and interest on the Bonds. The Bonds are to mature on the dates and in the respective amounts, are to bear interest, are subject to redemption, and are payable as described in the Official Statement.

The purchase price for all of the Bonds shall be **\$24,506,957.55** (representing the par amount of the Bonds, less a net original issue discount of *\$7,469.10*, less an underwriting discount of *\$170,573.35*), and no accrued interest.

In connection with the execution and delivery of this Contract by the Issuer, the Representative will deliver to the Issuer a corporate check payable to the Issuer in the amount of **\$233,000.00** (the "Check"). In the event the Issuer does not accept this offer, the Check shall be promptly returned to the Representative. Upon the Issuer's acceptance and countersignature of this offer, the Check (i) shall not be cashed or negotiated but shall be held and retained in safekeeping by the Issuer as security for the performance by the Underwriter of its obligations, subject to the terms and conditions herein set forth, to purchase and accept delivery of the Bonds at the Closing, and (ii) shall be applied and disposed of by the Issuer solely as provided in this Contract. In the event of the Underwriter's compliance with such obligation to purchase and accept delivery of the Bonds at the Closing, the Check shall be returned to the Representative at the Closing. In the event of the failure by the Issuer to deliver the Bonds at the Closing, or if the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Contract, the Check shall be returned promptly to the Representative. In the event that the Underwriter fails (other than for a reason permitted hereunder) to purchase and accept delivery of the Bonds at the Closing, the Issuer shall become entitled to cash or negotiate the Check, and the proceeds thereof shall be retained by the Issuer as for full liquidated damages for such failure and for any and all defaults on the part of the Underwriter and such proceeds shall constitute a full release and discharge of the claims and damages for such failure and for any and all such defaults. The Representative hereby agrees not to stop or cause payment of said check to be stopped unless the Issuer has breached any of the terms of this Contract.

2. **Public Offering.** The Underwriter agrees to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page of the Official Statement; provided, however at least ten percent (10%) of the principal amount of the Bonds of each maturity shall be sold to the "public" (exclusive of dealers, brokers and investment bankers, etc.) at the offering price set forth in the Official Statement. On or before the Closing, the Underwriter shall execute a certificate relating to the Bonds, prepared by Co-Bond Counsel, verifying the initial offering prices to the public at which a substantial amount of each stated maturity of the Bonds was sold to the public.

3. **The Official Statement.** (a) The Preliminary Official Statement of the Issuer, dated as of February 27, 2003, as supplemented and amended by the Updated Preliminary Official Statement, dated as of June 3, 2003, including the cover pages and Appendices thereto, relating to the Bonds (collectively, the "Preliminary Official Statement"), as amended to conform to the terms of this Contract and with changes and amendments to the date hereof as have been mutually agreed to by the Issuer and the Underwriter, is referred to herein as the "Official Statement."

(b) The Preliminary Official Statement has been prepared for use in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Issuer hereby represents and warrants that the Preliminary Official Statement delivered to the Underwriter immediately prior to or concurrently herewith is deemed final by the Issuer as of the date hereof, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriter reasonable quantities of the Preliminary Official Statement as the Underwriter deems necessary to satisfy the obligations of the Underwriter under Rule 15c2-12 with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(c) As soon as practicable after the date hereof, and in any event within seven business days after the acceptance of this Contract by the Issuer and, in the event the date of Closing is less than seven business days following the date hereof, upon request of the Underwriter, the Issuer shall deliver or cause to be delivered to the Underwriter, without charge, in sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, a reasonable number of copies of the final Official Statement relating to the Bonds, which will be determined by an officer duly authorized by the Issuer to be a final Official Statement for purposes of Rule 15c2-12.

(d) The Issuer ratifies the use of the Preliminary Official Statement and authorizes the Official Statement to be used in connection with the offering of the Bonds, and ratifies and approves the prior distribution of the current drafts of each thereof by the Underwriter prior to the availability of the final version thereof.

(e) If, after the date of this Contract to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 (the earlier of (i) 25 days from the "end of the underwriting period" (as defined in Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities repository, the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances when the Official Statement is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as they may from time to time request), and if, in the reasonable opinion of the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement

so that the statements in the Official Statement as so amended and supplemented will not, in light of the circumstances when the Official Statement is delivered to a purchaser, be misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(f) The Underwriter hereby agrees to timely file the Official Statement with a nationally recognized municipal securities information repository and notify the Issuer of the date of such filing. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the date of the Closing.

(g) To the best knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account or person that is material to an evaluation of the offering of the Bonds.

4. **Representations, Warranties, and Covenants of the Issuer.** The Issuer hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer has been legally created and incorporated by the City of San Antonio, Texas (the "City") pursuant to the provisions of the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, as amended (the "Act") and has full legal right, power and authority under the Act, and at the date of the Closing will have full legal right, power and authority under the Act and the Resolution (i) to enter into, execute and deliver this Contract, the Economic Development Contract, the Resolution, the Indenture, and all documents required hereunder and thereunder to be executed and delivered by the Issuer, (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions described in this Contract, the Economic Development Contract, the Resolution, and the Indenture, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Act and the Resolution as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Economic Development Contract, the Resolution, the Indenture, and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds, the Economic Development Contract, the Resolution, the Indenture, and this Contract, and (iii) the consummation by it of all other transactions described in the Official Statement, the Economic Development Contract, the Resolution, the Indenture, this Contract and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement;

(c) The Economic Development Contract, the Resolution, the Indenture, and this Contract constitute legal, valid and binding agreements of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the

Bonds, when issued, delivered and paid for, in accordance with the Resolution, the Indenture, and this Contract, will constitute legal, valid and binding agreements of the Issuer entitled to the benefits of the Resolution and the Indenture and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; and upon the issuance, authentication and delivery of the Bonds as aforesaid, the Indenture will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding security it purports to create as set forth in the Indenture;

(d) The Issuer is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of Texas (the "State") or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any such instrument; and the execution and delivery of the Bonds, the Economic Development Contract, the Indenture, and this Contract, and the adoption of the Resolution and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is otherwise subject or under the terms of any such law, regulation or instrument, except as provided by the Bonds, the Resolution, and the Indenture;

(e) Subject to the provisions of Section 4(l) hereof, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under this Contract, the Economic Development Contract, the Resolution, the Indenture, and the Bonds have been duly obtained or will be obtained prior to Closing, except for the approval of the Attorney General of Texas and the registration of the Bonds by the Comptroller of Public Accounts of the State of Texas;

(f) The Bonds and the Resolution conform to the descriptions thereof contained in the Official Statement under the caption "THE SERIES 2003 BONDS", and the proceeds of the sale of the Bonds will be applied generally as described in the Official Statement under the caption "PLAN OF FINANCE."

(g) There is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer, after due inquiry, threatened against the Issuer, affecting the corporate existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge of the Pledged Revenues to the Trustee for the payment of principal of and interest on the Bonds pursuant to the Resolution and the Indenture or in any way contesting or affecting the validity or

enforceability of the Bonds, the Economic Development Contract, the Resolution, the Indenture, or this Contract, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Resolution or the execution and delivery of this Contract, the Economic Development Contract, or the Indenture, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Economic Development Contract, the Resolution, the Indenture, or this Contract;

(h) As of the date thereof, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) At the time of the Issuer's acceptance hereof and (unless an event occurs of the nature described in paragraph (e) of Section 3 of this Contract) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (e) of Section 3 of this Contract, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the "end of the underwriting period," the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Resolution and the Indenture;

(l) The Issuer, at the sole expense of the Underwriter, will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any written notification with respect to the suspension of the

qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) Prior to the Closing the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the revenues or assets which will secure the Bonds, other than in the normal course of business; and

(n) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Contract, shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

By delivering an executed copy of the Official Statement to the Underwriter, the Issuer shall be deemed to have reaffirmed, with respect to the Official Statement, the representations, warranties and covenants set forth above with respect to the Preliminary Official Statement.

5. **Closing.** (a) At 10:00 a.m. Central time, on or about June 26, 2003, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing"), the Issuer will deliver the initial Bond or Bonds (as provided for in the Resolution) to the Underwriter and, provided the Underwriter shall have made arrangements with The Depository Trust Company ("DTC") for the Bonds to be qualified for trading as book-entry only securities through the facilities of DTC, the Issuer shall take appropriate steps to provide DTC or the paying agent/registrar bank acting on behalf of DTC, with one definitive Bond for each year of maturity of such Bonds and to provide the Underwriter with the other documents hereinafter mentioned, and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof in immediately available funds. Concurrently with such payment by the Underwriter, the Issuer shall return to the Representative the check referred to in Section 1 hereof. Delivery of and payment for the Bonds shall be made at the office of the Paying Agent/Registrar. Delivery of all documents described in Section 6 hereof shall be made at the office of Loeffler Jonas & Tuggey LLP, 755 East Mulberry, Suite 200, San Antonio, Texas 78212, or such other place, as shall have been mutually agreed upon by the Issuer and the Underwriters.

In addition, the Issuer and the Underwriter agree that there shall be a preliminary closing held at such place as the Issuer and the Underwriter shall mutually agree, commencing at least 24 hours prior to the Closing; provided, however, in lieu of this preliminary closing Co-Bond Counsel may provide the counsel to the Underwriter with a complete Transcript of Proceedings at least two business days preceding the Closing. Drafts of all documents to be delivered at the Closing shall be prepared and distributed to all partes and their counsel for review at least five business days prior to the Closing.

6. **Closing Conditions.** The Underwriter has entered into this Contract in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations, hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and

instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter, Co-Bond Counsel and counsel to the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Contract to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Resolution, the Economic Development Contract, the Indenture, this Contract and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; (ii) the net proceeds of the sale of the Bonds shall be deposited and applied as described in the Official Statement, the Resolution, and the Indenture, and (iii) all actions of the Issuer and the City required to be taken by the Issuer shall be performed in order for Co-Bond Counsel to deliver its opinions referred to hereafter;

(d) At or prior to the Closing, the Economic Development Contract shall have been duly executed and delivered by the City, and the Resolution, the Economic Development Contract, and the Indenture shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the Bonds;

(e) The Issuer shall have agreed in the Indenture, the City shall have agreed in the Economic Development Contract, and the City Public Service Board of San Antonio, Texas ("CPS") shall have agreed in a Continuing Disclosure Agreement with the Issuer, in form and substance acceptable to the Underwriter (the "Continuing Disclosure Agreement"), to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12 as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Underwriter's obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter of a certified copy of the Indenture, the Economic Development Contract or the Continuing Disclosure Agreement containing the agreements described under such heading;

(f) At the time of the Closing, the Issuer shall deliver the Bonds;

(g) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, the City or CPS, from that set forth in the Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the reasonable judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(h) Neither the Issuer, the City nor CPS shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Contract shall be reasonably satisfactory in legal form and effect to the Underwriter, Co-Bond Counsel and counsel for the Underwriter;

(j) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) the Official Statement, and each supplement or amendment thereto as may have been agreed to by the Underwriter, if any, executed on behalf of the Issuer by the Executive Director of the Issuer and the Mayor of the City;

(2) the Resolution, having been duly adopted by the Issuer and as being in full force and effect, with such supplements or amendments as may have been agreed to by the Underwriter;

(3) the Indenture, having been duly executed on behalf of the Issuer and the Trustee;

(4) the Economic Development Contract and the Continuing Disclosure Agreement, each having been duly executed on behalf of the Issuer and the City;

(5) the approving opinion of Vinson & Elkins L.L.P., Houston, Texas, and Loeffler Jonas & Tuggey LLP, San Antonio, Texas (collectively, "Co-Bond Counsel") with respect to the Bonds, in substantially the form attached to the Official Statement;

(6) a supplemental opinion of Co-Bond Counsel, addressed to the Issuer and the Underwriter, in substantially the form attached hereto as Exhibit A;

(7) an opinion of the City Attorney of the City, addressed to the Issuer and the Underwriter, in substantially in the form attached hereto as Exhibit B;

(8) an opinion, dated the date of the Closing and addressed to the Underwriter, of counsel for the Underwriter, to the effect that:

(i) the Bonds are exempted securities that do not require registration under the 1933 Act and the Trust Indenture Act and it is not necessary, in connection with the offering and sale of the Bonds, to register any securities under the 1933 Act and the Resolution need not be qualified under the Trust Indenture Act; and

(ii) based upon their participation in the preparation of the Official Statement as counsel for the Underwriter and its participation at conferences at which the Official Statement was discussed, but without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, such counsel has no reason to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except for any financial, forecast, technical and statistical statements and data included in the Official Statement, in each case as to which no view need be expressed);

(9) A certificate, dated the date of Closing, signed by the Executive Director of the Issuer, to the effect that (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, the pledge of the Pledged Revenues to the Trustee to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds, the Economic Development Contract, the Resolution, the Indenture, or this Contract, or contesting the power of the Issuer or the authorization of the Bonds, the Resolution, the Economic Development Contract, or the Indenture, or contesting in any way the accuracy, completeness or fairness of the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriter may, in its sole discretion, accept certificates or opinions of the Issuer's general counsel that, in the opinion thereof, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); and (iii) to the best of his or her knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect;

(10) A certificate, dated the date of Closing, signed by the Mayor and the Director of Finance of the City, to the effect that (i) except to the extent disclosed in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court contesting the power of the City to enter into the Economic Development Contract, or contesting in any way the accuracy, completeness or fairness of the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriter may, in its sole discretion, accept certificates or opinions of the City Attorney of the City that, in the opinion thereof, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (ii) the financial statements of, and other financial information regarding, the City in the Official Statement fairly present the financial position and results of the City as of the dates and for the periods therein set forth; (iii) the City is not a party to any litigation or other proceeding pending or, to their knowledge, threatened which, if decided adversely to the City, would have a materially adverse effect on the financial condition of the City; (iv) to the best of their

knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (v) there has not been any material and adverse change in the affairs or financial condition of the City since September 30, 2002, the latest date as to which audited financial information is available;

(11) the approving opinion of the Attorney General of Texas in respect of the Bonds;

(12) the registration certificate of the Comptroller of Public Accounts of the State of Texas in respect of the Bonds;

(13) Evidence of an insurance commitment by Ambac Assurance Corporation securing payment of the Bonds and ratings assigned to the Bonds of "Aaa", "AAA" and "AAA", respectively, by Moody's Investors Service, Inc., Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc., and Fitch Ratings;

(14) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer;

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Contract, this Contract shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 1 (with respect to the Check), 4, 8 and 10 hereof shall continue in full force and effect.

7. **Termination.** The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Contract and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Underwriter (as evidenced by a written notice to the Issuer terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the

United States or the Internal Revenue Service or any member of the Congress or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to, in the reasonable judgment of the Underwriter, materially adversely affect the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(b) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(d) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the Issuer's pledge of the Pledged Revenue to pay principal of and interest on the Bonds;

(e) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) there shall have occurred since the date of this Contract any materially adverse change in the affairs or financial condition of the Issuer, the City or CPS;

(g) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for, or market price of, the Bonds;

(h) any fact or event shall exist or have existed that, in the Underwriter's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement; and the Issuer has not provided the Underwriter with such amendment or supplement as required by Section 3(e) hereof;

(i) there shall have occurred any downgrading, or any notice shall have been given of (A) any intended or potential downgrading or (B) any review or possible change that does not indicate the direction of a possible change, in the rating accorded any of the Issuer's or the City's securities (including the rating to be accorded the Bonds) by any "nationally recognized statistical rating organization", as such term is defined for purposes of Rule 436(g)(2) under the 1933 Act; and

(j) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; and

With respect to the condition described in subparagraph (j) above, the Underwriter is not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Contract which would permit the Underwriter to invoke its termination rights thereunder.

8. **Expenses.** (a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation, printing and distributing of the Bonds and all other related documents, (ii) the cost of preparing, printing and mailing the Preliminary Official Statement and Final Official Statement, (iii) the fees and disbursements of Co-Bond Counsel; (iv) the fees and disbursements of the Financial Advisor to the Issuer; (v) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer; and (vi) the fees, if any, for bond ratings, insurance policies and reserve fund surety policies.

(b) The Underwriter shall pay (i) the cost of preparation and printing of this Contract; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by it in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter.

9. **Notices.** Any notice or other communication to be given to the Issuer under this Contract may be given by delivering the same in writing to **City of San Antonio, Texas, Starbright Industrial Development Corporation**, 100 Military Plaza, 4th Floor, San Antonio, Texas 78205, Attn: Executive Director, and any notice or other communication to be given to the Underwriter under this Contract may be given by delivering the same in writing to **Siebert Brandford Shank & Co., LLC**, 6800 Park Ten Blvd., Suite 193 West, San Antonio, Texas 78213, Attn: Erlinda Dimas.

10. **Parties in Interest.** This Contract as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Contract may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Contract; and (iii) any termination of this Contract.

11. **Effectiveness.** This Contract shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. **Choice of Law.** This Contract shall be governed by and construed in accordance with the law of the State of Texas and the United States of America.

13. **Severability.** If any provision of this Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contract invalid, inoperative or unenforceable to any extent whatsoever.

14. **Business Day.** For purposes of this Contract, "business day" means any day on which the New York Stock Exchange is open for trading.

15. **Section Headings.** Section headings have been inserted in this Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Contract and will not be used in the interpretation of any provisions of this Contract.

16. **Counterparts.** This Contract may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. **No Personal Liability.** None of the Board of Directors of the Issuer, the City Council, or the CPS Board of Trustees, nor any officer, agent, or employee of the Issuer, the City or CPS shall be charged personally by the Underwriter with any liability, or be held liable to the Underwriter under any term or provision of this Contract, or because of execution or attempted execution, or because of any breach or attempted alleged breach of this Contract.

[The remainder of this page intentionally left blank]

If you agree with the foregoing, please sign the enclosed counterpart of this Contract and return it to the Underwriter. This Contract shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

THE UNDERWRITER:

SIEBERT BRANDFORD SHANK & CO., LLC
FIRST SOUTHWEST COMPANY
RBC DAIN RAUSCHER, INC.
JPMORGAN SECURITIES

By: **SIEBERT BRANDFORD
SHANK & CO., LLC**
(as Representative of the Underwriter)

By: _____
Title: _____

ACCEPTANCE

ACCEPTED AND APPROVED by the City of San Antonio, Texas, Starbright Industrial Development Corporation on June 12, 2003.

By: _____
Title: President, Board of Directors
City of San Antonio, Texas,
Starbright Industrial Development Corporation

[SIGNATURE PAGE TO THE PURCHASE CONTRACT]

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

_____, 2003

Siebert Brandford Shank & Co., LLC,
as Representative of the Underwriters named
in the Purchase Contract described below
1285 Avenue of the Americas, 10th Floor
New York, New York 10019

City of San Antonio, Texas, Starbright
Industrial Development Corporation
City Hall, Military Plaza
San Antonio, Texas 78205

RE: \$24,685,000 CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2003 (TAXABLE) (STARBRIGHT PROJECT)

Ladies and Gentlemen:

We have served as Co-Bond Counsel to the *City of San Antonio, Texas, Starbright Industrial Development Corporation* (the "Issuer") in connection with the issuance of \$24,685,000 in aggregate principal amount of *City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (TAXABLE) (STARBRIGHT PROJECT)* (the "Bonds") a resolution adopted by the Issuer on June 12, 2003 (the "Resolution") which approves an Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust, each dated as of June 1, 2003, and each by and between the Issuer and Wells Fargo Bank Texas, N.A., as Trustee (collectively, the Indenture). Capitalized terms not otherwise defined in this opinion have the meanings assigned in the hereinafter defined Purchase Contract.

In our capacity as Co-Bond Counsel to the Issuer, we have reviewed the following:

- (a) a certified copy of the Resolution;
- (b) an executed Purchase Contract, dated June 12, 2003 (the "Purchase Contract") between the Issuer and the Underwriter named in such Purchase Contract;
- (c) an executed Economic Development Contract between the City and the Issuer;
- (d) an executed Indenture;
- (e) a copy of the final Official Statement relating to the Bonds, dated June 12, 2003;
- (f) such other agreements, documents, certificates, opinions, letters, and other papers as we have deemed necessary or appropriate in rendering the opinions set forth below; and
- (g) the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, as amended (the "Act"), Chapter 380, Texas Local Government Code, as amended, and such other provisions of the Constitution and laws of the State of Texas and the United

States of America as we believe necessary to enable us to render the opinions herein contained.

In making our review, we have assumed the authenticity of all documents and agreements submitted to us as originals, conformity to the originals of all documents and agreements submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such documents.

Based upon the foregoing, and subject to the qualifications and exceptions hereinafter set forth, we are of the opinion that under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Issuer has duly adopted and enacted the Resolution in accordance with the Act; the Issuer has full legal right, power, and authority to enter into the Economic Development Contract, the Purchase Contract and the Indenture, to adopt the Resolution, and to issue, sell, and deliver the Bonds to the Underwriter as provided in the Purchase Contract; the Issuer has duly authorized and approved the execution and the delivery of, and the performance by the Issuer of the obligations contained in, the Bonds, the Economic Development Contract, the Indenture, and the Resolution, and all other transactions contemplated by the Official Statement; the Issuer has complied with, and is in compliance with Texas law in all respects regarding, the sale, issuance, and delivery of the Bonds, including the provisions relating to its obligations under the Act, the Economic Development Contract, the Resolution, the Bonds, the Purchase Contract, and the Indenture; and assuming the due authorization, execution, and delivery by the other contracting parties of the Economic Development Contract, the Indenture and the Purchase Contract, the Resolution, the Economic Development Contract, the Indenture and the Purchase Contract constitute valid, legal, and binding agreements of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting the rights of creditors generally and general equitable principles.
2. The Bonds are not subject to registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended.
3. The statements and information contained in the Official Statement, insofar as they describe the Bonds, the Resolution, the Indenture, and the Economic Development Contract (except for any financial, technical, or statistical data therein) under the captions "PLAN OF FINANCING," "THE SERIES 2003 BONDS", "THE INDENTURE", and "THE ECONOMIC DEVELOPMENT CONTRACT" fairly and accurately summarize in all material respects the provisions of the instruments described therein, and the statements in the Official Statement under the captions "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for statements under the subcaption "Compliance With Prior Agreements" as to which we express no view), are correct as to matters of law and fairly and accurately present the information purported to be presented therein.

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

Very truly yours,

EXHIBIT B

FORM OF OPINION OF THE CITY ATTORNEY

_____, 2003

Siebert Brandford Shank & Co., LLC,
as Representative of the Underwriters named
in the Purchase Contract described below
1285 Avenue of the Americas, 10th Floor
New York, New York 10019

City of San Antonio, Texas, Starbright
Industrial Development Corporation
City Hall, Military Plaza
San Antonio, Texas 78205

RE: \$24,685,000 CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2003 (TAXABLE) (STARBRIGHT PROJECT)

Ladies and Gentlemen:

I am the City Attorney to the **CITY OF SAN ANTONIO, TEXAS** (the "City") and have acted as such in connection with the issuance by the **CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION** (an industrial development corporation created by the City pursuant to the Development Corporation Act of 1979, as amended - the "Issuer") of an aggregate of \$24,685,000 in principal amount of its **CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2003 (TAXABLE) (STARBRIGHT PROJECT)** (the "Bonds") pursuant to a resolution adopted by the Issuer on June 12, 2003 (the "Bond Resolution"), the issuance of which was approved by an ordinance of the City Council of the City on June 12, 2003 (the "City Ordinance"). Capitalized terms not otherwise defined in this letter have the meanings assigned in the Purchase Contract.

In my capacity as City Attorney to the City, I or my designated attorneys have reviewed the following:

1. The Bond Resolution as adopted by the Board of Directors of the Issuer;
2. The City Ordinance as adopted by the City Council;
3. An executed counterpart of the Purchase Contract, dated as of June 12, 2003 (the "Purchase Contract"), between the Issuer and the Underwriters named in such Purchase Contract;
4. Executed counterparts of the Economic Development Contract, dated as of June 12, 2003, between the City and the Issuer;
5. An executed copy of the Official Statement relating to the Bonds, dated as of June 12, 2003;

6. Executed counterparts of the Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust, each dated as of June 1, 2003, and each by an between the Issuer and Wells Fargo Bank Texas, N.A., as Trustee (collectively, the Indenture);

7. Such other agreements, documents, certificates, opinions, letters and other papers as I have deemed necessary or appropriate in rendering the opinions set forth below; and

8. The Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, as amended (the "Act"), Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), and such other provisions of the Constitution and laws of the State of Texas and the United States of America as I believe necessary to enable me to render the opinions herein contained.

In making my review, I have assumed the authenticity of all documents and agreements submitted to me as originals, conformity to the originals of all documents and agreements submitted to me as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such documents.

Based upon the foregoing, it is my opinion that:

1. The City has duly established the economic development program relating to the Bonds pursuant to the provisions of Chapter 380, and has duly adopted and enacted the City Ordinance in accordance with the Act, and the City has full legal right, power and authority to enter into the Economic Development Contract.

2. The Economic Development Contract has been duly entered into by the City and is a legal, valid and binding obligation of the City and is enforceable in accordance with its terms, except to the extent that the enforceability of such instrument may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights.

3. Based on reasonable inquiry made of the responsible City employees and public officials, the City is not, to the best of my knowledge, in breach of or in default under any applicable constitutional provision, law or administrative regulation of the State of Texas or the United States relating to the Bonds, the Economic Development Contract or the economic development program relating to the Bonds established by the City pursuant to the provisions of Chapter 380, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject and, to the best of my knowledge after due inquiry, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default by the City under any of the foregoing; and the establishment of the economic development program relating to the Bonds, the execution and delivery of the Economic Development Contract, and the adoption of the City Ordinance and compliance with the provisions of each of such programs, agreements or instruments do not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative regulation of the State of Texas or the United States or any applicable judgment or decree or, to the best of my knowledge, any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject; and

4. No litigation is pending, or, to my knowledge, threatened, in any court (a) in any way challenging the titles of the Mayor or any of the other members of the City Council of the City to their respective offices, or (b) in any way contesting or affecting the validity or enforceability of the economic development program relating to the Bonds, the Economic Development Contract or the City Ordinance.

In addition, without having undertaken to determine independently the accuracy and completeness of the statements contained in the Official Statement, nothing has come to my attention which would lead me to believe that the Official Statement (excluding therefrom the financial and statistical data and forecasts included therein) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The opinions herein are expressed as of the date hereof.

Very truly yours,

Andrew Martin
City Attorney for the City of San Antonio, Texas

EXHIBIT D

FORM OF DTC BLANKET LETTER OF REPRESENTATION

The Depository Trust Company

A subsidiary of The Depository Trust & Clearing Corporation

BLANKET ISSUER LETTER OF REPRESENTATIONS

[To be Completed by Issuer]

City of San Antonio, Texas
Starbright Industrial Development Corporation

[Name of Issuer]

June 12, 2003

[Date]

[For Municipal Issues:
Underwriting Department—Eligibility; 50th Floor]
[For Corporate Issues:
General Counsel's Office; 49th Floor]

The Depository Trust Company
55 Water Street
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted:
THE DEPOSITORY TRUST COMPANY

By: _____



**The Depository Trust &
Clearing Corporation**

Very truly yours,

**City of San Antonio, Texas Starbright
Industrial Development Corporation**

(Issuer)

By: _____
(Authorized Officer's Signature)

Christopher Brady, Executive Director
(Print Name)

506 Dolorosa, First Floor - Finance Department
(Street Address)

San Antonio, Texas 78205
(City) (State) (Country) (Zip Code)

(210) 207-8089
(Phone Number)

chrisb@sanantonio.gov
(E-mail Address)

(To Blanket Issuer Letter of Representations)

**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE****(Prepared by DTC—bracketed material may be applicable only to certain issues)**

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity

of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

EXHIBIT E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), dated as of June 1, 2003, is executed and delivered by the CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS (the "Disclosure Party") and the CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION (the "Issuer"), in connection with the issuance by the Issuer of contract revenue bonds, in one or more series, to be known generally as the "*City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project)*" (the "Bonds"). The Disclosure Party is an "obligated person" (as such term is applied within the meaning of the "Rule," as defined below) with respect to the Bonds by virtue of the Disclosure Party being an entity that is material to an evaluation of the Issuer's offering of the Bonds. For good and valuable consideration, the Issuer and the Disclosure Party covenant and agree as follows:

SECTION 1. *Definitions.*

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

"MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

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

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

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

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

SECTION 2. *Annual Reports; Obligations of Disclosure Party.*

The Disclosure Party undertakes to and shall provide annually to each NRMSIR and any SID, within six months after the end of each of its fiscal years following the issuance of the Bonds (commencing with the fiscal year ending January 31, 2004), all quantitative financial information and operating data with respect to the Disclosure Party of the general type included in Appendix D of the final official statement relating to the Bonds under the headings "SAN ANTONIO ELECTRIC AND GAS SYSTEMS - Customer Base"; "TEN-YEAR ELECTRIC CUSTOMER STATISTICS"; "FIVE-YEAR ELECTRIC AND GAS SALES BY CUSTOMER CATEGORY"; "FIVE-YEAR STATEMENT OF NET REVENUES AND DEBT SERVICE COVERAGE"; "DESCRIPTION OF PHYSICAL PROPERTY - ELECTRIC SYSTEM - Generating Capability and - Five-Year South Texas Project Capacity Factor"; and "DESCRIPTION OF PHYSICAL PROPERTY - OTHER ELECTRIC AND GAS SYSTEMS STATISTICS."

If the Disclosure Party changes its fiscal year, it will notify the Issuer, each NRMSIR and any SID in writing of the change (and of the date of the new fiscal year end) prior to the next date by which the Disclosure Party otherwise would be required to provide financial information and operating data pursuant to this Section.

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

The Disclosure Party shall, within ten (10) business days of the filings of the annual reports, notify the Issuer in writing that the filings have been made.

Further, the Disclosure Party shall provide, in a timely manner, notice to the Issuer of any failure by the Disclosure Party to provide the annual financial statements and operating data in accordance with this Section 2 hereof to each NRMSIR and the SID.

SECTION 3. *Limitations, Disclaimers, and Amendments.*

The Issuer and the Disclosure Party shall be obligated to observe and perform the covenants specified in this Agreement for so long as, but only for so long as, the Disclosure Party remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Issuer in any event will give notice to the Disclosure Party of any deposit made that causes the Bonds no longer to be outstanding.

The provisions of this Agreement are for the sole benefit of (and may be enforced by) the bondholders and beneficial owners of the Bonds and the parties to this Agreement, and nothing in this Agreement, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Disclosure Party undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Agreement and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Disclosure Party's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Agreement or otherwise, except as expressly provided herein. The Disclosure Party does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Bonds on the date hereof or at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER OR THE DISCLOSURE PARTY BE LIABLE TO THE BONDHOLDER 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 ISSUER OR THE DISCLOSURE PARTY, RESPECTIVELY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS AGREEMENT, 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 Issuer or the Disclosure Party in observing or performing their respective obligations under this Agreement shall comprise a breach of or default under any resolution of the Issuer authorizing the issuance of the Bonds, or any contract relating thereto, or any ordinance or resolution adopted by the City Council of the City of San Antonio, Texas for the benefit of the Disclosure Party or by the Board of Trustees of the Disclosure Party.

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

The provisions of this Agreement may be amended by the Issuer and the Disclosure Party 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 Issuer or the Disclosure Party, but only if (1) the provisions of this Agreement, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the bondholders or beneficial owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Agreement that authorizes such an amendment) of outstanding Bonds consent to such amendment or (b) an entity that is unaffiliated with the Issuer or the Disclosure Party (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the bondholders and beneficial owners of the Bonds and is permitted by the terms of the Agreement. If the Issuer and the Disclosure Party so amend the provisions of this Agreement in connection with the financial or operating data the Disclosure Party is required to disclose under Section 2 hereof, the Issuer shall provide a notice of such amendment to each NRMSIR or the MSRB and the SID, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The Issuer and the Disclosure Party may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds.

SECTION 4. *Miscellaneous.*

A. Representations.

Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officers of such party whose signatures appear on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under applicable law and any resolutions or other actions of such party now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best

of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of Bonds.

B. Governing Law.

This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas and applicable federal law.

C. Severability.

If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

D. Counterparts.

This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Disclosure Party and the Issuer have each caused their duly authorized officers to execute this Agreement as of the day and year first above written.

CITY PUBLIC SERVICE BOARD OF SAN ANTONIO, TEXAS

Chairman, Board of Trustees

ATTEST:

Secretary/Treasurer, Board of Trustees

**CITY OF SAN ANTONIO, TEXAS, STARBRIGHT INDUSTRIAL
DEVELOPMENT CORPORATION**

By: _____
Title: _____

ATTEST:

Title: _____

DO NOT TYPE IN THIS SPACE		CITY OF SAN ANTONIO	For CMO use only
Approval		Request For Ordinance/Resolution	Date Considered
Finance	Budget		Consent <input type="checkbox"/> Individual <input checked="" type="checkbox"/>
Legal	Coordinator		Item No. 3, 4
			Ord. No.

Date: Tuesday, June 03, 2003	Department: Finance Department	Contact Person/Phone #: Milo Nitschke/8621
Date Council Consideration Requested: Thursday, June 12, 2003	Deadline for Action:	Dept. Head Signature: <i>Milo Nitschke</i>

SUMMARY OF ORDINANCE

A. This Resolution authorizes the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves and authorizes the execution of an indenture of trust relating to the bonds, including the first supplemental indenture of trust; approves a bond purchase agreement; ratifies a preliminary official statement and approves a final official statement; approves certain matters relating to credit enhancement and related matters; approves and authorizes the execution of a continuing disclosure agreement; authorizes and ratifies other actions of the corporation; makes certain findings and contains other provisions relating to the subject.

B. This Ordinance approves the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the form, terms, and substance of a resolution of the corporation relating to its Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the use of financial information in a preliminary official statement and a final official statement; makes certain findings and contains other provisions relating to the subject; and provides for the immediate effective date upon approval of eight (8) affirmative votes.

Staff recommends approval of this Resolution and Ordinance.

Council Memorandum Must be Attached To Original

Other Depts., Boards, Committees Involved (please specify):
This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Economic Development, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.

Contract signed by other party
Yes No

FISCAL DATA (If Applicable)

Fund No. _____	Amt. Expended _____	Funds/Staffing Budgeted	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Activity No. _____	SID No. _____	Positions Currently Authorized		
Index Code _____	Project No. _____	Impact of future O &		

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
FINANCE DEPARTMENT**

TO: Mayor and City Council and Board of Directors, City of San Antonio, Texas
Starbright Industrial Development Corporation

FROM: Milo Nitschke, Director, Finance Department

THROUGH: Terry M. Brechtel, City Manager

COPIES: Melissa Byrne Vossmer, Assistant City Manager; Christopher J. Brady, Assistant City Manager; Ramiro Cavazos, Director, Economic Development; City Attorney's Office; City Clerk; File

SUBJECT: Authorizing the Issuance, Sale and Delivery of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003

DATE: June 12, 2003

SUMMARY AND RECOMMENDATIONS

- A. This Resolution authorizes the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves and authorizes the execution of an indenture of trust relating to the bonds, including the first supplemental indenture of trust; approves a bond purchase agreement; ratifies a preliminary official statement and approves a final official statement; approves certain matters relating to credit enhancement and related matters; approves and authorizes the execution of a continuing disclosure agreement; authorizes and ratifies other actions of the corporation; makes certain findings and contains other provisions relating to the subject.
- B. This Ordinance approves the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the form, terms, and substance of a resolution of the corporation relating to its Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the use of financial information in a preliminary official statement and a final official statement; makes certain findings and contains other provisions relating to the subject; and provides for the immediate effective date upon approval of eight (8) affirmative votes.

Staff recommends approval of this Resolution and Ordinance.

BACKGROUND INFORMATION

State, County, City, and other municipal officials have been working in a collaborative effort to attract Toyota Motors to locate its sixth automobile manufacturing plant near San Antonio. Official announcements of this decision by Toyota were made on Monday, February 10, 2003. The terms, responsibilities, and obligations of the public entities offering some form of incentive or infrastructure investment to Toyota are outlined in the "Project Starbright Agreement" which was approved by City Council on May 22, 2003.

On February 20, 2003, the City Council authorized creation of the City of San Antonio, Texas Starbright Industrial Development Corporation for the purpose of undertaking authorized economic development activities to fulfill obligations under the Agreement. Such activities include, but are not limited to, the issuance of debt, acquisition and conveyance of real and/or personal property, and other related actions necessary to meet the anticipated terms of the City's commitments to Toyota Motor Manufacturing.

On February 27, 2003, the City of San Antonio, Texas Starbright Industrial Development Corporation approved the form, content and distribution of the Preliminary Official Statement pertaining to the issuance, sale and delivery of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (the "2003 Bonds"). The 2003 Bonds are being issued to provide funds: (1) to purchase, or cause to be purchased, the project site for the proposed Toyota plant as provided in the Project Starbright Agreement; (2) reimburse Toyota or pay other costs of the project site including site preparation and a training facility as provided in the Project Starbright Agreement; (3) to pay the costs of issuance; and (4) to reimburse the City for project expenses heretofore incurred.

The 2003 Bonds are secured by pledged contract payments to be made from the City to the City of San Antonio, Texas Starbright Industrial Development Corporation to be payable solely from revenues of the gas and electric systems owned by the City and payable to the City in an amount not to exceed 14% of gross revenues. The estimated annual pledged contract payments are equal to the debt service requirements on the 2003 Bonds of approximately \$1,751,000.

In connection with the issuance and sale of the bonds, presentations were made to Moody's, Standard & Poor's and Fitch, on March 3 and 4, 2003. The bonds were rated "AA", "Aa2", and "AA" by Fitch, Moody's Investors Services, Inc., and Standard and Poor's Ratings Group respectively.

The 2003 Bonds were submitted to bond insurance firms for qualification for municipal bond insurance. The 2003 Bonds were qualified for municipal bond insurance by AMBAC. It is anticipated that the bonds will be insured by AMBAC and be assigned the rating of "AAA", "Aaa" and "AAA" by Fitch, Moody's and Standard & Poor's respectively.

It is anticipated that the 2003 Bonds will be sold the week of June 9, 2003 by an underwriting syndicate including Siebert Brandford Shank & Co. as Senior Book Running Manager; RBC Dain Rauscher as Co-Senior Manager; and First Southwest and J.P. Morgan as Co-Managers.

The final results of the pricing and sale will be detailed in a memorandum, which will be provided on Thursday, June 12, 2003.

POLICY ANALYSIS

This action will support the City's obligations under the Project Starbright Agreement. Approval of this Resolution and Ordinance will promote development that is consistent with the City's goals.

FISCAL IMPACT

Any costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of such bonds.

It is estimated that the City will make annual pledged contract payments to the City of San Antonio, Texas Starbright Industrial Development Corporation in the approximate amount of \$1,751,000. This annual payment is required to pay the annual debt service requirements on the 2003 Bonds. The debt service for the bonds will be financed by a payment of the revenues collected from the 14% CPS revenues generated by the manufacturing plant's electric and gas consumption. The anticipated incremental CPS revenue created from the manufacturing plant will not be sufficient to fund the expected debt service for the bonds. The estimated collection of the total incremental 14% CPS revenues in comparison to total debt service over the life of the bonds will result in an estimated \$3.4 million shortfall. However, the estimated property tax collections from the \$400 million capital investment for the same period will be \$60 million. The net economic benefit to the City over the life of the bonds is estimated to be \$57 million.

SUPPLEMENTAL COMMENTS

The disclosures required by the City's Ethics Ordinance for each of the underwriting firms are attached.

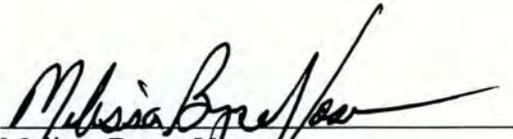
COORDINATION

This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Economic Development, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.

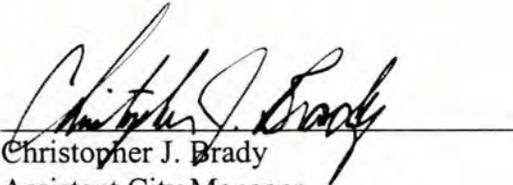


Milo D. Nitschke
Director, Finance Department

Approved:



Melissa Byrne Vossmer
Assistant City Manager



Christopher J. Brady
Assistant City Manager



Terry M. Brechtel
City Manager

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

None

(2) the identity of any business entity¹ that would be a party to the discretionary contract:

None

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: Chairman Company: Siebert Brandford Shank & Co., LLC	Date: September 4, 2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One YES NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One YES NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One YES NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

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Attach additional sheets if space provided is not sufficient.
State "Not Applicable" for questions that do not apply.

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For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

None.

(2) the identity of any business entity² that would be a party to the discretionary contract:

None
and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

² A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

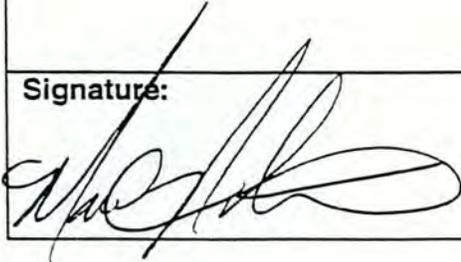
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity - whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question³ as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Company:	Date: 9/4/02

³ For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

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For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract,

None.

(2) the identity of any business entity that would be a party to the discretionary contract
and the name of

(A) any individual or business entity that would be a subcontractor on the discretionary contract,

None.

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract,

First Southwest Company is owned by First Southwest Holdings, Inc.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None.

¹ A business entity means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

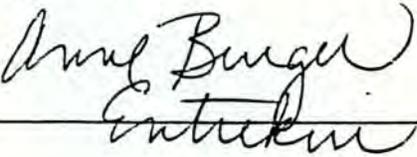
Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal or a discretionary contract. If political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (b) (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which reasonably understood raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Senior Vice President Company: First Southwest Company	Date: 9/6/02

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

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Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2
Attach additional sheets if space provided is not sufficient.
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For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

NONE.

(2) the identity of any business entity¹ that would be a party to the discretionary contract:
J.P. Morgan Securities Inc. and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

NONE.

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

J.P. Morgan Chase & Co.
CSI Portfolio Holdings
Hambrecht & Quist California
Lewco Securities Inc.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

NONE.

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current or former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
NONE.		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Richard M. Ramirez Company: J.P. Morgan Securities Inc.	Date: 9/6/2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO
City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.